

July 2006

# REBUILDING IRAQ

## More Comprehensive National Strategy Needed to Help Achieve U.S. Goals



G A O

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Highlights of [GAO-06-788](#), a report to congressional committees

# REBUILDING IRAQ

## More Comprehensive National Strategy Needed to Help Achieve U.S. Goals

### Why GAO Did This Study

According to the National Strategy for Victory in Iraq (NSVI) issued by the National Security Council (NSC), prevailing in Iraq is a vital U.S. interest because it will help win the war on terror and make America safer, stronger, and more certain of its future.

This report (1) assesses the evolving U.S. national strategy for Iraq and (2) evaluates whether the NSVI and its supporting documents address the desirable characteristics of an effective national strategy developed by GAO in previous work (see fig.). In this report, the NSVI and supporting documents are collectively referred to as the U.S. strategy for Iraq.

### What GAO Recommends

To help improve the U.S. strategy's usefulness to Congress, this report recommends that the NSC, along with Defense and State, complete the strategy by addressing all six characteristics of an effective national strategy in a single document.

State and DOD did not comment on GAO's recommendations. State noted that the NSVI's purpose is to provide a broad overview. However, without detailed information on costs and roles and responsibilities, the strategy does not provide Congress with a clear road map for achieving victory in Iraq.

[www.gao.gov/cgi-bin/getrpt?GAO-06-788](http://www.gao.gov/cgi-bin/getrpt?GAO-06-788).

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).

### What GAO Found

The November 2005 National Strategy for Victory in Iraq and supporting documents incorporate the same desired end-state for U.S. stabilization and reconstruction operations that were first established by the coalition in 2003: a peaceful, united, stable, and secure Iraq, well integrated into the international community, and a full partner in the global war on terrorism. However, it is unclear how the United States will achieve its desired end-state in Iraq given the significant changes in the assumptions underlying the U.S. strategy. The original plan assumed a permissive security environment. However, an increasingly lethal insurgency undermined the development of effective Iraqi government institutions and delayed plans for an early transfer of security responsibilities to the Iraqis. The plan also assumed that U.S. reconstruction funds would help restore Iraq's essential services to prewar levels, but Iraq's capacity to maintain, sustain, and manage its rebuilt infrastructure is still being developed. Finally, the plan assumed that the Iraqi government and the international community would help finance Iraq's development needs, but Iraq has limited resources to contribute to its own reconstruction, and Iraq's estimated future needs vastly exceed what has been offered by the international community to date.

The NSVI is an improvement over previous planning efforts. However, the NSVI and its supporting documents are incomplete because they do not fully address all the desirable characteristics of an effective national strategy. On one hand, the strategy's purpose and scope is clear because it identifies U.S. involvement in Iraq as a vital national interest and central front in the war on terror. The strategy also generally addresses the threats and risks facing the coalition forces and provides a comprehensive description of the desired U.S. political, security, and economic objectives in Iraq. On the other hand, the strategy falls short in three key areas. First, 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. Second, it only partially identifies which U.S. agencies implement key aspects of the strategy or resolve conflicts among the many implementing agencies. Third, it neither fully addresses how U.S. goals and objectives will be integrated with those of the Iraqi government and the international community, nor does it detail the Iraqi government's anticipated contribution to its future security and reconstruction needs. In addition, the elements of the strategy are dispersed among the NSVI and seven supporting documents, further limiting its usefulness as a planning and oversight tool.

| 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. Description of future costs and resources needed   |                     | ✓                   |
| 5. Delineation of U.S. government roles and responsibilities  |                     | ✓                   |
| 6. Description of strategy's integration among and with other entities  |                     | ✓                   |

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

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**Abbreviations**

|         |   |
|---------|---|
| CENTCOM | U.S. Central Command                                  |
| CPA     | Coalition Provincial Authority                        |
| DOD     | Department of Defense                                 |
| IMF     | International Monetary Fund                           |
| IRRF2   | Iraq Relief and Reconstruction Fund, Fiscal Year 2004 |
| ISF     | Iraqi Security Forces                                 |
| ISSF    | Iraq Security and Stabilization Fund                  |
| IT      | information technology                                |
| mbpd    | million barrels per day                               |
| MNF-I   | Multinational Forces-Iraq                             |
| MNC-I   | Multinational Corps-Iraq                              |
| NSC     | National Security Council                             |
| NSPD    | National Security Presidential Directive              |
| NSSI    | National Strategy for Supporting Iraq                 |
| NSVI    | National Strategy for Victory in Iraq                 |
| R&D     | research and development                              |

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July 11, 2006

Congressional Committees

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 the number up or down as conditions warrant. Currently, the United States deploys about 130,000 U.S. troops in support of the Iraqi government. Between fiscal years 2003 and 2006, the U.S. government has allocated about \$311 billion to support U.S. stabilization and reconstruction efforts in Iraq, including over \$34 billion for reconstruction assistance alone. Moreover, the administration has requested about an additional \$51 billion to support U.S. stabilization and reconstruction operations in Iraq and Afghanistan in fiscal year 2007.<sup>1</sup>

We initiated this review under the Comptroller General's authority because of broad based congressional interest in Iraq issues.<sup>2</sup> This report (1) describes the evolution of the U.S. national strategy for Iraq in response to changing, security, reconstruction, and economic circumstances and (2) evaluates whether the NSVI and its supporting documents include the desirable characteristics of an effective national strategy. In this report, the NSVI and its supporting documents are referred to as the U.S. strategy for Iraq.

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<sup>1</sup>These figures include funds appropriated in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror and Hurricane Recovery 2006, Pub. L. No. 109-234, signed into law by the President on June 15, 2006. The supplemental includes \$54.9 billion for defense operations in Iraq, plus \$3 billion to develop Iraqi security forces and \$1.5 billion to continue reconstruction efforts in Iraq. For fiscal year 2007, the defense budget request includes \$50 billion that the Office of Management and Budget terms "bridge funding" to continue the global war on terrorism in Iraq and Afghanistan. The Department of State's 2007 budget submission requests an additional \$771 million for reconstruction activities in Iraq.

<sup>2</sup>Since 2003, GAO has issued 22 reports and testimonies on the rebuilding of Iraq. See the list of Related GAO Products at the end of this report.

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To accomplish our objectives, we obtained and analyzed records, reports, and data from U.S. government and military officials in Washington, D.C., and Baghdad, Iraq. We also examined the reports of other oversight entities that performed internal control and management reviews. We assessed the strategy using the six desirable characteristics of an effective national strategy developed in previous GAO work. For example, GAO has used this methodology to assess and report on the administration's strategies relating to terrorism and restructuring the Department of Defense's (DOD) global force posture.<sup>3</sup> National strategies with these characteristics offer policy makers 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 roles, responsibilities, and mechanisms for coordination; and (6) a description of how the strategy is integrated internally among U.S. agencies and externally with the Iraqi government and international organizations. These six characteristics can be subdivided into 27 separate elements for more detailed assessment.

We evaluated the NSVI alone and in conjunction with seven related classified and unclassified supporting documents that Department of State (State) and DOD officials said encompassed the U.S. strategy: (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),<sup>4</sup> and (7) the April 2006 Joint Campaign Plan issued by the Chief of Mission and the Commander of the MNF-I. See appendix I for a more detailed

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<sup>3</sup>See GAO, *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, [GAO-04-408T](#) (Washington, D.C.: Feb. 3, 2004) and GAO, *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).

<sup>4</sup>Required by section 2207 of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, fiscal year 2004, Pub. L. No. 108-106.

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description of our scope and methodology. See appendix II for details on GAO's six desirable characteristics of an effective national strategy.

We conducted our review from October 2005 through June 2006 in accordance with generally accepted government auditing standards.

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## Results in Brief

The NSVI and supporting documents incorporate the same desired end-state for U.S. stabilization and reconstruction operations in Iraq that the coalition established in 2003: a peaceful, united, stable, and secure Iraq, well integrated into the international community, and a full partner in the global war on terrorism. Since then, however, the strategy's underlying security, reconstruction, and economic assumptions have evolved in response to changing circumstances. First, the original plan assumed a permissive security environment, which never materialized. An active and increasingly lethal insurgency undermined the development of effective Iraqi governmental institutions and delayed plans for an early transfer of security responsibilities to the Iraqis. Second, the United States assumed that its U.S.-funded reconstruction activities would help restore Iraq's essential services—oil production, electricity generation, and water treatment—to prewar levels. However, U.S. efforts to achieve this goal have been hindered by security, management, and maintenance challenges that undermine efforts to improve the lives of the Iraqi people. For example, a March 2006 poll of Iraqi citizens indicated that a majority thought Iraq was heading in the wrong direction, and growing numbers of people believe that the security situation, the provision of electricity, and corruption have worsened. Third, the strategy assumes that the Iraqi government and international community will help finance Iraq's development needs. However, Iraq has limited resources to contribute to its own reconstruction, and while the international community has offered some assistance, Iraq's estimated reconstruction needs vastly exceed what has been offered to date. As a result, it is unclear how the United States will achieve its desired end-state in Iraq given these significant changes in the underlying assumptions.

The NSVI aims to improve U.S. strategic planning for Iraq; however, the NSVI and its supporting documents are incomplete because they do not fully address all the desirable characteristics of an effective national strategy. On one hand, the strategy's purpose and scope is clear because it identifies U.S. involvement in Iraq as a vital national interest and central front in the war on terror. The strategy also discusses the threats and risks facing the coalition forces and provides a comprehensive description of

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U.S. political, security, and economic goals and objectives in Iraq. However, discussion of outcome-related performance measures to assess progress in achieving these goals and objectives is limited. The strategy falls short in three key areas. First, it neither identifies the current and future costs of U.S. involvement in Iraq, such as the costs of maintaining U.S. military operations, building Iraqi government capacity at the provincial and national level, completing the training and equipping of Iraqi security forces, and rebuilding critical infrastructure, nor does it address how these efforts should take the risk of corruption into account when assessing the costs of achieving U.S. objectives in Iraq. Second, the strategy does not clearly identify who will implement key aspects of the strategy or a process for resolving conflict among the many implementing agencies, a problem identified in prior State and other agency reviews. Third, while the strategy recognizes the need to integrate U.S. goals and objectives with the efforts of the international partners and the Iraqi government, it neither addresses how their goals and objectives are to be integrated with those of the United States, nor does it provide details on the Iraqi government's contribution to its future financing requirements. In addition, the elements of the strategy are dispersed among a number of supporting documents, further limiting its usefulness as a planning and oversight tool.

To help improve the strategy's effectiveness as a planning tool and to improve its usefulness to Congress, this report recommends that the NSC in conjunction with the DOD and State complete the strategy by addressing all six characteristics of an effective national strategy in a single document. In particular, the revised strategy should address the current costs and future military and civilian resources needed to implement the strategy, clarify the roles and responsibilities of all U.S. government agencies involved in reconstruction and stabilization efforts, and detail potential Iraqi and international contributions to future military and reconstruction needs. State and DOD did not comment on our recommendations. In commenting on a draft of this report, State asserted that GAO misrepresented the NSVI's purpose—to provide the public a broad overview of the U.S. strategy in Iraq. Our analysis was not limited to the publicly available, unclassified NSVI. With input from DOD and State, we included in our assessment all the classified and unclassified documents that collectively define the U.S. strategy in Iraq. Collectively, these documents still lack all 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.



