



Highlights of [GAO-06-428T](#), a testimony before the Committee on Foreign Relations, United States Senate

## Why GAO Did This Study

The United States, along with coalition partners and various international organizations, has undertaken a challenging and costly effort to stabilize and rebuild Iraq following multiple wars and decades of neglect by the former regime. This enormous effort is taking place in an unstable security environment, concurrent with Iraqi efforts to transition to its first permanent government. The United States' goal is to help the Iraqi government develop a democratic, stable, and prosperous country, at peace with itself and its neighbors, a partner in the war against terrorism, enjoying the benefits of a free society and a market economy.

In this testimony, GAO discusses the challenges (1) that the United States faces in its rebuilding and stabilization efforts and (2) that the Iraqi government faces in financing future requirements.

This statement is based on four reports GAO has issued to the Congress since July 2005 and recent trips to Iraq. Since July 2005, we have issued reports on (1) the status of funding and reconstruction efforts in Iraq, focusing on the progress achieved and challenges faced in rebuilding Iraq's infrastructure; (2) U.S. reconstruction efforts in the water and sanitation sector; (3) U.S. assistance for the January 2005 Iraqi elections; and (4) U.S. efforts to stabilize the security situation in Iraq (a classified report).

[www.gao.gov/cgi-bin/getrpt?GAO-06-428T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-428T).

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](mailto:christoffj@gao.gov).

## REBUILDING IRAQ

### Stabilization, Reconstruction, and Financing Challenges

#### What GAO Found

The United States faces three key challenges in rebuilding and stabilizing Iraq. First, the security environment and the continuing strength of the insurgency have made it difficult for the United States to transfer security responsibilities to Iraqi forces and progressively draw down U.S. forces. The security situation in Iraq has deteriorated since June 2003, with significant increases in attacks against Iraqi and coalition forces. In addition, the security situation has affected the cost and schedule of rebuilding efforts. The State Department has reported that security costs represent 16 to 22 percent of the overall costs of major infrastructure projects. Second, inadequate performance data and measures make it difficult to determine the overall progress and impact of U.S. reconstruction efforts. The United States has set broad goals for providing essential services in Iraq, but limited performance measures present challenges in determining the overall impact of U.S. projects. Third, the U.S. reconstruction program has encountered difficulties with Iraq's inability to sustain new and rehabilitated infrastructure projects and to address basic maintenance needs in the water, sanitation, and electricity sectors. U.S. agencies are working to develop better performance data and plans for sustaining rehabilitated infrastructure.

As the new Iraqi government forms, it must plan to secure the financial resources it will need to continue the reconstruction and stabilization efforts begun by the United States and international community. Iraq will likely need more than the \$56 billion that the World Bank, United Nations, and CPA estimated it would require for reconstruction and stabilization efforts from 2004 to 2007. More severely degraded infrastructure, post-2003 conflict looting and sabotage, and additional security costs have added to the country's basic reconstruction needs. However, it is unclear how Iraq will finance these additional requirements. While the United States has borne the primary financial responsibility for rebuilding and stabilizing Iraq, its commitments are largely obligated and future commitments are not finalized. Further, U.S. appropriations were never intended to meet all Iraqi needs. In addition, international donors have mostly committed loans that the government of Iraq is just beginning to tap. Iraq's ability to financially contribute to its own rebuilding and stabilization efforts will depend on the new government's efforts to increase revenues obtained from crude oil exports, reduce energy and food subsidies, control government operating expenses, provide for a growing security force, and repay \$84 billion in external debt and war reparations.