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Highlights

Highlights of GAO-08-1021T, a testimony before the Committee on Armed Services, House of Representatives

July 23, 2008

SECURING, STABILIZING, AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

Why GAO Did This Study

In January 2007, the President announced a new U.S. strategy to stem the violence in Iraq and help the Iraqi government foster conditions for national reconciliation. In *The New Way Forward*, the Administration articulated near-term goals to achieve over a 12- to 18-month period and reasserted the end state for Iraq: a unified, democratic, federal Iraq that can govern, defend, and sustain itself and is an ally in the war on terror. To support this strategy, the United States increased its military presence and financial commitments for Iraq operations.

This testimony discusses (1) progress in meeting key security, legislative, and economic goals of *The New Way Forward*; and (2) past and current U.S. strategies for Iraq and the need for an updated strategy.

GAO reviewed documents and interviewed officials from U.S. agencies, MNF-I, the UN, and the Iraqi government. GAO also had staff stationed in Baghdad. Since 2003, GAO has issued about 140 Iraq-related products, which provided baseline information for this assessment.

What GAO Recommends

GAO recommended that DOD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq. DOD and State disagreed, asserting that *The New Way Forward* remains valid and that the Joint Campaign Plan guides U.S. efforts in Iraq.

To view the full product, including the scope and methodology, click on GAO-08-1021T. For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

What GAO Found

The United States has made some progress in achieving key goals stated in *The New Way Forward*. Looking forward, many challenges remain, and an updated strategy is essential.

- In the **security** area, violence—as measured by the number of enemy-initiated attacks—decreased about 80 percent from June 2007 to June 2008, trained Iraqi security forces have increased substantially, and many units are leading counterinsurgency operations. However, as of July 2008, 8 of 18 provincial governments do not yet have lead responsibility for security in their provinces, and DOD reported that, in June 2008, less than 10 percent of Iraqi security forces were at the highest readiness level and therefore considered capable of performing operations without coalition support. The security environment remains volatile and dangerous.

- In the **legislative** area, Iraq has enacted key legislation to return some Ba'athists to government, grant amnesty to detained Iraqis, and define provincial powers. The unfinished Iraqi legislative agenda includes enacting laws that will provide the legal framework for sharing oil revenues, disarming militias, and holding provincial elections.

- On **economic and infrastructure** issues, Iraq spent only 24 percent of the $27 billion it budgeted for its reconstruction efforts between 2005 and 2007. Although crude oil production improved for short periods, the early July 2008 average production capacity of about 2.5 million barrels per day was below the U.S. goal of 3 million barrels per day. In addition, while State reports that U.S. goals for Iraq's water sector are close to being reached, the daily supply of electricity in Iraq met only slightly more than half of demand in early July 2008.

Since 2003, the United States has developed and revised multiple strategies to address security and reconstruction needs in Iraq. *The New Way Forward* responded to failures in prior U.S. plans and the escalating violence that occurred in 2006. However, this strategy and the military surge that was central to it end in July 2008, and many agree that the situation remains fragile.

GAO recommends an updated strategy for Iraq for several reasons. First, much has changed in Iraq since *The New Way Forward* began in January 2007. Violence is down, U.S. surge forces are leaving, and the United States is negotiating a security agreement with Iraq to replace the expiring UN mandate. Second, *The New Way Forward* only articulates U.S. goals and objectives for the phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* are contained in disparate documents rather than a single strategic plan. Furthermore, the classified MNF-I/U.S. Embassy Joint Campaign Plan is not a strategic plan; it is an operational plan with limitations that GAO will discuss during the closed portion of the hearing.

