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Testimony

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REBUILDING IRAQ

**More Comprehensive
National Strategy Needed to
Help Achieve U.S. Goals
and Overcome Challenges**

Statement of David M. Walker
Comptroller General of the United States





Highlights of [GAO-06-953T](#), a testimony before the Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In November 2005, the National Security Council (NSC) issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's strategy for achieving U.S. political, security, and economic goals in Iraq. The U.S. goal is to establish a peaceful, stable, and secure Iraq. In addition, in June 2006, the administration issued a fact sheet at Camp David discussing current progress and goals in Iraq.

This testimony (1) discusses the extent to which the NSVI and its supporting documents address the six characteristics of an effective national strategy, and (2) assesses how security, political, and economic factors will affect achieving the U.S. strategy for Iraq. In this testimony, the NSVI and supporting documents are collectively referred to as the U.S. strategy for Iraq.

What GAO Recommends

A GAO report issued today recommends that NSC, along with the Departments of Defense and State, complete the strategy by addressing all six characteristics of an effective national strategy in a single document. State commented that the NSVI's purpose is to provide a broad overview of the U.S. strategy in Iraq, not all details. GAO's analysis was not based exclusively on the NSVI but included all key supporting documents. Consequently, GAO retained the recommendation for a more complete and integrated strategy.

www.gao.gov/cgi-bin/getrpt?GAO-06-953T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff at (202) 512-8979 or christoffj@gao.gov.

REBUILDING IRAQ

More Comprehensive National Strategy Needed to Help Achieve U.S. Goals and Overcome Challenges

What GAO Found

The NSVI is an improvement over previous U.S. planning efforts for stabilizing and rebuilding Iraq. However, the NSVI and supporting documents are incomplete as they do not fully address all the characteristics of an effective national strategy. Among its positive attributes, the strategy's purpose and scope is clear; it identifies U.S. involvement in Iraq as a "vital national interest and the central front in the war on terror." Also, the strategy generally addresses the threats and risks facing the coalition forces and provides a comprehensive description of U.S. political, security, and economic objectives in Iraq. However, the discussion of outcome-related performance measures to assess progress in achieving these goals and objectives is limited. Moreover, the strategy falls short in at least three areas. First, it only partially identifies the agencies responsible for implementing key aspects of the strategy. Second, it does not fully address how the U.S. will integrate its goals with those of the Iraqis and the international community, and it does not detail Iraq's anticipated contribution to its future needs. Third, it only partially identifies the current and future costs of U.S. involvement in Iraq, including maintaining U.S. military operations, building Iraqi government capacity, and rebuilding critical infrastructure. Furthermore, the June 2006 Camp David fact sheet provides additional detail but does not address these key shortfalls.

Security, political, and economic factors will hamper U.S. efforts to stabilize Iraq and achieve key U.S. goals. First, the U.S. and Iraq are trying to stabilize Iraq by training and equipping additional Iraqi security forces and securing Baghdad and other strategic cities. However, increases in attacks against the coalition and its Iraqi partners and the growing influence of militias will adversely affect U.S. and Iraqi efforts. Second, the U.S. and Iraq are trying to improve Iraq's capacity to govern by reconciling sectarian groups and building the capacity of national and provincial governments to provide security and services. However, sectarian conflicts, the lack of capacity in the ministries, and corruption serve to hinder these efforts. Third, the U.S. and Iraqi governments are trying to revitalize Iraq's economy and restore the oil, electricity, and other key sectors. However, these efforts have been impeded by security, corruption, fiscal, and other challenges.

The formation of a permanent Iraqi government gives the U.S. an opportunity to re-examine its strategy for Iraq and align its efforts with Iraq and the international community. As a first step, NSC should complete the strategy by defining and disseminating performance metrics, articulating clear roles and responsibilities, specifying future contributions, and identifying current costs and future resources. In addition, the United States, Iraq, and the international community should (1) enhance support capabilities of the Iraqi security forces, (2) improve the capabilities of the national and provincial governments, and (3) develop a comprehensive anti-corruption strategy.

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear today to discuss the U.S. government's strategy for victory in Iraq. In November 2005, the National Security Council (NSC) issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's existing strategy for achieving U.S. political, security, and economic goals in Iraq. The NSVI and supporting documents incorporate the same desired end-state for U.S. operations in Iraq first established by the Coalition Provisional Authority in 2003: a peaceful, united, stable, secure Iraq, well-integrated into the international community and a full partner in the global war on terrorism. In addition, in June 2006, the administration issued a fact sheet at Camp David discussing current progress and goals in Iraq.

My testimony is based on the report we are releasing today evaluating the NSVI and seven supporting documents, as well as related reports assessing the challenges to achieving U.S. objectives in Iraq. My testimony assesses (1) the extent to which the NSVI and supporting documents collectively address the six key characteristics of an effective national strategy, and (2) how security, political, and economic factors will affect achieving the U.S. strategy for Iraq. In this testimony, the NSVI and supporting documents are collectively referred to as the U.S. strategy for Iraq. While we assessed unclassified and classified documents, the information in the statement is unclassified.

We conducted our reviews for these reports under my statutory authority as Comptroller General in accordance with generally accepted government auditing standards.

Summary

The NSVI is an improvement over previous U.S. government planning efforts for stabilizing and rebuilding Iraq. However, the NSVI and its supporting documents are incomplete because they do not fully address all of the desirable characteristics of an effective national strategy. On the one hand, the strategy's purpose and scope is clear because it identifies U.S. involvement in Iraq as a "vital national interest and the central front in the war on terror." The strategy also generally addresses the threats and risks facing the coalition forces, as well as provides a comprehensive description of the desired U.S. political, security, and economic objectives in Iraq. However, the discussion of outcome-related performance measures to assess progress in achieving these goals and objectives is limited and not transparent. On the other hand, the strategy falls short in at least three key areas. First, it only partially identifies which U.S.

agencies are responsible for implementing key aspects of the strategy or resolving conflicts among the many implementing agencies. Second, it does not fully address how U.S. goals and objectives will be integrated with those of the Iraqi government and the international community, and it does not detail the Iraqi government's anticipated contribution to its future security and reconstruction needs. Third, it only partially identifies the current and future costs of U.S. involvement in Iraq, including the costs of maintaining U.S. military operations, building Iraqi government capacity at the provincial and national level, and rebuilding critical infrastructure. The June 2006 Camp David fact sheet provides additional detail but does not address the key shortfalls we identified in these three areas.

Security, political, and economic factors are hampering U.S. efforts to stabilize Iraq and achieve key goals in the U.S. strategy. First, the U.S. and Iraqi governments are trying to stabilize Iraq by training and equipping Iraqi security forces and securing Baghdad and other strategic cities. Although the number of the Iraqi security forces is increasing, these forces still lack the logistical, command and control, and intelligence capabilities to operate independently. Moreover, increases in attacks against the coalition and its Iraqi partners and the growing influence of militias have adversely affected U.S. and Iraqi efforts. Second, the U.S. and Iraqi governments are trying to improve Iraq's capacity to govern by reconciling the conflicting sectarian groups and building the capacity of national and provincial governments to provide security and deliver services. However, continuing sectarian conflicts and the lack of core competencies in the ministries, along with widespread corruption, are hindering these efforts. Third, the U.S. and Iraqi governments are trying to revitalize Iraq's economy and restore essential services in the oil, electricity, and other key sectors, but these efforts have been impeded by security, corruption, fiscal, and other challenges.

