



Highlights of [GAO-08-153](#), a report to congressional committees

Why GAO Did This Study

The President's New Way Forward in Iraq identified Iraq's inability to spend its resources to rebuild infrastructure and deliver essential services as a critical economic challenge to Iraq's self-reliance. Further, Iraq's ability to spend its \$10.1 billion capital projects budget in 2007 was one of the 18 benchmarks used to assess U.S. progress in stabilizing and rebuilding Iraq.

This report (1) examines data the U.S. embassy used to determine the extent to which the government of Iraq spent its 2007 capital projects budget, (2) identifies factors affecting the Iraqi government's ability to spend these funds, and (3) describes U.S. government efforts to assist the Iraqi government in spending its capital projects funds.

For this effort, GAO reviewed Iraqi government budget data and information on provincial spending collected by the U.S. Provincial Reconstruction Teams. GAO also interviewed officials from the departments of the Treasury, Defense, State, and other agencies and organizations.

What GAO Recommends

We recommend that the Secretary of Treasury work with the government of Iraq and relevant U.S. agencies to enhance the department's ability to report accurate and reliable expenditure data from Iraq's ministries and provinces. Treasury agreed with our recommendation.

To view the full product, including the scope and methodology, click on [GAO-08-153](#). For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

IRAQ RECONSTRUCTION

Better Data Needed to Assess Iraq's Budget Execution

What GAO Found

U.S. and Iraq reports show widely disparate rates for Iraqi government spending on capital projects. Accordingly, GAO cannot determine the extent to which the Iraqi government is spending its 2007 capital projects budget. In its September 2007 Iraqi benchmark assessment, the administration reported that Iraq's central government ministries had spent 24 percent of their 2007 capital projects budget, as of July 15, 2007. However, this report is not consistent with Iraq's official expenditure reports, which show that the central ministries had spent only 4.4 percent of their investment budget as of August 2007. The discrepancies between the official and unofficial data highlight uncertainties about the sources and use of Iraq's expenditure data.

The government of Iraq faces many challenges that limit its ability to spend its capital project budget. Violence and sectarian strife delay capital budget execution by increasing the time and cost needed to implement contracts. Recent refugee flows and the de-Ba'athification process have contributed to the exodus of skilled labor from Iraq. In addition, U.S. and foreign officials also noted that weaknesses in Iraqi procurement, budgeting, and accounting procedures impede completion of capital projects. For example, according to the State Department, Iraq's Contracting Committee requires about a dozen signatures to approve projects exceeding \$10 million, which slows the process.

U.S. agencies have undertaken a variety of programs to help Iraq execute its capital projects budget, although it is not clear what impact these efforts have had to date. U.S. agencies supported new efforts in 2007 targeting Iraq's ability to spend capital budget funds, including an office to provide procurement assistance to ministries and provinces and a new position in the U.S. Embassy to coordinate with senior Iraqi government officials on budget execution and oversee related U.S. assistance efforts. In addition, improving Iraqi government budget execution is part of a broader U.S. assistance effort to improve the capacity of the Iraqi government. For example, the U.S. Agency for International Development (USAID) has trained 500 ministry officials in procurement or budget execution. USAID also led an effort to implement an automated financial management information system for the Iraqi government, although this program was suspended in June 2007 following the kidnapping of five contractors involved in the project. In addition, U.S. advisors work directly with key Iraqi ministries to assist with budget execution and procurement, among other responsibilities.