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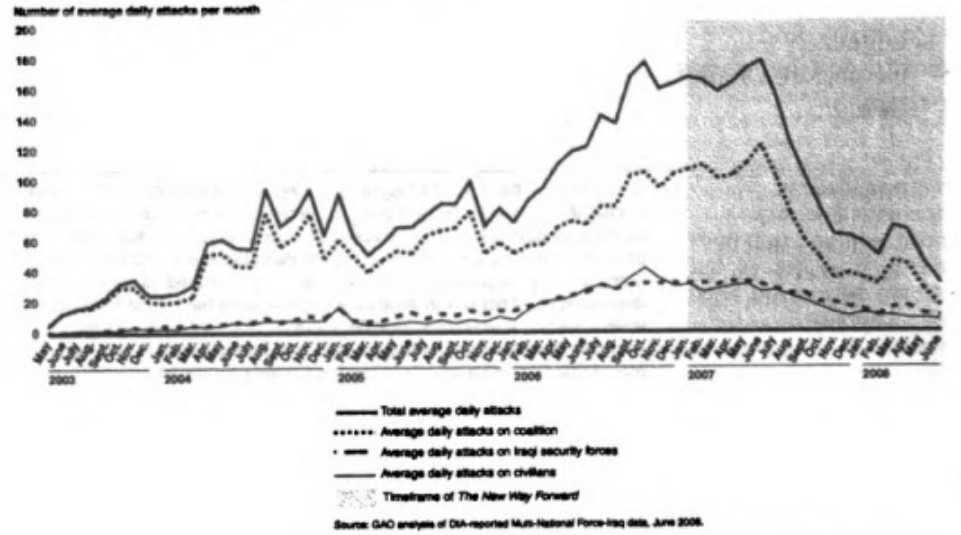
Figure 1: Average Daily Attacks, May 2003 to June 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, June 2008.

The New Way Forward also set the goal of developing capable Iraqi security forces and transferring security responsibilities to the Iraqi government. Since 2003, the United States has provided more than $20 billion to develop Iraqi security forces. The number of trained Iraqi forces increased from about 323,000 in January 2007 to about 478,500 as of April 30, 2008. DOD reports that about 65 percent of Iraqi army battalions are leading counterinsurgency operations. However, the number of units at the highest readiness level, as assessed by DOD, accounts for less than 10 percent of total units (see fig. 2). The development of independent Iraqi security forces was a benchmark established by Congress and derived from commitments made by the Iraqi government. The number of independent Iraqi security forces as measured by Operational Readiness Assessments (ORA) level 1 continues to be an important measure of the capabilities of Iraqi security forces. In late June 2008, DOD reported that 12 Iraqi army battalions were capable of planning, executing, and

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Highlights

Highlights of GAO-08-837, a report to congressional committees

June 2008

SECURING, STABILIZING AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

Why GAO Did This Study

Since 2001, Congress has appropriated about $640 billion for the global war on terrorism, the majority of this for operations in Iraq. In January 2007, the President announced *The New Way Forward* to stem violence in Iraq and enable the Iraqi government to foster national reconciliation. This new strategy established goals and objectives to achieve over 12 to 18 months, or by July 2008.

GAO discusses progress in meeting key goals in *The New Way Forward*: (1) improve security conditions; (2) develop capable Iraqi security forces; and help the Iraqi government (3) enact key legislation, (4) spend capital budgets, and (5) provide essential services. GAO also discusses U.S. strategies for Iraq.

GAO reviewed documents and interviewed officials from U.S. agencies, the United Nations, and the Iraqi government. GAO also had staff stationed in Baghdad. Since May 2003, GAO has issued over 130 Iraq-related audits, which provided baseline information for this assessment. GAO prepared this report under the Comptroller General's authority.

What GAO Recommends

GAO recommends that the Departments of Defense and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself.

To view the full product, including the scope and methodology, click on GAO-08-837. For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

What GAO Found

The New Way Forward responded to failures in prior strategies that prematurely transferred security responsibilities to Iraqi forces or belatedly responded to growing sectarian violence. Overall violence, as measured by enemy-initiated attacks, fell about 70 percent in Iraq, from about 180 attacks per day in June 2007 to about 50 attacks per day in February 2008. Security gains have largely resulted from (1) the increase in U.S. combat forces, (2) the creation of nongovernmental security forces such as Sons of Iraq, and (3) the Mahdi Army's declaration of a cease fire. Average daily attacks were at higher levels in March and April before declining in May 2008. The security environment remains volatile and dangerous. The number of trained Iraqi forces has increased from 323,000 in January 2007 to 478,000 in May 2008; many units are leading counterinsurgency operations. However, the Department of Defense reported in March 2008 that the number of Iraqi units capable of performing operations without U.S. assistance has remained at about 10 percent. Several factors have complicated the development of capable security forces, including the lack of a single unified force, sectarian and militia influences, and continued dependence on U.S. and coalition forces.