The formation of a permanent Iraqi government gives the United States a new opportunity to re-examine its strategy for Iraq and more closely align its efforts with Iraq and the international community. The report we are releasing today recommends that the NSC, in conjunction with the Departments of Defense (DOD) and State, complete the U.S. strategy for Iraq by addressing all six characteristics of an effective national strategy in a single document. In particular, the revised strategy should clarify agencies' roles and responsibilities, specify future contributions, and identify current costs and future resources needed to implement the strategy.

DOD and State did not comment on the recommendations in a draft of the report released today. However, in its comments State noted that our report misrepresented the NSVI's purpose—to provide the public with a broad overview of the U.S. strategy for Iraq. Importantly, our analysis was not limited to the publicly available, unclassified NSVI but was based on the classified and unclassified documents that define the U.S. strategy for Iraq. Collectively, these documents still lack all of the key characteristics of an effective national strategy.

Based on our other ongoing and completed work, the United States, Iraq and the international community could take additional actions to achieve success in Iraq. These actions include (1) sustaining the development of Iraqi security forces by enhancing their support capabilities (command and control, logistics, and intelligence); (2) expanding efforts to improve the capabilities of national and provincial governments, including greater technical assistance and training; and (3) developing a comprehensive anti-corruption strategy that improves the regulatory environment, strengthens accountability organizations, reduces subsidies, and enhances investment opportunities.

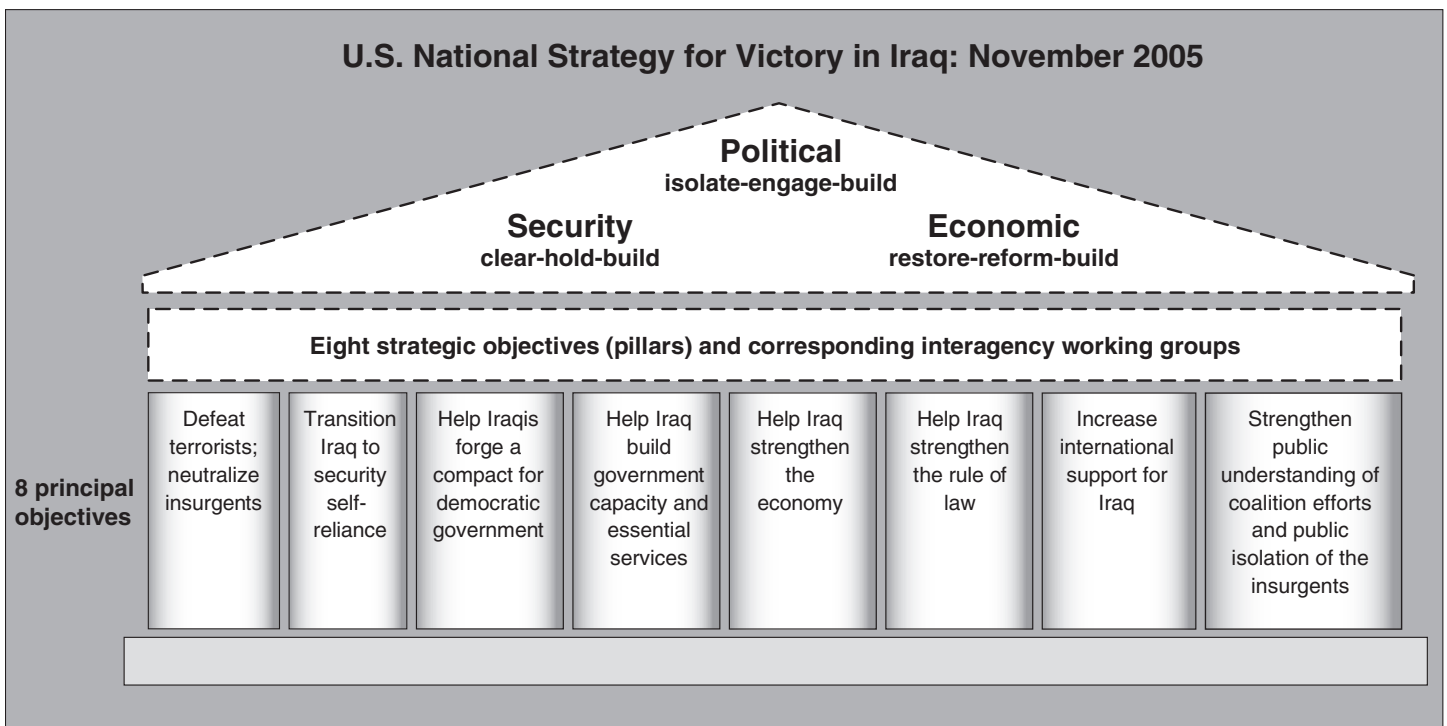
Background on the National Strategy for Victory in Iraq

Prior to the fall of 2005, the U.S. stabilization and reconstruction effort in Iraq lacked a clear, comprehensive, and integrated U.S. strategy. State assessments and other U.S. government reports noted that this hindered the implementation of U.S. stabilization and reconstruction plans. A review of the U.S. mission completed in October 2005 found, among other things, that (1) no unified strategic plan existed that effectively integrated U.S. government political, military, and economic efforts; (2) multiple plans in Iraq and Washington had resulted in competing priorities and funding levels not proportional to the needs of overall mission objectives; (3) focused leadership and clear roles were lacking among State, DOD, and other agencies in the field and in Washington, D.C.; and (4) a more realistic assessment of the capacity limitations of Iraq's central and local government was needed.

In November 2005, the National Security Council (NSC) issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's existing strategy for achieving U.S. political, security, and economic goals in Iraq. According to this document, prevailing in Iraq is a vital U.S. national interest because it will help win the war on terror and make America safer, stronger, and more certain of its future. To achieve victory, the strategy requires the United States to maintain troops in Iraq until its objectives are achieved, adjusting troop strength as conditions warrant.

The strategy reorganized U.S. government stabilization and reconstruction efforts along three broad tracks—political, security, and economic—and eight strategic objectives (see fig. 1).