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## Background

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 have resulted in competing priorities and funding levels not proportional to the needs of overall mission objectives; (3) focused leadership and clear roles are 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 Iraqi central and local government is needed.

The study made a series of recommendations that led to the creation of the November 2005 NSVI, including (1) creating a single, joint civil-military operational plan to clarify organizational leads; (2) providing better strategic direction and more coordinated engagement with Iraqi government and international donors; (3) establishing three mission teams to address political, security, and economic tasks; and (4) establishing provincial reconstruction teams to engage Iraqi leadership and foster flexible reconstruction, local governance, and “bottom-up” economic development. The study also called for a streamlined interagency support office in Washington, D.C., to assist the mission’s working groups and provide needed institutional memory and continuity. In response, the administration created the NSVI in November 2005 to reorganize U.S. government stabilization and reconstruction efforts around three broad tracks—political, security, and economic—and eight strategic objectives (see table 1).

**Table 1: National Strategy for Victory in Iraq**

| Purpose  | Definition of victory  | Integrates U.S. efforts along three tracks   | Objectives  |
|--|--|--|---|
| <p>To articulate the President's 2003 statement on the U.S. strategy:</p> <p>"The United States has no intention of determining the precise form of Iraq's new government.... Yet we will ensure that one brutal dictator is not replaced by another. All Iraqis must have a voice in the new government and all citizens must have their rights protected. Rebuilding Iraq will require a sustained commitment from many nations, including our own: we will remain in Iraq as long as necessary, and not a day more."</p> <p>--President Bush, February 26, 2003</p> | <p>Victory in Iraq is a vital national interest. Prevailing in Iraq will help win the war on terror as it will make America safer, stronger, and more certain of its future.</p> <p>Victory is tied to conditions on the ground and defined in the following stages:</p> <p><b>Short term:</b> Steady progress fighting terrorists, meeting political milestones, building democratic institutions, standing up security forces.</p> <p><b>Medium term:</b> Iraq leads fight to defeat terrorists and provides own security, constitutional government fully in place and is on its way economically.</p> <p><b>Long term:</b> Peaceful, united, stable, secure, well integrated into the international community, and a partner in war on terror.</p> | <p><b>Political (Isolate, Engage, Build)</b></p> <ul style="list-style-type: none"> <li>• Isolate hardened enemies from those who can be won over.</li> <li>• Engage those outside the political process and invite peaceful participation.</li> <li>• Build stable, pluralistic, and effective national institutions that can protect the interests of all Iraqis.</li> </ul> <p><b>Security (Clear, Hold, Build)</b></p> <ul style="list-style-type: none"> <li>• Clear areas of enemy control.</li> <li>• Hold freed areas by ensuring they remain under Iraqi government and Iraqi security forces (ISF) control.</li> <li>• Build ISF and local institutions to deliver services, advance rule of law, and nurture civil society.</li> </ul> <p><b>Economic (Restore, Reform, Build)</b></p> <ul style="list-style-type: none"> <li>• Restore infrastructure.</li> <li>• Reform economy.</li> <li>• Build Iraqi capacity to maintain infrastructure, rejoin the international economic community, and improve general welfare of all Iraqis.</li> </ul> | <p>Encompasses the following eight strategic objectives:</p> <ol style="list-style-type: none"> <li>1. Defeat the terrorists and neutralize the insurgency.</li> <li>2. Help Iraq's security forces become self-reliant.</li> <li>3. Help Iraqis forge a national compact for democratic government.</li> <li>4. Help Iraq build government capacity and provide essential services.</li> <li>5. Help Iraq strengthen its economy.</li> <li>6. Help Iraq strengthen rule of law and promote civil rights.</li> <li>7. Increase international support for Iraq.</li> <li>8. Strengthen public understanding of U.S.-led coalition efforts and public isolation of insurgents.</li> </ol> |

Source: NSVI, November 2005.

Overall, officials in DOD and State identified seven documents that describe the U.S. government strategy for Iraq in addition to the NSVI. The U.S. government uses these documents to plan, conduct, and track different levels of the U.S. stabilization and reconstruction strategy as follows:

- *National/strategic level:* The President and the NSC established the desired end-state, goals and objectives, and the integrated approach incorporated in the NSVI. The May 2004 NSPD 36 made State responsible for all U.S. activities in Iraq through its Chief of Mission in Baghdad (Ambassador), with the exception of U.S. efforts relating to security and military operations, which would be the responsibility of DOD. The directive also continued the U.S. Central Command (CENTCOM) responsibility for all U.S. government efforts to organize,

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equip, and train Iraqi security forces. MNF-I oversees the effort to rebuild the Iraqi security forces through a subordinate command. The National Strategy for Supporting Iraq (NSSI) serves as a management tool to match and coordinate U.S. stabilization and reconstruction needs and priorities and provides updates on activities associated with each strategic objective.

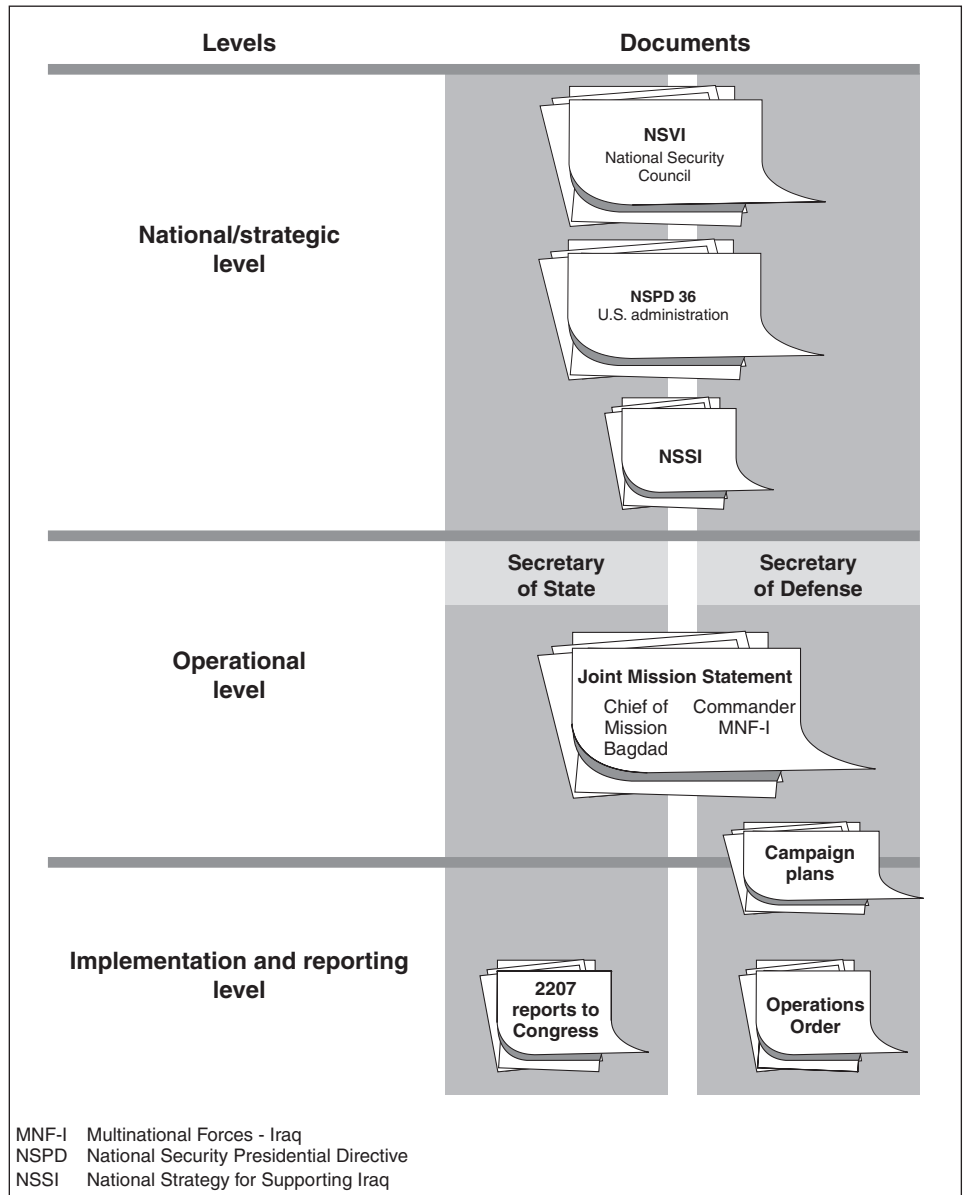
- *Operational level:* The Joint Mission Statement clarified the roles and responsibilities between the Chief of Mission in Baghdad and the Commander of MNF-I and established mission milestones and target dates for their achievement. The August 2004 campaign plan elaborated and refined the original plan for transferring security responsibilities to Iraqi forces.<sup>5</sup> In April 2006, Commander of the MNF-I and the Chief of Mission in Baghdad issued a new classified Joint Campaign Plan incorporating the changes in organization laid out in the NSVI, although some of the annexes to this campaign plan are being reworked and were not available as of May 2006.
- *Implementation and reporting level:* Operations Order 05-03 incorporates revised missions and objectives for the Multinational Corps-Iraq (MNC-I), the MNF-I unit responsible for command and control of operations throughout Iraq. This November 2005 order was issued in anticipation of the New Joint Campaign Plan incorporating the NSVI's new objectives and organizational arrangements, according to DOD officials. The campaign plans and the operations order also established metrics for assessing their progress in achieving MNF-I's objectives. State's 2207 reports track mission activity and funding status by mission objective and funding sector.

Figure 1 depicts the relationship of the NSVI and the key supporting strategy documents.

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<sup>5</sup>For changes and updates in the campaign plan, see GAO's classified report, GAO, *Rebuilding Iraq: DOD Reports Should Link Economic, Governance, and Security Indicators to Conditions for Stabilizing Iraq*, [GAO-05-868C](#) (Washington, D.C.: Sept. 29, 2005).

**Figure 1: NSVI and Key Supporting Documents**



Source: GAO.

In addition to these documents, senior State officials stated that Congressional Budget Justifications and publications on Iraq spending

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provide additional details on the U.S. government resources, investments, and risk management. DOD officials stated that its quarterly reports to measure the results of its fiscal year 2005 Iraq Security and Stabilization Fund programs in Iraq also provide information, but DOD did not cite these reports as supporting documentation for the NSVI.