The Iraqi government has enacted key legislation to return some Ba'athists to government, give amnesty to detained Iraqis, and define provincial powers. However, it has not yet enacted other important legislation for sharing oil resources or holding provincial elections. Efforts to complete the constitutional review have also stalled. A goal of *The New Way Forward* was to facilitate the Iraqis' efforts to enact all key legislation by the end of 2007.

Between 2005 and 2007, Iraq spent only 24 percent of the $27 billion it budgeted for its own reconstruction efforts. More specifically, Iraq's central ministries, responsible for security and essential services, spent only 11 percent of their capital investment budgets in 2007—down from similarly low rates of 14 and 13 percent in the 2 prior years. Violence and sectarian strife, shortage of skilled labor, and weak procurement and budgeting systems have hampered Iraq's efforts to spend its capital budgets.

Although oil production has improved for short periods, the May 2008 production level of about 2.5 million barrels per day (mbpd) was below the U.S. goal of 3 mbpd. The daily supply of electricity met only about half of demand in early May 2008. Conversely, State reports that U.S. goals for Iraq's water sector are close to being reached. The unstable security environment, corruption, and lack of technical capacity have contributed to the shortfalls.

The Departments disagreed with our recommendation, stating that *The New Way Forward* strategy remains valid but the strategy shall be reviewed and refined as necessary. We reaffirm the need for an updated strategy given the important changes that have occurred in Iraq since January 2007. An updated strategy should build on recent gains, address unmet goals and objectives and articulate the U.S. strategy beyond July 2008.

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Table 1: The Administration's Comparison of Key Assumptions in *The New Way Forward* and Prior U.S. Strategy

Key assumptions	
Prior strategy	***New Way Forward***
• Primary challenge is a Sunni-based insurgency.	• Primary challenge is violent extremists from multiple communities; the center is eroding and sectarianism is spiking.
• Political progress will help defuse the insurgency and dampen levels of violence.	• While political progress, economic gains, and security are intertwined, political and economic progress is unlikely absent a basic level of security.
• Iraqi security forces are gaining in strength and ability to handle Iraq's security challenges.	• Many elements of Iraqi security forces are in the lead but not yet ready to handle Iraqi security challenges independently.
• A national compact is within the grasp of Iraqi leaders and will have meaningful impact on security.	• Effective national reconciliation may not take the form of a comprehensive package deal; it could come about as the product of piecemeal efforts.
• Majority of Iraqis will support the coalition and Iraqi efforts to build a democratic state.	• Iraqis are increasingly disillusioned with coalition efforts.
• Majority of Iraqis and Iraqi leaders see their interests as best advanced by a unified Iraq.	• While still committed to a unified Iraq, many Iraqis are also advancing sectarian agendas.
• Dialogue with insurgent groups will help reduce violence.	• Dialogue with insurgent groups has not improved security and may not produce strategic gains in current context.
• Region has a strategic interest in the stabilization of Iraq.	• Many Arab states remain wary of throwing their full support behind the Iraqi government.

Source: National Security Council, Highlights of the Iraq Strategy Review, January 2007.

The January 2007 strategy documents defined the original goals and objectives that the Administration believed were achievable by the end of this phase in July 2008. For example, the President pledged to increase the number of U.S. military forces in Iraq to help the Iraqis carry out their campaign to reduce sectarian violence and bring security to Baghdad and other areas of the country. The strategy also called for MNF-I to transfer security responsibilities to all 18 Iraqi provinces by the end of 2007. Further, the President committed to hold the Iraqi government to its pledges to (1) enact and implement key legislation to promote national reconciliation, (2) execute its capital budget, and (3) provide essential services to all Iraqi areas and communities and help Iraq maintain and expand its oil exports.