Figure 1: U.S. National Strategy for Victory in Iraq

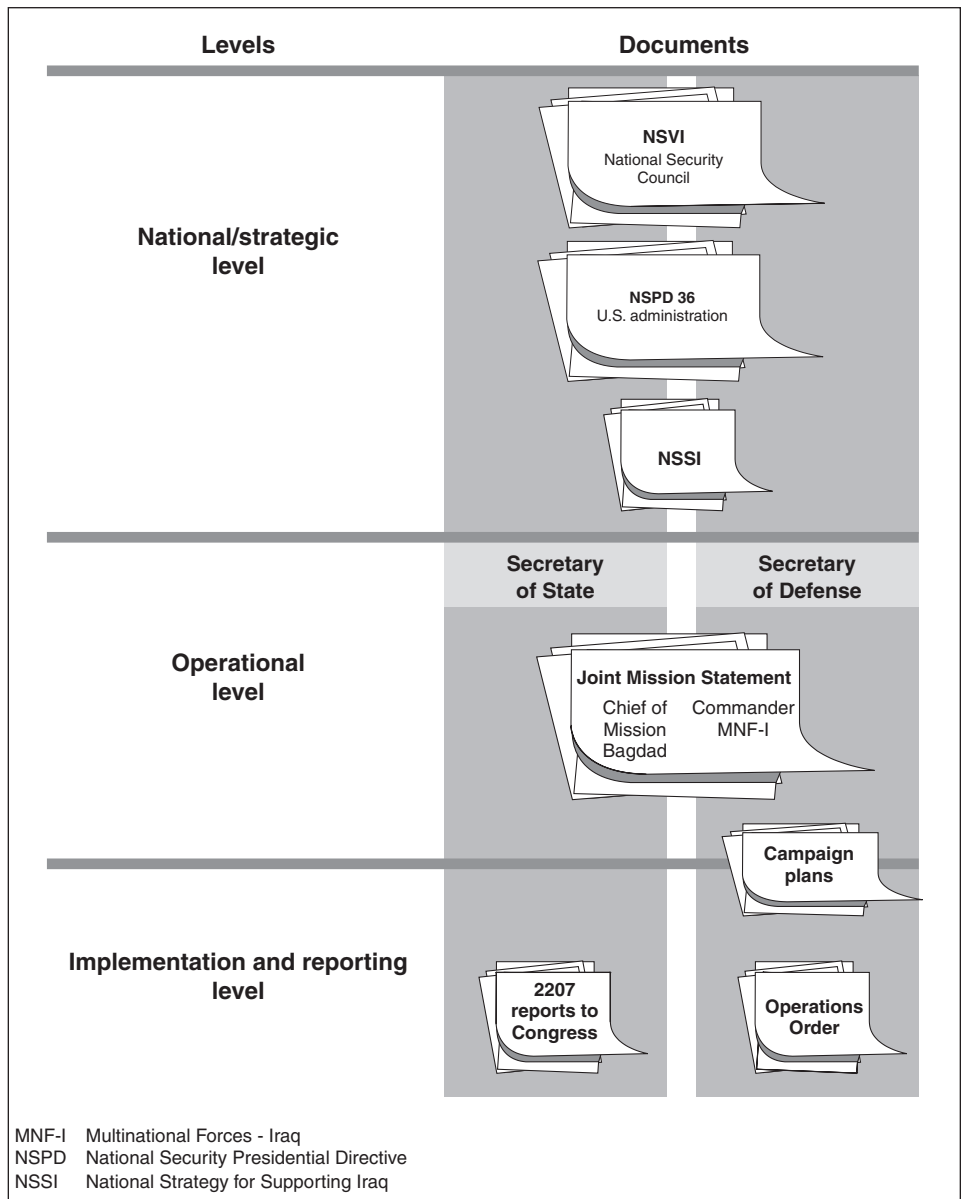


Source: GAO analysis of National Strategy for Victory in Iraq.

Overall, officials in DOD and State identified seven documents that describe the U.S. government strategy for Iraq in addition to the NSVI.¹ Figure 2 shows the NSVI and key supporting documents. The U.S. government uses these documents to plan, conduct, and track efforts at the strategic, operational, and implementation levels.

¹Two separate campaign plans were included in our analysis: the August 2004 plan and the April 2006 Joint Campaign Plan issued by the Chief of Mission and the Commander of the MNF-I.

Figure 2: NSVI and Key Supporting Documents



Source: GAO.

Our work has identified six characteristics of an effective national strategy. National strategies with these characteristics offer policymakers and implementing agencies a management tool that can help ensure

accountability and more effective results. The six characteristics are (1) a clear purpose, scope, methodology; (2) a detailed discussion of the problems, risks, and threats the strategy intends to address; (3) the desired goals and objectives, and outcome-related performance measures; (4) a description of the U.S. resources needed to implement the strategy; (5) a clear delineation of the U.S. government's roles, responsibilities, and mechanisms for coordination; and (6) a description of how the strategy is integrated internally (that is, among U.S. agencies) and externally (in this case, with the Iraqi government and international organizations). These six characteristics can be subdivided into 27 separate elements. For a more detailed assessment, see appendix I.

National Strategy for Victory in Iraq and Supporting Documents Do Not Fully Address All Key Characteristics of an Effective National Strategy

The NSVI aims to improve U.S. strategic planning for Iraq; however, the NSVI and supporting documents do not fully address all of the six desirable characteristics of effective national strategies that GAO has identified through its prior work.² We used these six characteristics to evaluate the strategy—that is, the NSVI and supporting documents that DOD and State officials said encompassed the U.S. strategy for rebuilding and stabilizing Iraq. As figure 3 shows, the strategy generally addresses three of the six characteristics but only partially addresses three others, limiting its usefulness to guide agency implementation efforts and achieve desired results. Moreover, since the strategy is dispersed among several documents instead of one, its effectiveness as a planning tool for implementing agencies and for informing Congress about the pace, costs, and intended results of these efforts is limited. Although the June 2006 Camp David fact sheet provides additional detail on recent U.S. and Iraqi actions, it does not address the key shortfalls we identified in the three areas.

²See GAO, *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, [GAO-04-408T](#) (Washington, D.C.: Feb. 3, 2004); and *Defense Management: Comprehensive Strategy and Periodic Reporting Are Needed to Gauge Progress and Costs of DOD's Global Posture Restructuring*, [GAO-06-486C](#) (Washington, D.C.: May 26, 2006).

Figure 3: Extent U.S. Strategy for Iraq Addresses GAO’s Desirable Characteristics of an Effective National Strategy

Extent the U.S. Strategy for Iraq Addresses GAO’s Desirable Characteristics of an Effective National Strategy	Generally addresses	Partially addresses
1. Clear purpose, scope, and methodology	✓	
2. Detailed discussion of problems, risks, and threats	✓	
3. Desired goals, objectives, activities, and performance measures	✓	
4. Delineation of U.S. government roles and responsibilities		✓
5. Description of strategy’s integration among and with other entities		✓
6. Description of future costs and resources needed		✓

Sources: GAO analysis of NSC, State, and DOD data.

Strategy Generally Addresses Purpose and Scope, Risks and Threats, and Goals and Objectives

The strategy provides (1) a clear statement of its purpose and scope; (2) a detailed discussion of the problems, risks, and threats; and (3) an explanation of its goals, subordinate objectives, and activities but a limited discussion of outcome-oriented performance measures.

Strategy Identifies Purpose and Scope

This characteristic addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed. A complete description of purpose, scope, and methodology makes the document more useful to organizations responsible for implementing the strategies, as well as to oversight organizations such as Congress. The NSVI and supporting documents generally address this characteristic by identifying U.S. government efforts to rebuild and stabilize Iraq in terms of these three overarching objectives and address the assumptions that guided the strategy’s development. For example, to help Iraq achieve the strategic goal of forging a national compact for democratic government, the strategy’s subordinate objectives state that the United States would help promote transparency in the executive, legislative, and judicial branches of government, and help build national institutions that transcend regional and sectarian interests, among other activities.