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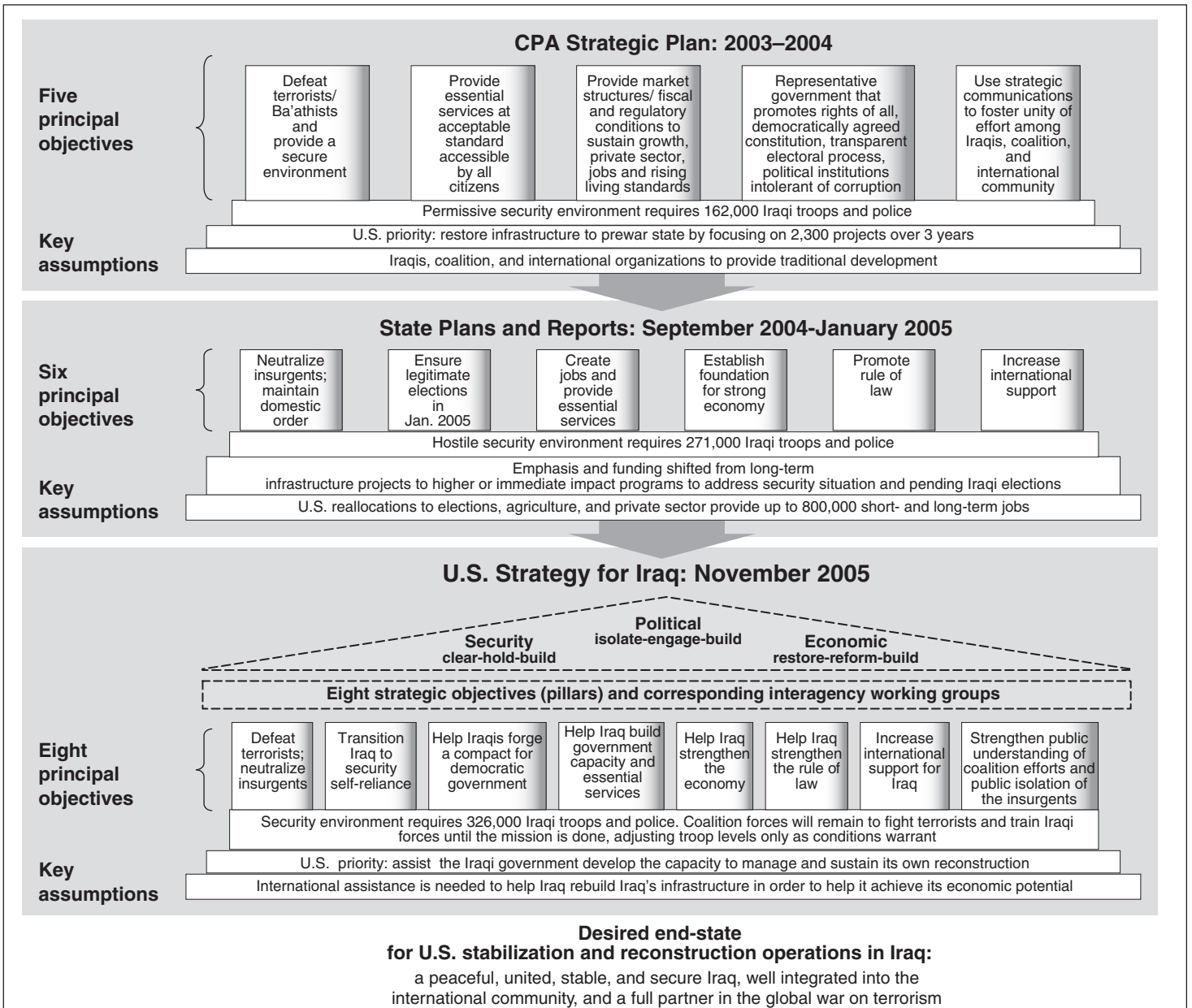
## NSVI Retains Original Desired End-State, but Changing Assumptions and Circumstances Make it Unclear How It Will Achieve These Objectives

The NSVI, issued by the NSC in November 2005, incorporates the same desired end-state for U.S. operations in Iraq that first was established by the Coalition Provisional Authority (CPA) in 2003: a peaceful, united, stable, secure Iraq, well integrated into the international community, and a full partner in the global war on terrorism.<sup>6</sup> Since then, however, the strategy's underlying security, reconstruction, and economic assumptions have changed in response to changing circumstances (see fig. 2). First, the original plan assumed a permissive security environment that never materialized. Second, the CPA assumed that U.S. funded reconstruction activities would help restore Iraq's essential services to prewar levels but has failed to achieve these goals. Third, the strategy assumes that the international community and Iraqi government will help finance Iraq's development needs; however, these expectations have not yet been met. As a result, it is unclear how the United States will achieve its desired end-state in Iraq given these changes in assumptions and circumstances.

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<sup>6</sup>The CPA, established in May 2003, was a U.N.-recognized entity responsible for the temporary governance of Iraq, and for overseeing, directing, and coordinating the reconstruction effort. In August 2003, the CPA began to draw up a multiyear strategy to implement the reconstruction and stabilization of Iraq based on 10 spending categories identified in the Emergency Supplemental Appropriations Act for Defense and for Reconstruction of Iraq and Afghanistan, 2004, Pub. L. No. 108-106, which made available \$18.4 billion for the Iraq Relief and Reconstruction Fund. The CPA was dissolved once a sovereign Iraqi government assumed power on June 28, 2004. Management authority and responsibility of the U.S. reconstruction program also transitioned from DOD to State at that time.

**Figure 2: Evolution of the Objectives and Assumptions of U.S. Stabilization and Reconstruction Efforts in Iraq**



Sources: GAO analysis of CPA plans, NSSI, NSVI, and State 2207 reports.

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## Permissive Security Environment Never Materialized

According to senior CPA and State officials, in 2003 the CPA assumed that Iraq would have a permissive security environment. CPA expected that a relatively small internal security force would replace the disbanded Iraqi Army and would quickly assume responsibility for providing security from the coalition forces. However, growing insurgent attacks led to (1) the collapse of Iraqi forces in April 2004; (2) the delay of coalition plans to turn responsibility for security over to the new Iraqi security forces beginning in early 2004; and (3) the postponement of plans to draw down U.S. troop levels below 138,000 until the end of 2005. In October 2004, State reported to Congress that the uncertain security situation affected all potential economic and political developments in Iraq and that enhanced Iraqi security forces were critically needed to meet the new threat environment. The coalition's military commander and the U.S. Chief of Mission conducted strategic and programmatic reviews in mid-2004 and reached similar conclusions, noting that the hostile security situation required the creation of substantially larger Iraqi security forces with coalition assistance.

As a result, between 2003 and 2006, the projected Iraq security force structure doubled in size, while U.S. appropriations for support of the Iraqi security forces more than quadrupled. CPA projected the need for a security force of about 162,000 personnel (including about 77,000 armed forces and National Guard troops and 85,000 police) in 2003. Current plans call for 325,500 security personnel to be organized under coalition direction: including completing the initial training and equipping of the 137,500 in the Iraqi Armed Forces and 188,000 police and other interior ministry forces by the end of December 2006. U.S. assistance appropriated for Iraqi security forces and law enforcement has grown from \$3.24 billion in January 2004 to approximately \$13.7 billion in June 2006.<sup>7</sup> As GAO recently reported, the insurgency remains strong and resilient in 2005 and early 2006, the intensity and lethality of attacks have been growing, and the insurgency threatens to undermine the development of effective Iraqi governmental institutions.<sup>8</sup>

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<sup>7</sup>This figure includes \$5 billion from the IRRF2 funds, \$5.7 billion to support Iraqi security forces appropriated in the Emergency Supplemental Act for Defense, the Global War on Terror and Tsunami Relief 2005, Pub. L. No. 109-13, and \$3 billion in supplemental fiscal year 2006 funds to support Iraqi security forces.

<sup>8</sup>See GAO, *Rebuilding Iraq: Governance, Security, Reconstruction, and Financing Challenges* GAO-06-697T (Washington D.C.: Apr. 25, 2006).

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## Essential Services Have Not Been Restored to Prewar Levels, Undermining Efforts to Improve the Lives of Iraqi People

The U.S. strategy initially assumed that its U.S.-funded reconstruction activities would help restore Iraq's essential services—including oil production, electricity generation, and water treatment—to prewar levels. However, the U.S. efforts have yet to restore Iraq's essential services to prewar levels, and efforts to achieve these goals have been hindered by security, management, and maintenance challenges. As a result, the United States has yet to prove that it has made a difference in the Iraqi people's quality of life.

According to senior CPA and State officials responsible for the strategy, the CPA's 2003 reconstruction plan assumed (1) that creating or restoring basic essential services for the Iraqi people took priority over jobs creation and the economy and (2) that the United States should focus its resources on long-term infrastructure reconstruction projects because of the expertise the United States could provide. According to the senior CPA official tasked with developing the reconstruction plan, CPA drew up a prioritized list of more than 2,300 construction projects in 10 sectors to be completed in about 3 years, which were to be funded by the \$18.4 billion made available in the fiscal year 2004 supplemental appropriation for the 2004 Iraq Relief and Reconstruction Fund (IRRF2).<sup>9</sup> The U.S. reconstruction effort focused primarily on building or restoring essential services to prewar levels—or to a standard acceptable to and accessible by all Iraqi citizens—over the long-term with less emphasis on more immediate development tasks. CPA initially allocated about two-thirds of the IRRF2 funds to restore essential services in the oil, water, and electricity sectors, while more immediate projects in democracy building, private sector development, and the employment sector received about 3 percent.

However, the coalition's decision in November 2003 to accelerate the return of power to a sovereign Iraqi interim government and changes in the security situation altered these assumptions, leading the U.S. administration to reallocate a total of \$3.5 billion between January 2004 and April 2006 from the water resources and sanitation and electric sectors to security, law enforcement, justice, and democracy building and employment programs. For example, the mission reallocated over \$555

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<sup>9</sup>The 10 sectors are: (1) security and law enforcement; (2) justice, public safety, and civil society (including democracy building activities); (3) electric sector; (4) oil infrastructure; (5) water resources and sanitation; (6) transportation and telecommunications; (7) roads, bridges, and construction; (8) health care; (9) private sector development; and (10) education, refugees, human rights, and governance.



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million in IRRF2 funds to democracy programs and reallocated \$105 million to improve productivity and employment in the agriculture sector to support the Iraqi government as it prepared for elections. A World Bank report stated that the agriculture sector employed 18 percent of Iraq's labor force and accounted for about 10 percent of gross domestic product in 2004. Before this time, the United States had devoted no IRRF2 resources to the agricultural sector.

U.S. expectations about Iraq's capacity to manage and sustain its own reconstruction efforts have not been realized and have resulted in greater U.S. emphasis on capacity development. As reported in prior GAO reports, the U.S. reconstruction effort has encountered difficulties in maintaining new and rehabilitated infrastructure, resulting in some U.S.-funded projects becoming damaged or inoperable after being turned over to the Iraqis.<sup>10</sup> For example, as of June 2005, U.S.-funded water and sanitation projects representing about \$52 million of approximately \$200 million spent on completed projects were inoperable or were operating at lower than normal capacity. Recent U.S. mission assessments have noted the Iraqi government's limited capacity to provide services to the Iraqi people due to weak technical expertise, limitations in managers' skills and training, and an inability to identify and articulate strategic priorities, and other factors. As a result, the administration reallocated \$170 million for government capacity building programs and \$133 million for infrastructure operations and maintenance needs in 2005 and early 2006.

As GAO has reported previously, these challenges contributed to the cancellation or delay of projects in the essential services sectors, affecting U.S. efforts to achieve its targets in the oil, electricity, and water sectors, and undermining its efforts to improve the quality of life for the Iraqi people. A March 2006 poll of Iraqi citizens indicated that over half the respondents thought Iraq was heading in the wrong direction. Moreover, the poll reports that over the last year, growing numbers believe that the security situation, the provision of electricity, the prevalence of corruption, and the state of the economy worsened.<sup>11</sup>

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<sup>10</sup>See GAO, *Rebuilding Iraq: Stabilization, Reconstruction, and Financing Challenges*, [GAO-06-428T](#) (Washington, D.C.: Feb. 8, 2006), and 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).

<sup>11</sup>Survey of Iraqi Public Opinion, International Republican Institute (Washington, D.C.: March 23-31, 2006).

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## Expected Level of Iraq and International Community Financial Support for Iraq's Developmental Needs Have Not Yet Been Met

From the outset of the reconstruction and stabilization effort, the U.S. strategy assumed that the Iraqis and the international community would help finance Iraq's developmental needs. However, these expectations have not yet been met, and Iraq's estimated future reconstruction needs vastly exceed what has been offered to date. According to a CPA report and senior CPA and State officials, the 2003 CPA plan assumed that the Iraqis and the international community would support development needs that were not financed by the United States. For example, a CPA report assumed that Iraqi oil revenues could help pay for reconstruction costs because it estimated that Iraq's oil production would increase to about 2.8 to 3.0 million barrels per day (mbpd) by the end of 2004, a one-third increase over 2002 levels, and generate about \$15 billion in oil export revenue for the year.

These expectations about Iraq's ability to contribute to and manage its own reconstruction have not been realized in practice. U.S. agency documents estimated Iraq's 2003 actual prewar crude oil production at 2.6 mbpd. In March 2006, State reported that oil production was about 2 mbpd. 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. In addition, although the capacity for export is theoretically as high as 2.5 mbpd, export levels averaged about 1.4 mbpd in 2005. Shortfalls in expected oil production levels and increased security spending contributed to reductions in Iraq's own projections of how much of the budget would be available to contribute to its own reconstruction.<sup>12</sup> In 2005, Iraq's government budgeted approximately \$5 billion for capital expenditures, but a senior U.S. mission official stated that they managed to spend only a few hundred million by the end of the year. He attributed this to Iraq ministries' lack of expertise to manage projects, write contracts, and provide effective controls on the contracting process.

The strategy's assumptions about the need for extensive international donor support for rebuilding Iraq's reconstruction have not significantly changed since 2003, although the estimated cost of restoring Iraq's

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<sup>12</sup>As of April 2006, Iraq's security-related spending is currently projected to be about \$5.3 billion in 2006, growing from 7 to about 13 percent of projected GDP. The amount reflects the rising costs of security and the transfer of security responsibilities from the United States to Iraq.

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infrastructure has grown significantly since October 2003. At that time, a World Bank, United Nations, and CPA assessment initially estimated that it would cost about \$56 billion to meet reconstruction needs across a variety of sectors in Iraq. The United States committed about \$24 billion for relief and reconstruction in fiscal years 2003 and 2004, with the expectation the Iraqis and the international community would provide the rest. Other foreign donors pledged about \$13.6 billion to rebuild Iraq. According to State documents, international donors have provided over \$3.5 billion in the form of multilateral and bilateral grants as of April 2006.<sup>13</sup> About \$10 billion, or 70 percent, of the pledged amount is in the form of loans, primarily from the World Bank, the International Monetary Fund (IMF), and Japan. As GAO has reported previously, however, Iraq currently owes a combined \$84 billion to victims of its invasion of Kuwait and other external creditors, which may limit its capacity to assume more debt. Moreover, Iraq's needs are greater than originally anticipated due to severely degraded infrastructure, postconflict looting and sabotage, and additional security costs. In the oil sector alone, Iraq will now likely need an estimated \$30 billion over the next several years to reach and sustain an oil production capacity of 5 million barrels per day, according to industry experts and U.S. officials. For the electricity sector, Iraq projects that it will need \$20 billion through 2010 to boost electrical capacity, according to the Department of Energy's Energy Information Administration. While the NSVI does not identify the magnitude of additional financing needed, it acknowledges that there is "room for the international community to do more."

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<sup>13</sup>Donors also have provided bilateral assistance for Iraq reconstruction activities; however, complete information on this assistance is not readily available.

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## The NSVI and Its Supporting Documents Do Not Address All the Characteristics of an Effective National Strategy, thus Limiting Its Usefulness as a Planning Tool

The NSVI aims to improve U.S. strategic planning for Iraq; however, the NSVI and its supporting documents are incomplete because they do not fully address the six desirable characteristics of effective national strategies that GAO has identified through its prior work.<sup>14</sup> We used these six characteristics to evaluate the NSVI and the 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.<sup>15</sup> 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.

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<sup>14</sup>GAO-04-408T.

<sup>15</sup>We use the term “strategy” collectively to refer to the NSVI and its supporting documents.

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**Figure 3: Extent the U.S. Strategy for Iraq Addresses GAO's Desirable Characteristics of an Effective Strategy**

|  | NSVI | NSVI + 7 documents |
|--|------|--------------------|
| <b>Extent the U.S. Strategy for Iraq Addresses GAO's Desirable Characteristics of an Effective National Strategy</b>   |      |                    |
| <b>1. Clear purpose, scope, methodology</b>  |      |                    |
| <b>Purpose</b>   |      |                    |
| 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.  | ●    | ●                  |
| <b>Scope</b>   |      |                    |
| 1c. Defines or discusses key terms, major functions, mission areas, or activities the strategy covers.   | ●    | ●                  |
| <b>Methodology</b>   |      |                    |
| 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.   | ●    | ●                  |
| <b>2. Detailed discussion of problems, risks, and threats</b>  |      |                    |
| <b>Problem definition</b>  |      |                    |
| 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.   | ●    | ●                  |
| <b>Risk assessment</b>   |      |                    |
| 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."  | ○    | ◐                  |
| <b>3. Desired goals, objectives, activities, and performance measures</b>  |      |                    |
| <b>Goals and subordinate objectives</b>  |      |                    |
| 3a. Addresses the overall results desired, i.e., an "end-state."   | ●    | ●                  |
| 3b. Identifies strategic goals and subordinate objectives.   | ●    | ●                  |
| <b>Activities</b>  |      |                    |
| 3c. Identifies specific activities to achieve results.   | ●    | ●                  |
| <b>Performance measures</b>  |      |                    |
| 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 style="text-align: center;"> <span style="display: inline-block; width: 10px; height: 10px; background-color: black; border-radius: 50%; margin-right: 5px;"></span> Addresses<br/> <span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; border-radius: 50%; background: linear-gradient(to right, black 50%, white 50%); margin-right: 5px;"></span> Partially addresses<br/> <span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; border-radius: 50%; margin-right: 5px;"></span> 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**

NSVI  
NSVI + 7  
documents

**4. Description of future costs and resources needed**

**Resources and investments**

|   |                       |                                  |
|---|-----------------------|----------------------------------|
| 4a. Identifies what the strategy will cost.   | <input type="radio"/> | <input checked="" type="radio"/> |
| 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. | <input type="radio"/> | <input checked="" type="radio"/> |

**Risk management**

|   |                       |                                  |
|---|-----------------------|----------------------------------|
| 4c. Addresses where resources or investments should be targeted to balance risks and costs.                         | <input type="radio"/> | <input checked="" type="radio"/> |
| 4d. Addresses resource allocation mechanisms.   | <input type="radio"/> | <input checked="" type="radio"/> |
| 4e. Identifies risk management principles and how they help implementing parties prioritize and allocate resources. | <input type="radio"/> | <input type="radio"/>            |

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

**Organizational roles and responsibilities**

|   |                                  |                                  |
|---|----------------------------------|----------------------------------|
| 5a. Addresses who will implement the strategy.  | <input checked="" type="radio"/> | <input checked="" type="radio"/> |
| 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. | <input type="radio"/>            | <input checked="" type="radio"/> |

**Coordination**

|  |                                  |                                  |
|--|----------------------------------|----------------------------------|
| 5c. Addresses mechanisms and/or processes for parties to coordinate efforts within agencies and with other agencies. | <input checked="" type="radio"/> | <input checked="" type="radio"/> |
| 5d. Identifies process for resolving conflicts.  | <input type="radio"/>            | <input type="radio"/>            |

**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). | <input type="radio"/> | <input checked="" type="radio"/> |
| 6b. Addresses integration with relevant documents from other agencies and subordinate levels (vertical).  | <input type="radio"/> | <input checked="" type="radio"/> |

- Addresses
- Partially addresses
- Does not address

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

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**Strategy Discusses Purpose and Scope, Identifies Risks and Threats, and Discusses Desired Goals and Objectives**

The strategy generally addresses three of the six characteristics. As figure 3 shows, the strategy provides: (1) a clear statement of its purpose and scope; (2) a detailed discussion of the problems the strategy intends to address; and (3) an explanation of its goals, subordinate objectives, and activities.

**U.S. 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 make the document more useful to organizations responsible for implementing the strategies, as well as to oversight organizations such as Congress. The strategy identifies U.S. involvement in Iraq as a vital national interest, identifies the risks and threats facing coalition forces, and discusses overarching U.S. political, security, and economic objectives. Specifically, the NSVI identifies U.S. government efforts to rebuild and stabilize Iraq in terms of three overarching political, security, and economic objectives and addresses the assumptions that guided its 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. To help achieve another strategic goal, building government capacity and providing essential services, the strategy also states that the U.S. government is helping to achieve this objective by rehabilitating critical infrastructure in the fuel and electric power sectors. It is also rehabilitating schools, providing new textbooks, computers, and materials; and training teachers and school administrative staff. One supporting document, State's 2207 report to Congress, provides additional supporting details and data for the specific activities and projects funded through the \$18.4 billion in fiscal year 2004 reconstruction funds.

**Strategy Identifies Risks and Threats**

This characteristic addresses the particular 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 the 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 insurgents—



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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 the Shi'ite militias present, 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.

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

This characteristic addresses what the national strategy strives to achieve and the steps needed to garner those results, as well as the priorities, milestones, and outcome-related performance measures to gauge results. Identifying goals, objectives, and outcome-related performance measures aids implementing parties in achieving results and enables more effective oversight and accountability. In addition, identifying and measuring outcome-related performance rather than output measures allow for more accurate measurement of program results and assessment of program effectiveness.

The strategy 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. The NSVI also notes that detailed metrics on the results of training Iraqi security forces and improvements in the economy and infrastructure are collected and available elsewhere but did not include them in the strategy. Supporting documents also identify some performance measures.

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

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completed or under way.<sup>16</sup> For instance, as of March 2006, Iraq has the capacity to produce 1.1 million cubic meters of water per day, but this level overestimates 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 reported in December 2005 that it had developed a set of metrics to better estimate the potential impact of U.S. water and sanitation reconstruction efforts on Iraqi households, but acknowledges it is impossible to measure how much water Iraqis are actually receiving or whether the water is potable. The report notes that without the comprehensive data these key measures would provide, mission efforts to accurately assess the impact of U.S. reconstruction efforts on water and sanitation services are seriously limited.

In April 2006, we reported that in the electric sector U.S. agencies primarily reported on generation measures such as levels of added or restored generation capacity and daily power generation of electricity; numbers of projects completed; and average daily hours of power. However, these data did not show (1) whether the power generated was uninterrupted for the period specified (e.g., average number hours per day), (2) if there were regional or geographic differences in the quantity of power generated, or (3) how much power was reaching intended users.<sup>17</sup> Moreover, State's 2005 assessment of its reconstruction effort noted that the reconstruction effort lacked measurable milestones that tied short-term program objectives to long-term strategic goals.

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

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

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<sup>16</sup>See [GAO-05-872](#).

<sup>17</sup>See GAO, *Rebuilding Iraq: Governance, Security, Reconstruction, and Financing Challenges*, [GAO-06-697T](#) (Washington D.C.: Apr. 25, 2005).