Strategy Identifies Problems, Risks, and Threats

This characteristic addresses the particular problems, risks, and threats the strategy is directed at, as well as risk assessment of the threats to and vulnerabilities of critical assets and operations. Specific information on both risks and threats helps responsible parties better implement the strategy by ensuring that priorities are clear and focused on the greatest needs. The NSVI and supporting documents generally address some of the problems, risks, and threats found in Iraq. For example, the NSVI identifies the risks posed by the insurgency and identifies three basic types of

Strategy Discusses Goals, Objectives, and Activities but Provides Limited Discussion of Outcome-Related Performance Measures

insurgents—rejectionists, supporters of former Iraqi President Saddam Hussein, and terrorists affiliated with or inspired by al Qaeda—and the different actions needed to confront each one. In addition, various supporting documents provide additional information on the threats of the Shi'a militias and the corruption that could affect the Iraqi government's ability to become self-reliant, deliver essential services, reform its economy, strengthen rule of law, maintain nonsectarian political institutions, and increase international support.

This characteristic addresses the goals of the national strategy and the steps needed to attain those goals, as well as the priorities, milestones, and outcome-related performance measures to enable more effective oversight and accountability. The NSVI generally addresses goals and subordinate objectives by identifying 8 strategic objectives (pillars), 46 subordinate objectives, or "lines of action," and numerous project activities, but only partially addresses outcome-related performance measures. The supporting strategy documents also provide information on how progress will be monitored and reported. In addition, the NSVI identifies the process for monitoring and reporting on progress via interagency working groups. It also identifies some metrics to assess progress, such as the number of Iraqis willing to participate in the political process, the quality and quantity of the Iraqi units trained, and barrels of oil produced and exported.

However, the metrics the strategy uses to report progress make it difficult to determine the impact of the U.S. reconstruction effort. We reported previously that in the water resources and sanitation sector, little was known about how U.S. efforts were improving the amount and quality of water reaching Iraqi households or their access to the sanitation services because the U.S. government only tracked the number of projects completed or under way.³ For instance, as of March 2006, Iraq had the capacity to produce 1.1 million cubic meters of water per day, but this level overestimated the amount of potable water reaching Iraqi households. U.S. officials estimate that 60 percent of water treatment output is lost due to leakage, contamination, and illegal connections. The U.S. mission in Iraq reported in December 2005 that it had developed a set of metrics to better estimate the potential impact that U.S. water and

³See GAO, *Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities*, [GAO-05-872](#) (Washington, D.C.: Sept. 7, 2005).

sanitation reconstruction efforts were having on Iraqi households, but acknowledges it is difficult to measure how much water Iraqis are actually receiving or whether the water is potable. The mission report notes that without such comprehensive data, mission efforts to accurately assess the impact of U.S. reconstruction efforts on water and sanitation services is seriously limited.

**Strategy Partially
Addresses Agency
Responsibilities,
Integration, and Costs**

The NSVI and supporting documents only partially (1) delineate the roles and responsibilities of key U.S. government agencies; (2) describe how the strategy will be integrated among U.S. entities, the Iraqi government, international organizations and the mechanisms for coordination; and (3) identify what the strategy will cost and the sources of financing.

**Strategy Partially Addresses
U.S. Roles, Responsibilities,
and Coordination Mechanisms**

This characteristic addresses which U.S. organizations will implement the strategy as well as the roles, responsibilities, and mechanisms for coordinating their efforts. The NSVI and the supporting documents partially address the roles and responsibilities of specific U.S. government agencies and offices and the process for coordination. For example, National Security Presidential Directive 36 makes the Department of State responsible for the non-security aspects of reconstruction and lays out key roles for the U.S. Chief of Mission in Baghdad and CENTCOM. It directs that the Commander of CENTCOM will, under the guidance of the Chief of Mission, oversee all U.S. government efforts to train and equip Iraq security forces.

However, it is not clear which agency is responsible for implementing the overlapping activities listed under the NSVI's eight strategic objectives. For instance, one activity is to promote transparency in the executive, legislative, and judicial branches of the Iraqi government; however, the NSVI and supporting documents do not indicate which agency is responsible for implementing this activity, or who is to be held accountable for results. Moreover, little guidance is provided to assist implementing agencies in resolving conflicts among themselves, as well as with other entities. In our prior work, we found that delays in reconstruction efforts sometimes resulted from lack of agreement among U.S. agencies, contractors, and Iraqi authorities about the scope and schedule for the work to be performed.⁴

⁴See [GAO-05-872](#).

Strategy Partially Addresses
Integration with Iraqi
Government and International
Donors

This characteristic addresses both how a national strategy relates to the goals and activities of other strategies, to other entities, and to documents from implementing organizations to help these entities understand their roles and responsibilities. The NSVI and supporting documents partially address how the strategy relates to other international donors and Iraqi government goals, objectives, and activities. For instance, the NSVI and supporting documents identify the need to integrate the efforts of the coalition, the Iraqi government, and other nations but do not discuss how the U.S. goals and objectives will be integrated. In addition, the strategy does not address what it expects the international community or the Iraqi government to pay to achieve future objectives.

Strategy Partially Addresses
Future Costs and Resource
Requirements

This characteristic addresses what the strategy will cost; where resources will be targeted to achieve the end-state; and how the strategy balances benefits, risks, and costs. The November 2005 National Strategy for Victory in Iraq and related supporting documents do not clearly identify the costs of U.S. military operations, including the costs to repair and replace equipment used during operations. The strategy does not identify other key related costs, including the costs of training, equipping, and supporting Iraq's security forces; the costs of rebuilding, maintaining, and protecting critical oil and electricity infrastructure; or the costs of building management capacity in Iraq's central ministries and 18 provincial governments. In addition to these costs, the new Iraqi government will need significant help in building the procurement, financial management, accountability, and other key systems needed to govern and provide basic services to its citizens.

U.S. government agencies have reported significant costs associated with the global war on terror (GWOT), which includes military operations in Iraq. However, we have serious concerns about the reliability of DOD's reported cost data. GAO's prior work⁵ found numerous problems with DOD's processes for recording and reporting GWOT costs, including long-standing deficiencies in DOD's financial management systems and businesses processes, the use of estimates instead of actual cost data, and the lack of supporting documentation. As a result, neither DOD nor Congress knows how much the war on terror is costing or how appropriated funds are being used.

⁵See GAO, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, [GAO-05-892](#) (Washington, D.C.: Sept. 21, 2005).

The current financial picture is complicated by the extensive use of emergency supplemental funds to pay for the costs of U.S. activities in Iraq. While this funding mechanism might have been appropriate in the early months of the war, use of the regular budget process would promote greater transparency and accountability and better management of the stabilization and reconstruction effort. I will further address issues related to GWOT costs at subsequent hearings before this subcommittee.

Dispersion of the U.S. Strategy across Many Documents Limits Its Usefulness as a Planning Tool

The dispersion of information across several documents limits the strategy's overall coherence and effectiveness as a planning tool for implementing agencies and as an oversight tool for informing Congress about the pace, costs, and results of these efforts. Since the NSVT's supporting documents were written by different agencies at different points in time, the information in the documents is not directly comparable, which diminishes their value. The June 2006 Camp David fact sheet provides some additional detail on recent U.S. government plans to help Iraq's new national unity government achieve some of its short-term security, economic, and political objectives. However, it does not redress identified shortfalls in the U.S. strategy such as the lack of information on costs.