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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. Guidance on costs and resources needed using a risk management approach helps implementing parties allocate resources according to priorities; track costs and performance; and shift resources, as appropriate. Such guidance also would assist Congress and the administration in developing a more effective strategy to achieve the desired end-state.

The strategy neither identifies the current and future costs of implementing the strategy, nor does it identify the sources of funding (U.S. government, international donors, or Iraqi government) needed to achieve U.S. political, security, and economic objectives in Iraq. These costs would include the costs of maintaining U.S. military operations, including the costs to repair and replace equipment used during these operations, building the capacity of key national ministries and the 18 provincial governments, completing the U.S. program for training and equipping Iraqi security forces, and restoring essential services. For example, between fiscal years 2003 and 2006, about \$311 billion was allocated to support U.S. objectives in Iraq. Approximately \$276 billion has been provided to support U.S. military operations and forces as of June 2006, which currently number about 130,000 troops, and over \$34 billion to develop capable Iraqi security forces, restore essential services, and rebuild Iraqi institutions. The administration has also requested about \$51 billion more for military and reconstruction operations for fiscal year 2007: including \$50 billion that the Office of Management and Budget terms “bridge funding” to continue the global war on terrorism in Iraq and Afghanistan and an additional \$771 million for reconstruction operations in Iraq.

These cost data are not included in the strategy. As a result, neither DOD nor Congress can reliably determine the cost of the war, nor do they have details on how the appropriated funds are being spent or historical data useful in considering future funding needs.<sup>18</sup> Moreover, the strategy states that the war in Iraq yields benefits in the global war on terrorism but does not discuss substantial financial and other costs. In addition, GAO has previously found numerous problems in DOD’s processes for accounting for and reporting cost data for its operations in Iraq, which constitute about

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<sup>18</sup>See GAO, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, [GAO-05-882](#) (Washington, D.C.: Sept. 21, 2005).

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90 percent of estimated total U.S. government costs. Given the current fiscal challenges facing the U.S. government, such an assessment would help clarify the future costs of U.S. involvement in Iraq.

The strategy also fails to project future costs and contributions from non-U.S. sources. It does not address the extent to which the Iraqi government will contribute financially to its own rebuilding effort. While supporting documents provide some information on current spending plans and allocations, the dispersion of this budget information across numerous budget documents makes it difficult to analyze how the objectives of the NSVI will be funded. For example, State's quarterly 2207 reports to Congress describe the current status of the Iraq reconstruction funding allocations and the status of international donations for reconstruction. In February 2006, State issued two supplemental documents that provide some additional information on how IRRF2 funds and fiscal year 2006 and 2007 budget appropriations were to be spent across the NSVI's three tracks (political, security, and economic). Other supporting documents partially address these resource issues but do not identify future resource needs. The unclassified version of the MNF-I/ U.S. Embassy Baghdad Joint Mission Statement on Iraq indicates that budgetary and human capital resources will be needed, and funding is expected from Congress and the Iraqi government. However, it does not identify the specific amounts needed to meet key U.S. goals. The 2207 reports discuss international donor contribution levels and reports on the progress of projects funded with international grants but does not relate these amounts to Iraqi requirements.

In addition, none of the strategy documents takes into account the total cost of Iraq's reconstruction, which will be more than originally anticipated, due to severely degraded infrastructure, postconflict looting and sabotage, and additional security costs. Initial assessments in 2003 identified a total of \$56 billion in Iraqi reconstruction needs in various sectors, but more recent cost estimates suggest that the oil infrastructure and electric sectors alone will require about \$50 billion in the next several years. These funding concerns have grown as resources have been shifted from reconstruction projects to security needs. For example, between January 2004 and April 2006, the administration reallocated \$3.5 billion from the water resources and sanitation and electric sectors to security; justice, public safety, and civil society; and democracy building activities; and other programs. This contributed to the cancellation, delay, or scaling back of water and electricity projects and will complicate efforts to achieve the objectives for these essential service sectors.

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Although the NSVI acknowledges that rampant corruption is a challenge threatening the success of U.S. reconstruction and stabilization efforts, the strategy does not address how reconstruction efforts should take the risk of corruption into account when assessing the costs of achieving U.S. objectives in Iraq. For instance, IMF, the World Bank, Japan, and European Union officials cite corruption in the oil sector as an especially serious problem. In addition, according to State officials and reporting documents, 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. By not addressing this risk, the strategy cannot provide adequate guidance to implementing parties trying to assess priorities and allocate resources.

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

This characteristic addresses which U.S. organization will implement the strategy and their roles, responsibilities, and mechanisms for coordinating their efforts. Addressing this characteristic fosters coordination and enhances both implementation and accountability.

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. To organize U.S. efforts in Iraq, the NSVI breaks down the political, security, and economic tracks of the strategy into eight strategic objectives (pillars) that have lines of action assigned to military and civilian units in Iraq. Each strategic objective has a corresponding interagency working group to coordinate policy, review and assess the progress, develop new proposals for action, and oversee implementation of existing policies. National Security Presidential Directive 36 made the Department of State responsible for nonsecurity aspects of reconstruction and lays out key roles for the U.S. Chief of Mission in Baghdad and CENTCOM. It directed that the Commander of CENTCOM will, with the Chief of Mission's policy guidance, direct all U.S. government efforts in support of training and equipping Iraq security forces. It also established the roles for the mission's two supporting offices: the Iraq Reconstruction Management Office and the Projects and Contracting Office.

Although the NSVI organizes the U.S. strategy along three broad tracks and eight strategic objectives, it does not clearly identify the roles and responsibilities of specific federal agencies for achieving these specific objectives, or how disputes among them will be resolved. For example, GAO found only one reference in the NSVI to the reconstruction responsibilities of a particular U.S. government agency in Iraq when it noted that the Federal Bureau of Investigation and other U.S. agencies

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would assist an Iraqi antimajor crimes task force in the investigation of terrorist attacks and assassinations. Thus, it is not clear which agency is responsible for implementing the overlapping activities listed under the eight strategic objectives. For instance, one activity is to promote transparency in the executive, legislative, and judicial branches of the Iraqi government; however, the strategy does not indicate which agency is responsible for implementing this activity, or who to hold 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. For example, in the water resources and sanitation sector, Iraqi and U.S. officials' disagreements over decisions to repair or replace treatment facilities or to use brick instead of concrete have delayed project execution.<sup>19</sup>

Strategy Partially Addresses  
Integration with Iraqi  
Government and International  
Donors

This characteristic addresses both how a national strategy relates to the goals, objectives, and activities of other strategies, to other government and international entities, and relevant documents from implementing organizations. A clear relationship between the strategy and other critical implementing documents helps agencies and other entities understand their roles and responsibilities, foster effective implementation, and promote accountability.

The NSVI and supporting documents partially address how the strategy relates to other international donors and Iraqi government goals, objectives, and activities.<sup>20</sup> 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 are integrated with the strategies, goals, and objectives of the international donors and the Iraqi government. The NSVI does identify Web sites where other documents can be obtained but does not address how these documents are integrated with the NSVI.

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<sup>19</sup>See [GAO-05-872](#).

<sup>20</sup>Past GAO work has highlighted the importance of integrated cooperation between the United States, host governments, and foreign donors in such operations. See GAO, *Foreign Assistance: Observations on Post-Conflict Assistance in Bosnia, Kosovo, and Afghanistan*, [GAO-03-980T](#) (Washington, D.C.: July 18, 2003).

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GAO has previously reported that victory in Iraq cannot be achieved without an integrated U.S., international, and Iraqi effort to meet the political, security, and economic needs of the Iraqi people. However, the strategy has only partially addressed how it relates to the objectives and activities of Iraq and the international community and does not address what it expects the international community or the Iraqi government to pay to achieve future objectives. This affects the strategy's ability to address the challenge of conducting an integrated operation dependent upon Iraq's limited capacity to contribute to its own reconstruction. For example, GAO has reported that Iraq's weak national and provincial governments limit Iraq's ability to operate and sustain new and rehabilitated infrastructure projects. This has contributed to the failure to achieve key reconstruction goals.

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### 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 management tool for implementing agencies and as an oversight tool for informing Congress about the pace, costs, and results of these efforts. Since these other documents were written by different agencies at different points in time, the information in them is not directly comparable, which diminishes their value. State and DOD have separately released budget requests totaling about \$121 billion to continue U.S. stabilization and reconstruction programs through fiscal year 2007. However, these documents do not provide an estimate or range of estimates as to what it will cost to achieve U.S. objectives in Iraq in the short-, medium-, and long-term. In addition, these documents further disperse information about how the government is addressing the key elements of an effective national strategy for Iraq.

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### Conclusion

The November 2005 NSVI represents the results of efforts to improve the strategic planning process for the challenging and costly U.S. mission in Iraq. Although the NSVI is an improvement over earlier efforts, it and the supporting documents are incomplete. The desired end-state of the U.S. strategy has remained unchanged since 2003, but the underlying assumptions have changed in response to changing security and economic conditions, calling into question the likelihood of achieving the desired end-state. Moreover, the collective strategy neither identifies U.S. or other resources needed to implement the objectives nor does it address its integration with the efforts and funding plans of the Iraqi government or the international community. The formation of the new Iraqi government

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provides an opportunity to the United States government to reexamine its strategy and more closely align its efforts and objectives with those of the Iraqi people and other donors.

The dispersion of information across the NSVI and seven supporting documents further limits the strategy's usefulness as a tool for planning and reporting on the costs, progress, and results of the U.S. mission in Iraq. Since the current disparate reporting mechanisms do not provide a comprehensive assessment of U.S. government efforts in Iraq, Congress may lack critical information to judge U.S. progress in achieving objectives and addressing key political, security, and economic challenges. In addition, the strategy could be more useful to implementing agencies and Congress if it fully addressed these characteristics in a single document.

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## Recommendation for Executive Action

To help improve the strategy's effectiveness as a planning tool and to improve its usefulness to Congress, this report recommends that the National Security Council, in conjunction with DOD and State, complete the strategy by addressing all six characteristics of an effective national strategy in a single document. In particular, the revised strategy should address the current costs and future military and civilian resources needed to implement the strategy, clarify the roles and responsibilities of all U.S. government agencies involved in reconstruction and stabilization efforts, and detail potential Iraqi and international contributions to future military and reconstruction needs.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the NSC and to the Departments of Defense and State for their review and comment. We received a written response from State that is reprinted in appendix III. State also provided us with technical comments and suggested wording changes that we incorporated as appropriate. DOD deferred comment to the NSC; its letter is reprinted in appendix IV. We did not receive oral or written comments from the NSC in response to our request.

State did not comment on our report recommendations. In commenting on a draft of this report, State asserted that our draft report misrepresented the NSVI's purpose—to provide the public a broad overview of the U.S. strategy in Iraq and not to provide details available elsewhere. We acknowledge that the purpose of the NSVI was to provide the public with an overview of a multitiered, classified strategy and not to set forth every

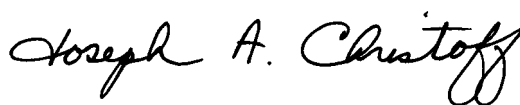


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detail on information readily available elsewhere. Our analysis was not limited to the publicly available, unclassified NSVI. With input from DOD and State, we included in our assessment all the classified and unclassified documents that collectively define the U.S. strategy in 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), and (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. Collectively, these documents still lack all 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.