Agency Comments and Our Evaluation of the National Strategy

Although the NSC and the Departments of Defense and State did not comment on the recommendation made in the report we are issuing today, State noted that we misrepresented the NSVT's purpose—to provide the public with a broad overview of the U.S. strategy for Iraq. However, our analysis was not limited to the NSVI but was based on all of the classified and unclassified documents that collectively define the U.S. strategy for Iraq: (1) the National Security Presidential Directive 36 (May 2004), (2) Multinational Forces-Iraq (MNF-I) Campaign Plan (August 2004), (3) the MNF-I/ U.S. Embassy Baghdad Joint Mission Statement on Iraq (December 2005), (4) the Multinational Corps-Iraq Operation Order 05-03 (December 2005), (5) the National Strategy for Supporting Iraq (updated January 2006), (6) the quarterly State Section 2207 reports to Congress (through April 2006), and (7) the April 2006 Joint Campaign Plan issued by the Chief of Mission and the Commander of the MNF-I. We also reviewed appropriations and budget documents. Collectively, these documents still lack all of the key characteristics of an effective national strategy. However, we refined our recommendation to focus on the need to improve the U.S. strategy for Iraq, not just the NSVI.

Other GAO-Related Work Shows that Security, Political, and Economic Factors Hamper U.S. Efforts to Achieve Strategic Goals

Other GAO work shows that security, political, and economic factors have and will continue to hamper U.S. efforts to stabilize Iraq and achieve key U.S. goals. First, increases in attacks against the coalition and its Iraqi partners, growing sectarian violence, and the influence of militias have adversely affected U.S. and Iraqi efforts to secure Baghdad and other strategic cities. Second, sectarian control over ministries and the lack of skilled employees hinder efforts to improve Iraq's governance by building the capacity of ministries and reconciling differences among sectarian interests. Third, security, corruption, and fiscal problems limit U.S. and Iraqi plans to revitalize Iraq's economy and restore essential services in the oil and electricity sectors.

Security Forces' Capabilities Improving but Have Not Led to Improvements in Security

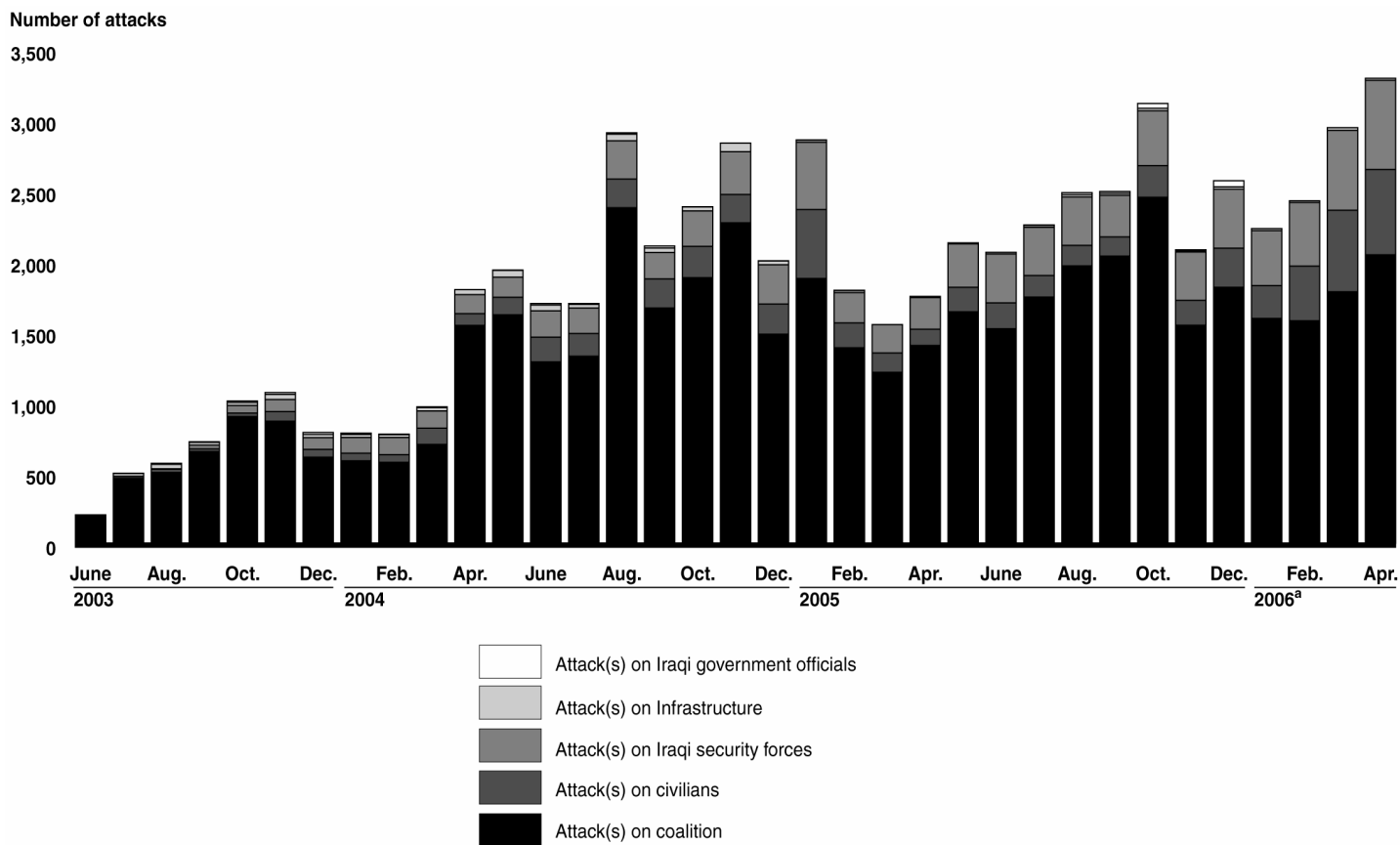
A linchpin of the current U.S. strategy is that, as Iraqi forces "stand up," U.S. forces will "stand down." According to the NSVI, putting capable Iraqis forward in the fight against the enemy would increase the overall effectiveness of U.S.-Iraqi operations, as Iraqis are better able to collect intelligence and identify the threats in neighborhoods. The Secretaries of Defense and State have reported progress in developing Iraqi army and police units. According to State Department reports, the number of trained army and police forces has increased from about 174,000 in July 2005 to about 268,000 as of June 2006. This represents about 82 percent of the planned security force strength of 326,000. DOD has also reported that Iraqi army units are becoming increasingly capable of leading counterinsurgency operations with coalition support.⁶ Although the number of Iraqi security forces is increasing, these forces still lack the logistical, command and control, and intelligence capabilities to operate independently.

Even as the number and capabilities of Iraqi security forces have increased, overall security conditions have deteriorated, as evidenced by attack trends, sectarian violence, and the growth and influence of militias. Enemy-initiated attacks against the coalition, its Iraqi partners, and infrastructure have continued to increase over time (see fig. 4). Overall, attacks increased by 23 percent from 2004 to 2005. After declining in the fall of 2005, the number of attacks rose to the highest ever in April 2006. The monthly attacks data for May and June remain classified. However,

⁶For a description of how DOD measures the capabilities of Iraqi security forces, see GAO, *Rebuilding Iraq: Enhancing Security, Measuring Program Results, and Maintaining Infrastructure Are Necessary to Make Significant and Sustainable Progress*, [GAO-06-179T](#) (Washington, D.C: Oct. 18, 2005).

DOD publicly reported in May 2006 that the average number of weekly attacks was higher for the February to May 2006 time period than for any previous period. Further, in late June 2006 the MNF-I Commanding General publicly stated that attack levels in Iraq had increased. Moreover, a senior U.S. military officer said that the recent security operation in Baghdad had led to an increase in the number of attacks in the area.

Figure 4: Enemy-Initiated Attacks against the Coalition and Its Partners, by Category, June 2003 through April 2006



Source: Multi-National Force-Iraq, April 2006.

^aThe data for 2006 does not separate attacks against Iraqi government officials from attacks against Iraqi civilians.

I recently asked the Secretary of Defense to routinely declassify monthly attacks data in a timely manner. The enemy-initiated attacks data help inform Congress and the American public on progress in improving Iraq's

security situation, an important consideration in any decision to reduce the U.S. military presence in Iraq. While attacks data alone may not provide a complete picture of Iraq's security situation, we believe they provide a sound depiction of general security trends in the country.⁷

According to a June 2006 United Nations (UN) report, an increasingly complex armed opposition continues to be capable of maintaining a consistently high level of violent activity across Iraq. Baghdad, Ninewa, Salahuddin, Anbar, and Diyala have been experiencing the worst of the violence. Other areas, particularly Basra and Kirkuk, have recently witnessed increased tension and a growing number of violent incidents. Sectarian tensions and violence increased after the bombing of a holy Shi'a shrine in Samarra in February 2006. A June 2006 UN report states that, in recent months, much of the violence was committed by both sides of the Sunni-Shi'a sectarian divide. Groups that are specifically targeted included prominent Sunni and Shi'a Iraqis, government workers and their families, members of the middle class (such as merchants and academics), people working for or associated with MNF-I, and Christians.

The presence of militia groups in Iraq has become more prominent in recent months and threatens Iraq's stability. Although the total number of militias is unknown, a DOD report said that more than a dozen militias have been documented in Iraq, varying in size, extent of organizational structure, and area of influence. The largest of the known militias include (1) the Badr Organization, a militia group of the Supreme Council for the Islamic Revolution in Iran, (2) the Mahdi Army, a militia group of radical Shi'a cleric Muqtada al-Sadr, and (3) the Kurdish Peshmerga, the primary security force for the Kurdish regional government, in the northern region of Iraq. The Coalition Provisional Authority developed a strategy for disbanding or controlling militias in May 2004, and the Iraqi Constitution prohibits the formation of militias outside the framework of the armed forces. Many militias, however, remain present in Iraq and threaten the country's stability. Since the February 2006 Samarra bombing, the number of attacks by militia groups increased. According to the MNF-I Commanding General, Iran has increased its support of a variety of Shi'a extremist groups in southern Iraq since the beginning of this year.

⁷GAO, *DOD Reports Should Link Economic, Governance, and Security Indicators to Conditions for Stabilizing Iraq*, [GAO-06-152C](#) (Washington, D.C.: Oct. 18, 2005).

Need for National Reconciliation and Enhanced Ministerial Capacity Hinders Efforts to Govern

Iraq's new government is addressing two critical issues—how to foster national reconciliation and how to strengthen government so it can deliver essential services and provide security to all Iraqis. However, Iraqi efforts to foster reconciliation are primarily confronted by sectarian divisions between Shi'a and Sunni groups. Moreover, U.S. and Iraqi efforts to strengthen government ministries face the daunting task of developing the ability of Iraq's ministries to govern after 30 years of autocratic rule.

Sectarian Divisions Undermine Efforts to Foster Reconciliation

On June 25, 2006, a few weeks after the formation of Iraq's first permanent government, Iraq's Prime Minister proposed a 24-point reconciliation plan for the nation. The plan's provisions include initiating a national dialogue with all parties, including those opposed to the government; providing amnesty for detainees and others not involved in terrorist acts; and ensuring that Iraqi security forces do not intervene in politics.

The Iraqi government has taken several steps to foster national reconciliation and implement the provisions of this plan. For example, Iraq's Foreign Minister met with the UN Security Council in mid-June. At that meeting, the UN agreed to support the League of Arab States in planning to convene a conference on Iraqi national accord. The Iraqi government also announced that it would release 2,500 detainees. As of mid-May, the Ministry of Human Rights reported that there are about 28,700 detainees throughout Iraq. As of late June, the Iraqi government had released more than 1,000 detainees. Finally, the Iraqi Prime Minister confirmed that he had contacted groups through a third party which had been responsive to the reconciliation plan. He planned to hold direct talks with seven resistance groups. He also clarified that amnesty would not be granted to insurgents who killed Iraqis or coalition troops. In addition, following the February 22 bombing of the Golden Mosque in Samara, the U.S. Embassy reported that it called upon Iraqi leaders to join together in unity and turn away from sectarian violence.

Although the Iraqi government has taken positive steps, national reconciliation faces a long and difficult course because of sectarian divisions within Iraq. According to a June 2006 UN report, much of the violence in recent months stemmed from acts perpetrated by both sides of the Sunni-Shi'a sectarian divide. The report states that Iraqis are threatened by revenge attacks, the use of force by military and security forces, and militia activities, among other threats. In a prior report, the UN stated that militia power in Southern Iraq has resulted in systematic acts of violence against the Sunni community. The UN report concluded that unless there is progress towards national reconciliation soon, increased polarization and even civil war could occur. In addition, on June 7, 2006,

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the coalition killed al-Zarqawi, the operational commander of the al-Qaeda movement in Iraq, who tried to incite civil war. According to the President of the United States, his death is an opportunity for the new government to succeed. However, the President also cautioned that sectarian violence will continue.

The U.S. government faces significant challenges in improving the capability of national and provincial governments to provide security and deliver services to the Iraqi people. According to State, the Iraqi capacity for self-governance was decimated after nearly 30 years of autocratic rule.⁸ In addition, Iraq lacked competent existing Iraqi governmental organizations. According to an Inter-Agency Strategy for Iraqi Stability (ISIS) Working Group draft paper,⁹ the Baathist regime had let governmental infrastructure organizations deteriorate since the first Gulf War, and employment in these organizations had been based on cronyism and political correctness rather than managerial competence.

Since 2003, the United States has provided Iraqis with various training and technical assistance to improve their capacity to govern. U.S. agencies provided senior advisers to Iraqi ministries to help in the reconstruction of Iraq. For example, the Multinational Security Transition Command-Iraq continues to develop the ministerial abilities of the Ministries of Interior and Defense.

In January 2006, State reported a new initiative—the National Capacity Development Program—to improve the capabilities of key Iraqi ministries. In partnership with coalition allies and others, the program provides technical assistance and training for 3 years to help the government of Iraq improve managerial capacity. The program focuses on improving core ministry functions, such as leadership and communication, financial and human resource management, and information technology, among others. It also includes extensive anti-corruption activities, such as standardized auditing and procurement reform and policies and practices that aim to eliminate patronage.

⁸*Quarterly Update to Congress, Section 2207 Report* (January 2006).

⁹*Methods of Post-Conflict Reconstruction in Iraq: A Preliminary Assessment* (draft), Inter-Agency Strategy for Iraqi Stability (ISIS) Working Group, Baghdad, Iraq (December 2005).