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We are sending copies of this report to interested congressional committees. We will also make copies available to other on request. In addition, this report is available on GAO's Web site at <http://www.gao.gov>. If you or your staff have any questions, please contact me at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix V.



Joseph A. Christoff  
Director, International Affairs and Trade

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*List of Committees*

The Honorable Mitch McConnell  
Chairman  
The Honorable Patrick J. Leahy  
Ranking Minority Member  
Subcommittee on State, Foreign Operations,  
and Related Programs  
Committee on Appropriations  
United States Senate

The Honorable Ted Stevens  
Chairman  
The Honorable Daniel K. Inouye  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable John Warner  
Chairman  
The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Richard G. Lugar  
Chairman  
The Honorable Joseph R. Biden, Jr.  
Ranking Minority Member  
Committee on Foreign Relations  
United States Senate

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The Honorable C. W. Bill Young  
Chairman

The Honorable John P. Murtha  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

The Honorable Jim Kolbe  
Chairman

The Honorable Nita M. Lowey  
Ranking Minority Member  
Subcommittee on Foreign Operations, Export Financing,  
and Related Programs  
Committee on Appropriations  
House of Representatives

The Honorable Duncan L. Hunter  
Chairman

The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Honorable Tom Davis  
Chairman

The Honorable Henry A. Waxman  
Ranking Minority Member  
Committee on Government Reform  
House of Representatives

The Honorable Christopher Shays  
Chairman

The Honorable Dennis J. Kucinich  
Ranking Minority Member  
Subcommittee on National Security, Emerging Threats,  
and International Relations  
Committee on Government Reform  
House of Representatives

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The Honorable Henry J. Hyde  
Chairman  
The Honorable Tom Lantos  
Ranking Minority Member  
Committee on International Relations  
House of Representatives

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# Scope and Methodology

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As part of GAO's review of reconstruction and stabilization efforts in Iraq initiated under the Comptroller General's authority, we examined the U.S. strategy for achieving victory in Iraq. Specifically, we (1) assess the evolution of the U.S. national strategy for Iraq in response to changing political, security and economic circumstances and (2) evaluate whether the November 2005 National Strategy for Victory in Iraq (NSVI) and its supporting documents include the desirable characteristics of an effective national strategy. In this report, the NSVI and its supporting documents are referred to as the U.S. strategy for Iraq.

To describe the goals and objectives of the U.S. national strategy for Iraq and its relationship to other existing strategy documents, we interviewed Coalition Provisional Authority (CPA), U.S. government, and Iraqi officials, and reviewed planning and reporting documents obtained from the former CPA; Departments of State (State) and Defense (DOD), and U.S. Agency for International Development; the U.S. mission in Baghdad; and the Multinational Forces-Iraq (MNF-I). We analyzed records, reports and data from the Iraqi government, and from U.S. government and military officials in Washington, D.C., and Baghdad, Iraq. We also examined the reports of other oversight entities that performed internal control and management reviews, including audits of the Special Inspector General for Iraq and internal U.S. Mission Baghdad reports and briefings. We also collected and reviewed documents from the United Nations, the World Bank, the International Monetary Fund, and the Iraqi government's National Development Strategy for 2005-2007.

We evaluated the NSVI along with seven related classified and unclassified supporting documents identified as having key details about the strategy by State's Office of the Coordinator for Iraq, the Bureau of Near Eastern Affairs, and by DOD's Defense Reconstruction Support Office and Near Eastern South Asian Affairs office. These included (1) the National Security Presidential Directive 36 (May 2004), (2) the 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's 2207 reports to Congress (January and April 2006); and (7) the April 2006 Joint Campaign Plan issued by the Chief of Mission and the Commander of the MNF-I. In particular, we discussed the relationship between the NSVI, the National Strategy for Supporting Iraq (NSSI), and the MNF-I Campaign Plan with the Secretary of State's Special Coordinator for Iraq and his staff, National Security Council staff, and DOD's Office of the Secretary of Defense and the Defense

Reconstruction Support Office. In addition to these documents, we also reviewed other U.S. government documents not identified as key supporting documents by State and DOD officials but which also provide useful information, including the fiscal year 2006 supplemental funding request, the fiscal year 2007 budget request, and two reports issued by State in February 2006: *Rebuilding Iraq: U.S. Achievements Through the Iraq Relief and Reconstruction Fund*; and *Advancing the President's National Strategy for Victory in Iraq: Funding Iraq's Transition to Self-Reliance in 2006 and 2007 and Support for the Counterinsurgency Campaign*. We also reviewed DOD's periodic reports on the status of its security and stability programs financed by the fiscal year 2005 supplemental Iraq Security and Stabilization Fund (ISSF) and DOD's report to Congress under Section 1227 of National Defense Authorization Act for Fiscal Year 2006 (Pub. L. No. 109-163). Finally, we reviewed the NSVI for consistency with the administration's National Security Strategy of the United States of America released in March 2006.

To assess whether the NSVI contains all the desirable characteristics of an effective national strategy, we first developed a checklist using the six desirable characteristics of an effective national strategy developed in prior GAO work as criteria. Three analysts independently assessed two selected strategy documents using the checklist to verify its relevance and then convened as a panel to test their ability to apply the checklist to the information contained in the document. The team concluded that the checklist was relevant and appropriate for assessing the NSVI. The three analysts independently assessed the NSVI and recorded the results on separate checklists and then met as a panel to reconcile the differences in their scores. A separate panel of three other analysts also independently assessed the NSVI using the same methodology, and then the two panels met as a group to discuss similarities and resolve differences in their scoring. In addition, the first panel of three analysts evaluated seven additional documents applying the same criteria in the checklist. On the basis of these evaluations, we developed a consolidated summary of the extent that the NSVI and the supporting documents addressed the 27 elements and six characteristics of an effective national strategy. These results are presented in figure 3 of this report.

We gave each of the 27 elements under the six characteristics an individual rating of either: "addresses," "partially addresses," or "does not address." According to our methodology, a strategy "addresses" an element of a characteristic when it explicitly cites all parts of the element, and the document has sufficient specificity and detail. Within our designation of

“partially addresses,” there is a wide variation between a strategy that addresses most parts of an element of a characteristic and a strategy that addresses few parts of an element of a characteristic. A strategy “does not address” an element of a characteristic when it does not explicitly cite or discuss any parts of the element of that characteristic or any implicit references are either too vague or general to be useful. See appendix II for a more detailed description of the six characteristics. We further evaluated the six related classified and unclassified documents that State and DOD officials said provided key details about the strategy. Three analysts evaluated each of these documents using the same methodology described above.

We conducted our review from October 2005 through June 2006 in accordance with generally accepted government auditing standards.

# GAO's Description of the Six Characteristics of an Effective National Strategy

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In a prior report, GAO identified six desirable characteristics of an effective national strategy that would enable its implementers to effectively shape policies, programs, priorities, resource allocations, and standards and that would enable federal departments and other stakeholders to achieve the identified results.<sup>1</sup> GAO further determined in that report that national strategies with the six characteristics can provide policy makers and implementing agencies with a planning tool that can help ensure accountability and more effective results. To develop these six desirable characteristics of an effective national strategy, GAO reviewed several sources of information. First, GAO gathered statutory requirements pertaining to national strategies, as well as legislative and executive branch guidance. GAO also consulted the Government Performance and Results Act of 1993, general literature on strategic planning and performance, and guidance from the Office of Management and Budget on the President's Management Agenda. In addition, among other things, GAO studied past reports and testimonies for findings and recommendations pertaining to the desirable elements of a national strategy. Furthermore, we consulted widely within GAO to obtain updated information on strategic planning, integration across and between the government and its partners, implementation, and other related subjects.

GAO developed these six desirable characteristics based on their underlying support in legislative or executive guidance and the frequency with which they were cited in other sources. GAO then grouped similar items together in a logical sequence, from conception to implementation. Table 2 provides these desirable characteristics and examples of their elements.

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<sup>1</sup>[GAO-04-408T](#) and [GAO-06-486C](#).



**Appendix II**  
**GAO's Description of the Six Characteristics**  
**of an Effective National Strategy**

**Table 2: Desirable Characteristics for an Effective National Strategy**

| <b>Desirable characteristic</b>   | <b>Description</b>   | <b>Examples of elements</b>  |
|---|--|--|
| Purpose, scope, and methodology   | Addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed.   | <ul style="list-style-type: none"> <li>Principles guiding development</li> <li>Impetus: e.g., legislation</li> <li>Definition of key terms</li> <li>Process and methodology to produce strategy (via interagency task force, private input, etc.)</li> </ul>   |
| Detailed discussion of problems, risks, and threats                               | Addresses the particular national problems and threats at which the strategy is directed.  | <ul style="list-style-type: none"> <li>Discussion or definition of problems, causes, and operating environment</li> <li>Risk assessment, including analysis of threat and vulnerabilities</li> <li>Quality of data: constraints, deficiencies, unknowns</li> </ul>   |
| Desired goals, objectives, activities, and outcome-related performance measures   | Addresses what the strategy is trying to achieve, steps to achieve those results, as well as the priorities, milestones, and performance measures to gauge results.                              | <ul style="list-style-type: none"> <li>Overall results desired: end-state</li> <li>Hierarchy of goals and subordinate objectives</li> <li>Priorities, milestones, and performance measures to gauge results</li> <li>Specific performance measures and activities to achieve results</li> <li>Limitations on progress indicators</li> </ul>  |
| Description of future costs and resources needed                                  | Addresses what the strategy will cost, the sources and types of resources and investments needed, and where resources and investments should be targeted by balancing risk reductions and costs. | <ul style="list-style-type: none"> <li>Resources and investments associated with strategy</li> <li>Types of resources required</li> <li>Sources of resources</li> <li>Economic principles, e.g., balancing benefits and costs</li> <li>Resource allocation mechanisms, such as grants, in-kind services, loans.</li> <li>Mandates/incentives to spur action</li> <li>Importance of fiscal discipline</li> <li>Linkage to other resource documents, e.g., federal budget</li> <li>Risk management principles</li> </ul> |
| Delineation of U.S. government roles, responsibilities and coordination mechanism | Addresses who will be implementing the strategy, what their roles will be compared to others, and mechanisms for them to coordinate their efforts.   | <ul style="list-style-type: none"> <li>Lead, support, and partner roles and responsibilities</li> <li>Accountability and oversight framework</li> <li>Potential changes to structure</li> <li>Specific coordination processes</li> <li>Conflict resolution mechanism</li> </ul>  |
| Description of strategy's integration among and with other entities               | Addresses how a national strategy relates to other strategies' goals, objectives, and activities and to subordinate levels of government and their plans to implement the strategy.              | <ul style="list-style-type: none"> <li>Integration with other national strategies (horizontal)</li> <li>Integration with relevant documents from other implementing organizations (vertical)</li> <li>Implementation guidance</li> <li>Details on subordinate strategies and plans for implementation (e.g., human capital, enterprise architecture)</li> </ul>  |

Source: GAO.

The following sections provide more detail on the six desirable characteristics.