Reforming Iraqi ministries will face challenges. According to a recent State Department report, corruption remains a critical impediment to the successful governance of Iraq. The report also stated that Iraq needs training in modern civil service policies. Another State assessment found that non-security ministries face challenges and have limited capabilities to carry out core functions, such as budgeting, procurement, and human resource management.

U.S. officials recognize that increased technical assistance and training is important and the United States is working with the UN, the World Bank, and allies such as Italy, Denmark, and the United Kingdom in efforts to partner with staff from Iraqi ministries and provincial governments. Another important complement to these efforts is increased U.S. agency and international partnering with Iraqi officials in areas such as planning, financial management, budgeting and procurement, and human resource management. These efforts are aimed at providing the Iraqis with the essential management skills to govern effectively. GAO is also involved in these efforts and is taking steps to partner with Iraq's Commission on Public Integrity and the Board of Supreme Audit.

Efforts to Restore Oil and Electricity Sectors Are Hindered by Security, Corruption, Fiscal, and Management Challenges

The U.S. and Iraqi governments are trying to revitalize Iraq's economy and restore essential services in the oil and electricity sectors. However, these efforts have been hindered by security, corruption, fiscal, and management challenges.

Despite Efforts, Restoring Iraq's Oil and Electricity Sectors Has Been Difficult

According to the U.S. Army Corps of Engineers Gulf Regional Division, DOD has added or restored more than 1,400 megawatts of potential generating capacity to the Iraq national electricity grid, as of June 2006. According to agency reporting, average daily hours of electricity across most of Iraq remained at 12 hours per day during the last two weeks of June 2006. Available power for Baghdad averaged 8 hours per day for the same period. In the oil sector, DOD has completed or is working on a number of projects to boost Iraq's oil production, refining, and export capacity.

However, key reconstruction goals have yet to be achieved (see table 1). As of June 25, 2006, oil and electricity sectors were below the planned U.S. end-state. In June 2006, State reported that oil production was about 2.29 million barrels per day (mbpd), which was below the desired goal of 3 mbpd. In June 2006, electricity generation capacity was about 4,832

megawatts—above its prewar level but below the post-war peak of about 5,400 megawatts and the planned U.S goal of 6,000 megawatts. In addition, it is unclear whether the current capacity can be sustained.

Table 1: Reconstruction Goals Not Met for Oil and Electricity Sectors

Sector	Metric	Pre-War (2003)	Current (June 2006 ^a)	Planned U.S. end state
Oil	Crude Oil Production Capacity	2.6 MBPD	2.29 MBPD	3.0 MBPD
Electricity	Peak Generation Capacity	4,300 MW	4,832 MW (5,387 MW peak in 7/14/05)	6,000 MW

MBPD = million barrels per day

MW = megawatts

Source: GAO analysis of Department of State data.

^aJune 2006 includes June 1 to June 25, 2006, data. Data for the last week of June is not yet available.

Security, Corruption, Fiscal, and Management Challenges Hinder Reconstruction and Stabilization efforts

A combination of insurgent attacks on crude oil and product pipelines, dilapidated infrastructure, and poor operations and maintenance have hindered domestic refining and have required Iraq to import significant portions of liquefied petroleum gas, gasoline, kerosene, and diesel.

Both the oil and electricity sectors face a number of challenges to meeting Iraq’s needs.

Improving infrastructure security. The insurgency has destroyed key infrastructure, severely undermining progress. U.S. officials reported that major oil pipelines continue to be sabotaged, shutting down oil exports and resulting in lost revenues. Major electrical transmission lines have been repeatedly sabotaged, cutting power to other parts of the country. Current U.S. assistance is focused on strengthening the Strategic Infrastructure Battalions, which are Ministry of Defense forces that protect oil fields and pipelines.

Security conditions in Iraq have, in part, led to project delays and increased costs for security services. Although it is difficult to quantify the costs and delays resulting from poor security conditions, both agency and contractor officials acknowledged that security costs have diverted a considerable amount of reconstruction resources and have led to canceling or reducing the scope of some reconstruction projects.

Deterring corruption. U.S. and international officials reported increased concerns about pervasive corruption in Iraq. Transparency International ranked Iraq 137th of 159 countries in 2005 in terms of corruption. To combat corruption, U.S. and international officials reported that the Iraqi government established the Commission on Public Integrity, which is charged with the criminal investigation of corruption cases, and the independent Inspectors General within individual Iraqi ministries, and revived the existing Board of Supreme Audit (BSA). The U.S. government, including GAO, is working directly with these institutions.

The oil and electricity sectors remain particularly vulnerable to corruption. Corruption in the oil sector presents a special problem, particularly because of the sector's importance to the economy. According to State officials and reporting, about 10 percent of refined fuels are diverted to the black market, and about 30 percent of imported fuels are smuggled out of Iraq and sold for a profit. According to U.S. Embassy documents, the insurgency has been partly funded by corrupt activities within Iraq and from skimming profits from black marketers. Moreover, according to one analysis, corruption diverted much of Iraq's oil revenue from reconstruction to government officials and their accomplices in organized crime.¹⁰

Corruption in the electricity sector is also a problem. According to State's Iraq Reconstruction Management Office (IRMO) officials, the Ministry of Electricity contracts with tribal chiefs, paying them about \$60 to \$100 per kilometer, to protect transmission lines running through their areas. However, IRMO officials reported that the protection system is flawed and encourages corruption. According to U.S. and UN Development Program officials, some of these tribes are also selling materials from downed lines and extracting tariffs for access to repair the lines.

The lack of metering facilitates opportunities for corruption in the oil and electricity sectors. Despite a 2004 audit recommendation made by the International Advisory and Monitoring Board for the Development Fund for Iraq, and initial steps to install meters in accordance with standard oil industry practices, the Iraqi government still lacks an effective system of metering to measure production and export levels. According to U.S.

¹⁰Kenneth M. Pollack and the Iraqi Policy Working Group, "A Switch in Time: A New Strategy for America in Iraq," Saban Center for Middle East Policy at the Brookings Institution (February 2006).

officials in the electricity section, about 30 percent of the meters in Iraq are damaged. Most meters are old mechanical meters that need to be replaced with electronic ones so that the system may be better monitored.

Addressing fiscal challenges. Iraq's ability to contribute to its own rebuilding is dependent on addressing key fiscal challenges, particularly in the oil and electricity sectors. Current government subsidies constrain opportunities for growth and investment and have kept prices for oil and electricity low.

Domestic fuel prices in Iraq are among the lowest in the world. U.S. and international officials report that these low prices have led to a rampant black market and fuel smuggling out of the country; inadequate maintenance and improvements; and over-consumption. According to U.S. and international officials, the Iraqi budget is directly affected, since state-owned refineries cover less than half the domestic demand, and the Iraqi government has to import the rest at world market prices.

As part of its Stand-By Arrangement with the International Monetary Fund (IMF), Iraq must reduce government subsidies of petroleum products. By the end of 2006, the Iraqi government plans to complete a series of adjustments to bring fuel prices closer to those of other Gulf countries. According to State reporting, a new round of price increases for diesel, kerosene, and propane began to take effect in Baghdad and other areas the week of June 19, 2006, and is being extended countrywide. The Iraqi government committed itself to bring fuel prices closer to regional prices as part of its IMF reform program. Iraqis currently pay about \$.44 per gallon for regular gasoline compared with about \$.90 per gallon in neighboring countries.

According to U.S. and international officials, the negative effects of the electricity subsidy are similar to those for fuels. The national grid is currently unable to satisfy the demand, and Iraqis must buy electricity from privately-operated small diesel generators which are inefficient sources of electricity. Moreover, according to World Bank reporting, increasing tariffs is complicated by the desire to preserve wide access to the grid and subsidize low-income groups.

Iraq faces other fiscal challenges, such as generous wage and pension benefits, increased defense spending, and high external debt. Our April

2006 testimony before this committee provides additional details on these other challenges.¹¹

Managing and sustaining new and rehabilitated infrastructure. The U.S. reconstruction program has encountered difficulties with Iraq's ability to sustain the new and rehabilitated infrastructure and address maintenance needs. A June 2006 Congressional Research Service report noted that as more large-scale construction projects have been completed with U.S. assistance, there has been increasing concern regarding the financial, organizational, and technical capacity of Iraqis to maintain the projects in the long run.¹²

More specifically, our prior reports and testimony note that the Iraqis' capacity to operate and maintain the power plant infrastructure and equipment provided by the United States remains a challenge at both the plant and ministry levels. As a result, the infrastructure and equipment remain at risk of damage following their transfer to the Iraqis. U.S. officials have acknowledged that more needs to be done to train plant operators and ensure that advisory services are provided after the turnover date. In January 2006, State reported that it has developed a strategy with the Ministry of Electricity to focus on rehabilitation and sustainment of electricity assets.

Conclusion

The November 2005 NSVI and supporting documents represent the results of efforts to improve the strategic planning process for the challenging and costly U.S. mission in Iraq. Although the strategy is an improvement over earlier efforts, it is incomplete even when considered in the context of all supporting documents, both classified and unclassified. Without additional information on roles and responsibilities, future contributions and costs, and outcome-based metrics, the strategy does not provide the Congress with a clear road map for achieving victory in Iraq. The formation of the new Iraqi government provides an opportunity for the United States government to re-examine its strategy and more closely align its efforts and objectives with those of the Iraqi people and other donors.

¹¹See GAO, *Rebuilding Iraq: Governance, Security, Reconstruction, and Financing Challenge*, [GAO-06-697T](#) (Washington, D.C.: Apr. 25, 2006).

¹²See Congressional Research Service RL31833, *Iraq: Recent Developments in Reconstruction Assistance* (Washington, D.C., June 2006).

Based on our other ongoing and completed work, additional actions could be taken to achieve U.S. objectives in Iraq. The United States, Iraq, and the international community should consider the following:

- *Focusing more attention on the capabilities of the Iraqi security forces rather than the number of forces.* Although the number of the Iraqi security forces is increasing, these forces lack the logistical, command and control, and intelligence capabilities to operate independently.
- *Improving national and provincial governance.* The Iraqis will need technical assistance, training, and more partnering opportunities with the United States, other countries, and international organizations to strengthen their national and provincial governments and provide results that matter to the Iraqi people, for example, safe streets, good jobs, reliable electricity, clean water, education, and health care.
- *Addressing the root causes of corruption.* Strong and immediate measures must be taken to address Iraq's pervasive corruption problems. An anti-corruption strategy should establish a sound economic policy framework, reduce subsidies, strengthen accountability organizations, and enhance investment opportunities and job creation.

Ultimately, the stability of Iraq hinges on reducing violence and establishing a capable, credible, and transparent system of government that is accountable to the Iraqi people.

Mr. Chairman and Members of the Subcommittee, this concludes my prepared statement. At this time, I would be happy to answer any questions that you may have.

GAO Contact and Staff Acknowledgments

For questions regarding this testimony, please call Joseph Christoff at (202) 512-8979. Other key contributors to this statement were Stephen Lord, Judith McCloskey, Tetsuo Miyabara, Lynn Cothorn, Tracey Cross, B. Patrick Hickey, Rhonda Horried, Kathleen Monahan, Amy Sheller, and Nanette Barton.

Appendix I: Extent the U.S. Strategy for Iraq Addresses GAO's Desirable Characteristics of an Effective Strategy

	NSVI	NSVI + 7 documents
Extent the U.S. Strategy for Iraq Addresses GAO's Desirable Characteristics of an Effective National Strategy		
1. Clear purpose, scope, methodology		
Purpose		
1a. Identifies the impetus that led to the strategy being written, such as a statutory requirement, mandate, or key event.	◐	●
1b. Discusses the strategy's purpose.	●	●
Scope		
1c. Defines or discusses key terms, major functions, mission areas, or activities the strategy covers.	●	●
Methodology		
1d. Discusses the process that produced the strategy, e.g., what organizations or offices drafted the document, whether it was the result of a working group, or which parties were consulted in its development.	○	◐
1e. Discusses assumptions or the principles and theories that guided the strategy's development.	●	●
2. Detailed discussion of problems, risks, and threats		
Problem definition		
2a. Includes a detailed discussion or definition of the problems the strategy intends to address.	◐	●
2b. Includes a detailed discussion of the causes of the problems.	◐	◐
2c. Includes a detailed discussion of the operating environment.	●	●
Risk assessment		
2d. Addresses a detailed discussion of the threats at which the strategy is directed.	●	●
2e. Discusses the quality of data available, e.g., constraints, deficiencies, and "unknowns."	○	◐
3. Desired goals, objectives, activities, and performance measures		
Goals and subordinate objectives		
3a. Addresses the overall results desired, i.e., an "end-state."	●	●
3b. Identifies strategic goals and subordinate objectives.	●	●
Activities		
3c. Identifies specific activities to achieve results.	●	●
Performance measures		
3d. Addresses priorities, milestones, and outcome-related performance measures.	◐	◐
3e. Identifies process to monitor and report on progress.	●	●
3f. Identifies limitations on progress indicators.	○	○
<p>● Addresses</p> <p>◐ Partially addresses</p> <p>○ Does not address</p>		

Sources: GAO analysis of NSC, State, and DOD data.

Extent the U.S. Strategy for Iraq Addresses GAO's Desirable Characteristics of an Effective National Strategy

4. Description of future costs and resources needed

Resources and investments

4a. Identifies what the strategy will cost.

4b. Identifies the sources, e.g., federal, international, and private, and types of resources or investments needed, e.g., budgetary, human capital, information technology, research and development, and contracts.

Risk management

4c. Addresses where resources or investments should be targeted to balance risks and costs.

4d. Addresses resource allocation mechanisms.

4e. Identifies risk management principles and how they help implementing parties prioritize and allocate resources.

5. Delineation of U.S. government roles and responsibilities

Organizational roles and responsibilities

5a. Addresses who will implement the strategy.

5b. Addresses lead, support, and partner roles and responsibilities of specific federal agencies, departments, or offices, e.g., who is in charge during all phases of the strategy's implementation.

Coordination

5c. Addresses mechanisms and/or processes for parties to coordinate efforts within agencies and with other agencies.

5d. Identifies process for resolving conflicts.

6. Description of strategy's integration among and with other entities

6a. Addresses how the strategy relates to the strategies of other institutions and organizations' and their goals, objectives, and activities (horizontal).

6b. Addresses integration with relevant documents from other agencies and subordinate levels (vertical).

- Addresses
- Partially addresses
- Does not address

Sources: GAO analysis of NSC, State, and DOD data.

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