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Purpose, Scope, and  
Methodology

This characteristic addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed. For example, a strategy should discuss the specific impetus that led to its being written (or updated), such as statutory requirements, executive mandates, or other events like the global war on terrorism. Furthermore, a strategy would enhance clarity by including definitions of key, relevant terms. In addition to describing what it is meant to do and the major functions, mission areas, or activities it covers, a national strategy would ideally address its methodology. For example, a strategy should discuss the principles or theories that guided its development, the organizations or offices that drafted the document, or working groups that were consulted in its development.

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Problems, Risks, and  
Threats

This characteristic addresses the particular national problems and threats at which the strategy is directed. Specifically, this means a detailed discussion or definition of the problems the strategy intends to address, their causes, and operating environment. In addition, this characteristic entails a risk assessment, including an analysis of the threats to and vulnerabilities of critical assets and operations. If the details of these analyses are classified or preliminary, an unclassified version of the strategy should at least include a broad description of the analyses and stress the importance of risk assessment to implementing parties. A discussion of the quality of data available regarding this characteristic, such as known constraints or deficiencies, would also be useful.

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Goals, Objectives, Activities,  
and Outcome-Related  
Performance Measures

This characteristic addresses what the national strategy strives to achieve and the steps needed to garner those results, as well as the priorities, milestones, and performance measures to gauge results. At the highest level, this could be a description of an ideal end-state, followed by a logical hierarchy of major goals, subordinate objectives, and specific activities to achieve results. In addition, it would be helpful if the strategy discussed the importance of implementing parties' efforts to establish priorities, milestones, and performance measures, which help ensure accountability. Ideally, a national strategy would set clear desired results and priorities, specific milestones, and outcome-related performance measures while giving implementing parties flexibility to pursue and achieve those results within a reasonable time frame. If significant limitations on performance measures exist, other parts of the strategy should address plans to obtain

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better data or measurements, such as national standards or indicators of preparedness.

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**Future Costs and Resources  
Needed**

This characteristic addresses what the strategy will cost, the sources and types of resources and investments needed, and where those resources and investments should be targeted. Ideally, a strategy would also identify appropriate mechanisms to allocate resources. Furthermore, a national strategy should elaborate on the risk assessment mentioned earlier and give guidance to implementing parties to manage their resources and investments accordingly. It should also address the difficult, but critical, issues about who pays and how such efforts will be funded and sustained in the future. Furthermore, a strategy should include a discussion of the type of resources required, such as budgetary, human capital, information, information technology (IT), research and development (R&D), procurement of equipment, or contract services. A national strategy should also discuss linkages to other resource documents, such as federal agency budgets or human capital, IT, R&D, and acquisition strategies. Finally, a national strategy should also discuss in greater detail how risk management will aid implementing parties in prioritizing and allocating resources, including how this approach will create society-wide benefits and balance these with the cost to society. Related to this, a national strategy should discuss the economic principle of risk-adjusted return on resources.

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**U.S. Government Roles and  
Responsibilities and  
Coordination Mechanism**

This characteristic addresses what organizations will implement the strategy, their roles and responsibilities, and mechanisms for coordinating their efforts. It helps to answer the question about who is in charge during times of crisis and during all phases of the victory in Iraq efforts: prevention, vulnerability reduction, and response and recovery. This characteristic entails identifying the specific federal departments, agencies, or offices involved, as well as the roles and responsibilities of private and international sectors. A strategy would ideally clarify implementing organizations' relationships in terms of leading, supporting, and partnering. In addition, a strategy should describe the organizations that will provide the overall framework for accountability and oversight, such as the National Security Council, Office of Management and Budget, Congress, or other organizations. Furthermore, a strategy should also identify specific processes for coordination and collaboration between sectors and organizations—and address how any conflicts would be resolved.

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Strategy's Integration  
Among and with Other  
Entities

This characteristic addresses both how a national strategy relates to other strategies' goals, objectives, and activities (horizontal integration)—and to subordinate levels of government and other organizations and their plans to implement the strategy (vertical integration). For example, a national strategy should discuss how its scope complements, expands upon, or overlaps with other national strategies of the Iraqi government and other international donors. Similarly, related strategies should highlight their common or shared goals, subordinate objectives, and activities. In addition, a national strategy should address its relationship with relevant documents from implementing organizations, such as the strategic plans, annual performance plans, or the annual performance reports the Government Performance and Results Act requires of federal agencies. A strategy should also discuss, as appropriate, various strategies and plans produced by the state, local, private, or international sectors. A strategy also should provide guidance such as the development of national standards to link together more effectively the roles, responsibilities, and capabilities of the implementing parties.

# Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

*Washington, D.C. 20520*

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

JUN 30 2006

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "REBUILDING IRAQ: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals," GAO Job Code 320401.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Matthew Finston, Desk Officer, Bureau of Near Eastern Affairs, at (202) 647-9883.

Sincerely,

A handwritten signature in black ink, appearing to read "Brad R. Higgins".

Bradford R. Higgins

cc: GAO – Joseph Christoff  
NEA – C. David Welch  
State/OIG – Mark Duda

**Department of State Comments on GAO Draft Report**

**REBUILDING IRAQ: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals, (GAO-06-788, GAO Code 320401)**

See comment 1.

The Department of State appreciates the opportunity to review and comment on the GAO Draft Report, *REBUILDING IRAQ: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals*. We are disappointed that GAO did not properly notify the Department of the change in subject and scope of this review, depriving the Department of an opportunity to participate meaningfully in GAO's inquiry. The Department was initially notified in November 2004 that this review would focus on the management of U.S. reconstruction efforts in Iraq, e.g. how the U.S. government is organized to supervise and direct the reconstruction effort in the post-transition phase. However, the Department was not aware of GAO's intention to assess the November 2005 National Strategy for Victory in Iraq (NSVI) and compare it with GAO's characteristics of an effective national strategy.

See comment 2.

The National Strategy for Supporting Iraq (NSSI) is the classified strategic document that links the overriding principles of the NSVI to specific lines of action and goals. The NSSI is a national-level strategy and should not be placed at the implementation level, as it is in Figure 1 of the draft report. Contrary to two of GAO's criticisms, the NSSI links current goals to resources and specifies the responsible parties for particular actions. At this time the NSSI does not specify future military and civilian resources necessary for achieving the strategic objectives, another of the GAO's recommendations. This is not a valid criticism, however. In order to make resources more explicit we are in the process of incorporating the FY 2006 supplemental budget into the NSSI, next to their appropriate Lines of Action. The GAO report does not take into account that the FY 2006 supplemental and the FY 2007 budget request made extensive reference to the NSVI in their justifications, clearly demonstrating that they are the implementation of the NSVI.

See comment 3.

See comment 4.

The draft report rests on a flawed understanding of the strategic architecture guiding United States policy in Iraq. As the NSVI itself explains, its purpose was to provide the public with an overview of what is a comprehensive, multi-tiered, and classified strategy, not to set forth every

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detail on information readily available elsewhere – such as the inter-agency resources employed to achieve our objectives. Much of the information contained in the draft report is thus largely irrelevant to a fair and honest assessment of the NSVI or U.S. strategy in Iraq more generally.

Specific Comments

See comment 5.

The draft report says repeatedly (starting on page 6) that the goals cited in the NSVI have not changed since 2003, although the assumptions and conditions on the ground have changed. Conditions on the ground have changed, but that does not change our goals (“a peaceful stable and united Iraq... integrated into the international community... and a partner in the war on terrorism”). The means and time required to reach those goals may have changed, but the goals themselves are still valid and necessary.

It is incorrect to say that the USG or its agencies “*assumed* that U.S. funded reconstruction activities would help restore Iraq’s essential services to prewar levels.” (Pages 6, 12, 15) Helping to reach prewar levels was a “purpose” or “intention”, but it was not an assumption. U.S. funded reconstruction activities have indeed *helped* restore essential services, in some sectors to and even beyond prewar levels. The NSVI and numerous other USG documents on Iraq have explicitly stated that the purpose of the Iraq Relief and Reconstruction Fund (IRRF) was to kick-start Iraq’s essential services and economy to enable Iraq to begin meeting its own needs. The Iraqi government has become demonstrably more capable in these areas.

See comment 6.

Iraq’s current crude oil production exceeds prewar production. Iraq’s average production for 2002 was 2 mbpd. The draft report incorrectly states on that “Before the war, oil production in Iraq averaged 2.6 (mbpd).” (Page 17) While there is some disagreement (see Special Inspector General for Iraq Reconstruction reporting) our information is that Iraq has not sustained that level of production since 1999, and average crude oil production has fallen below that level every year since.

Iraq’s average peak electricity generation in 2005 (4,300 MW) equaled the pre-war level in 2002; hours of power are higher than pre-war levels, with the notable exception of Baghdad.

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See comment 7.

It is not possible to make definitive statements about a baseline for the total number of people nationwide with access to clean drinking water during the pre-war period, because reliable data do not exist on the level and quality of services for this period. The Iraq Reconstruction Management Office at Embassy Baghdad (IRMO) has developed a set of metrics and standard methodologies to reasonably track the potential impact of IRRF-funded reconstruction efforts. These metrics and methodologies have been employed since being finalized in December 2005. As of June 2006, IRRF-funded potable water projects had added or restored 1.3 million cubic meters per day of treatment capacity in Iraq, through new or rehabilitation projects. To avoid overestimating the number of potential beneficiaries, factors such as water usage rates and system inefficiency are taken into account. A physical loss factor of 60 percent is used to calculate these usage rates, as current estimates indicate that 50 to 60 percent of treated water may be lost in distribution before reaching the end users. Using IRMO's methodology, IRRF reconstruction projects to date have restored or expanded access to potable water for 4.2 million Iraqis.

See comment 8.

There are 6.5 million telephone subscribers in Iraq, compared to fewer than 1 million pre-war subscribers; U.S. programs have provided both telecommunications infrastructure and technical assistance to help enable significant private investment in this sector.

See comment 9.

The draft report says that the Government of Iraq (GOI) does not have significant resources to contribute to its own reconstruction. (Page 17) While oil production has been lower than expected, oil export revenues were actually above target at \$16.6 billion in 2004. In 2005, Iraq budgeted for \$17 billion in oil revenue but earned \$20-22 billion because of higher world oil prices. The Iraqi budget for 2006 includes \$33 billion in expenditures, \$28 billion funded by revenues from oil exports. It also includes \$6.2 billion in capital expenditures. As oil exports and revenues grow in coming years, the GOI's ability to pay for its own reconstruction likewise will grow. The GAO report unnecessarily downplays the contribution Iraq has already made, and will continue to make towards its own reconstruction and development.

The draft report says that the cost of reconstructing Iraq has gone up significantly from the \$56 billion the World Bank estimated in 2003, and that it is not clear where the resources will come from. (Page 18 and elsewhere) The report mischaracterizes the nature of the World Bank study,



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which was an initial estimate done to help prepare attendees of the Madrid donors' conference in October 2003. It never was represented as a comprehensive survey. Since that time, the U.S. and other donors have developed a much better understanding of the conditions on the ground, including the extent to which Saddam neglected essential service infrastructure. U.S. assistance programs also have changed according to changing requirements on the ground and the requests of the GOI. Thus, while we believe more than \$56 billion will ultimately be needed to bring Iraq back to a status equivalent to other oil producing developing countries, we do not think that the "cost" has "gone up."

See comment 10.

The draft report notes Iraq may not be able to utilize \$10 billion in international loan assistance pledges because of its \$85 billion reparations/foreign debt burden. (Page 18) Debt relief is in fact a big success story. Paris Club creditors have already reached agreements that will eventually result in forgiveness for a minimum of 80% (\$30 billion) of Iraq's \$40 billion in Paris Club debt. Agreement has been reached on similar debt relief for approximately \$18 billion of Iraq's \$22 billion in commercial debt. We are confident that ongoing discussions with other sovereign creditors will result in debt relief on Paris Club or better terms for the remainder of Iraq's debt, eventually allowing Iraq to access new lending. Also, current loan assistance offered is all on concessional terms.

See comment 11.

The draft report incorrectly states that only \$2.7 billion of \$13.5 billion in pledged international donor assistance has been delivered. (Page 18) Disbursements are now approximately \$3.6 billion. The pledges were to be disbursed over a five-year period, which has not yet expired.

See comment 12.

The draft report states that it will take \$30 billion over several years to increase oil production to 5 mbpd. (Page 19) This is misleading because \$30 billion investment would go far beyond reconstruction. Iraq has never sustained production of 5 mbpd. In the highest year for which we have data, 1979, production averaged only 3.3 mbpd.

See comment 13.

The draft report comments that the NSVI and other documents do not take the risk of corruption into account when assessing the costs of achieving U.S. objectives. (Page 27) We recognize that corruption is a major problem in Iraq and anti-corruption efforts are a major part of our overall strategy, as cited presently in the NSSI and other documents.

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Insufficient data make it very difficult to accurately account for corruption as a “cost” in achieving our overall goal.

The draft report states that the NSVI does not sufficiently cover how reconstruction is to be coordinated with the GOI and other donors. (Page 29) Other supporting documents, however, cite various coordination mechanisms, including the International Reconstruction Fund Facility for Iraq (IRFFI) and the GOI-hosted donor coordination process in Baghdad. The “Compact” now envisioned between Iraq and the international community will provide a vehicle for both more coordination and more assistance pledges.

See comment 14.

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The following are GAO's comments on the Department of State's letter dated June 30, 2006.

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## GAO Comments

1. We notified the Department of State (State) of the scope of our review. After the National Strategy for Victory in Iraq (NSVI) was released in November 2005, we focused our review on whether the new strategy and related planning documents identified by State and the Department of Defense (DOD) addressed the desirable characteristics of an effective national strategy. On February 10, 2006, we met with senior State officials from the Bureau of Near East and Asia and the office of the Senior Advisor to the Secretary of State and Coordinator for Iraq Affairs to describe our plans and methodology for assessing the NSVI. State officials acknowledged our methodology and identified the key documents (both unclassified and classified) that, when combined with the NSVI, served as the collective U.S. strategy for Iraq.
2. We modified figure 1 to place the National Strategy for Supporting Iraq (NSSI) at the strategic level. However, we disagree that the NSSI links goals to resources. In fact, State's comments note that the NSSI does not specify the future military and civilian resources necessary for achieving U.S. strategic objectives, and it is in the process of incorporating the fiscal year 2006 supplemental budget into the NSSI. Until State completes this linkage, it is difficult to assess whether the NSSI will adequately link goals to resources.
3. We disagree with State's contention that we did not take into account the fiscal year 2006 supplemental and the fiscal year 2007 budget requests in our assessment of the NSVI. We evaluated these as part of our review. Even though State officials did not include these documents among those they identified as supporting the strategy. In addition, we reviewed other U.S. government documents that provided useful context and information, including two related reports issued by State in February 2006: (1) *Rebuilding Iraq: U.S. Achievements Through the Iraq Relief and Reconstruction Fund*; and (2) *Advancing the President's National Strategy for Victory in Iraq : Funding Iraq's Transition to Self-Reliance in 2006 and 2007 and Support for the Counterinsurgency Campaign*.
4. We acknowledge that the purpose of the NSVI was to provide the public with an overview of a multitiered, classified strategy and not to set forth every detail on information readily available elsewhere. Our

analysis was not limited to the publicly available, unclassified NSVI. With input from DOD and State, we included in our assessment all the classified and unclassified documents that collectively define the U.S. strategy in 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), and (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. Collectively, these documents still lack all 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.

5. We disagree with State's comment that helping restore essential services to prewar levels was not an assumption of the early U.S. reconstruction strategy. According to the key architects of the original Coalition Provisional Authority plan, restoring essential services to a prewar level was a key assumption of the U.S. strategy.
6. Documents we received from State and the Department of Energy estimated that Iraq's 2003 actual prewar crude oil production was 2.6 million barrels per day. State did not provide any additional documentation to support their contention. In addition, the 4,300 megawatts figure cited by State is below the postwar peak of 5,400 megawatts and the planned U.S. goal of 6,000 megawatts.
7. We agree that it is not possible to make definitive statements about the number of people nationwide with access to clean drinking water during the prewar period because reliable data did not exist. We have noted this problem in previous reports and testimonies. This report describes U.S. mission efforts announced in December 2005 to develop an improved set of metrics to better estimate the potential impact of U.S. water and sanitation reconstruction efforts on Iraqi households. We reviewed excerpts from this reporting and included it in our report. However, State has not complied with our request to provide us with a complete copy of its metrics plan to better allow us to judge the results of its efforts.

8. As we have previously reported, subsidies for food, fuel, and electricity, rising costs for security forces, and high costs to sustain Iraq's bureaucracy limit Iraq's ability to contribute to its own reconstruction efforts. While Iraq budgeted about \$5 billion for capital expenditures in 2005, it only provided a few hundred million dollars by the end of the year. Accordingly, it is too early to determine if the Iraqi government will spend the \$6.2 billion it has budgeted for capital expenditures in 2006.
9. We clarified the report to characterize the 2003 World Bank study as an initial estimate and not a comprehensive survey. While acknowledging that more than \$56 billion will be needed to bring Iraq to a status equivalent to other oil-producing developing nations, State does not think that "costs" have gone up. However, recent State and Department of Energy cost estimates show that the oil infrastructure and electric sectors alone will require about \$50 billion in the next several years. In addition, June 2006 reporting from the Department of Energy states that Iraq could need \$100 billion or more for long-term reconstruction efforts.
10. We agree that the Iraq and U.S. governments have succeeded in achieving debt relief for Iraq from the Paris Club and commercial creditors. However, there is a significant amount of debt remaining, amounting to \$84 billion. This debt includes war reparations that Iraq owes from its invasion of Kuwait. This remaining debt imposes a continuing financial burden on the country.
11. We revised our report to include updated April 2006 figures.
12. We included the \$30 billion estimate for the oil sector to illustrate the significant future costs to restore a critical sector—a sector from which Iraq derives 90 percent of its budgetary revenues. State's Iraq Reconstruction Management Office developed these estimates. In addition, as noted in comment 9 above, Iraq could need \$100 billion or more for long-term reconstruction, according to a June 2006 report by the Department of Energy.
13. We agree that it is very difficult to accurately account for corruption as a cost in achieving the overall goals for Iraq. We recognize that State launched an anticorruption strategy in December 2005, but this strategy was not reflected in the documents we reviewed. We included State estimates that help describe the magnitude of the corruption problem.

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For example, State reports that 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.

14. The recently announced International Compact could be a useful vehicle for better international coordination, but the details of the compact's scope and function and linkage to the new donor coordination process have not been specified. The International Reconstruction Fund Facility for Iraq provides a coordination mechanism among United Nations agencies, but its linkage to U.S.-funded projects is also unclear. More importantly, no single document describes how the goals and projects of the United States, Iraq, and the international community are or will be linked to achieve maximum effectiveness and avoid duplication of effort.

# Comments from the Department of Defense



INTERNATIONAL  
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JUN 30 2006

Mr. Joseph A. Christoff  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Christoff:

Thank you for the opportunity to comment on your draft report, GAO-06-788, "REBUILDING IRAQ: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals" dated June 14, 2006 (GAO Code 320401).

DoD defers comment on the draft report to the National Security Council. The report is directed at the National Strategy for Victory in Iraq, issued by that office.

Please let me know if we can be of any further assistance.

Sincerely,

  
Peter W. Rodman

# GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Staff Acknowledgments

Stephen M. Lord, Assistant Director; Kelly Baumgartner; Lynn Cothorn; Jared Hermalin; B. Patrick Hickey; Rhonda Horried; Guy Lofaro; and Alper Tunca made key contributions to this report. Terry Richardson provided technical assistance.



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# Related GAO Products

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*Rebuilding Iraq: Actions Still Needed to Improve Use of Private Security Providers.* [GAO-06-865T](#). Washington, D.C.: June 13, 2006.

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

*United Nations: Oil for Food Program Provides Lessons for Future Sanctions and Ongoing Reform.* [GAO-06-711T](#). Washington, D.C.: May 2, 2006.

*United Nations: Lessons Learned from Oil for Food Program Indicate the Need to Strengthen UN Internal Controls and Oversight Activities.* [GAO-06-330](#). Washington, D.C.: April 25, 2006.

*Rebuilding Iraq: Stabilization, Reconstruction, and Financing Challenges.* [GAO-06-428T](#). Washington, D.C.: February 8, 2006.

*Rebuilding Iraq: DOD Reports Should Link Economic Governance and Security Indicators to Conditions for Stabilizing Iraq.* [GAO-06-152C](#). Washington, D.C.: October 31, 2005.

*Rebuilding Iraq: Enhancing Security, Measuring Program Results, and Maintaining Infrastructure Are Necessary to Make Significant and Sustainable Progress.* [GAO-06-179T](#). Washington, D.C.: October 18, 2005.

*Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs.* [GAO-05-882](#). Washington, D.C.: September 21, 2005.

*Rebuilding Iraq: U.S. Assistance for the January 2005 Elections.* [GAO-05-932R](#). Washington, D.C.: September 7, 2005.

*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.: September 7, 2005.

*Rebuilding Iraq: Actions Needed To Improve Use of Private Security Providers.* [GAO-05-737](#). Washington, D.C.: July 28, 2005.

*Rebuilding Iraq: Status of Funding and Reconstruction Efforts.* [GAO-05-876](#). Washington, D.C.: July 28, 2005.

*Rebuilding Iraq: Preliminary Observations on Challenges in Transferring Security Responsibilities to Iraqi Military and Police.* [GAO-05-431T](#). Washington, D.C.: March 14, 2005.

*Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues.* [GAO-04-902R](#). Washington, D.C.: June 28, 2004.

*United Nations: Observations on the Oil for Food Program and Iraq's Food Security.* [GAO-04-880T](#). Washington, D.C.: June 16, 2004.

*Contract Management: Contracting for Iraq Reconstruction and for Global Logistics Support.* [GAO-04-869T](#). Washington, D.C.: June 15, 2004.

*Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges.* [GAO-04-605](#). Washington, D.C.: June 1, 2004.

*Iraq's Transitional Law.* [GAO-04-746R](#). Washington, D.C.: May 25, 2004.

*State Department: Issues Affecting Funding of Iraqi National Congress Support Foundation.* [GAO-04-559](#). Washington, D.C.: April 30, 2004.

*Recovering Iraq's Assets: Preliminary Observations on U.S. Efforts and Challenges.* [GAO-04-579T](#). Washington, D.C.: March 18, 2004.

*Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities During Operation Iraqi Freedom.* [GAO-04-305R](#). Washington, D.C.: December 18, 2003.

*Rebuilding Iraq.* [GAO-03-792R](#). Washington, D.C.: May 15, 2003.

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