Improving Security Conditions

The following section provides information on security conditions in Iraq from mid-2007 through May 2008, including factors affecting these conditions.

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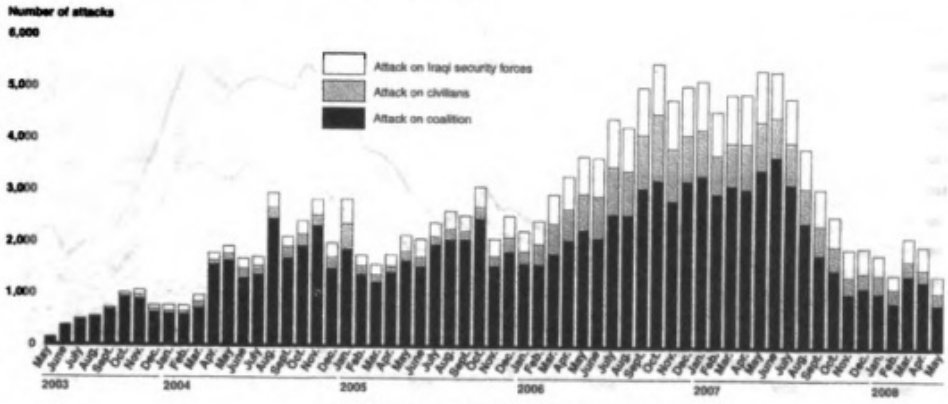
Figure 1: Enemy-Initiated Attacks by Month, May 2003 to May 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, May 2008.

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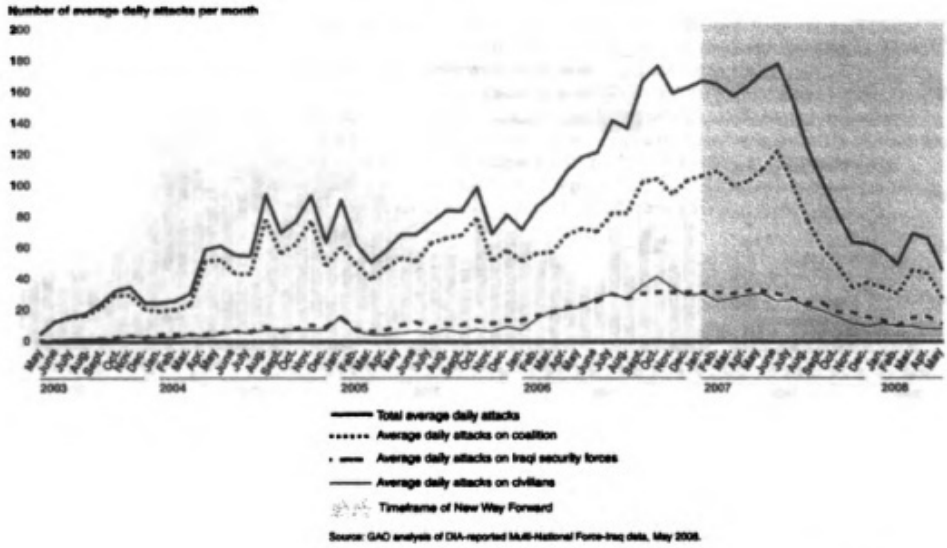
Figure 2: Average Daily Attacks, May 2003 to May 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, May 2008.

However, data for March 2008 show an increase in violence in Iraq. Security conditions deteriorated in March 2008, with the average number of attacks increasing from about 50 per day in February 2008 to about 70 attacks per day in March—about a 40 percent increase (see fig. 2). According to an April 2008 UN report,[13] the increase in attacks resulted from Shi'a militias fighting Iraqi security forces throughout southern Iraq, as well as an increase in incidents of roadside bomb attacks against Iraqi security forces and MNF-I in Baghdad. The average number of attacks declined to about 65 per day in April and to about 45 per day in May.

[13]UN Security Council, *Report of the Secretary-General Pursuant to Paragraph 6 of Resolution 1770 (2007)* (Apr. 22, 2008).

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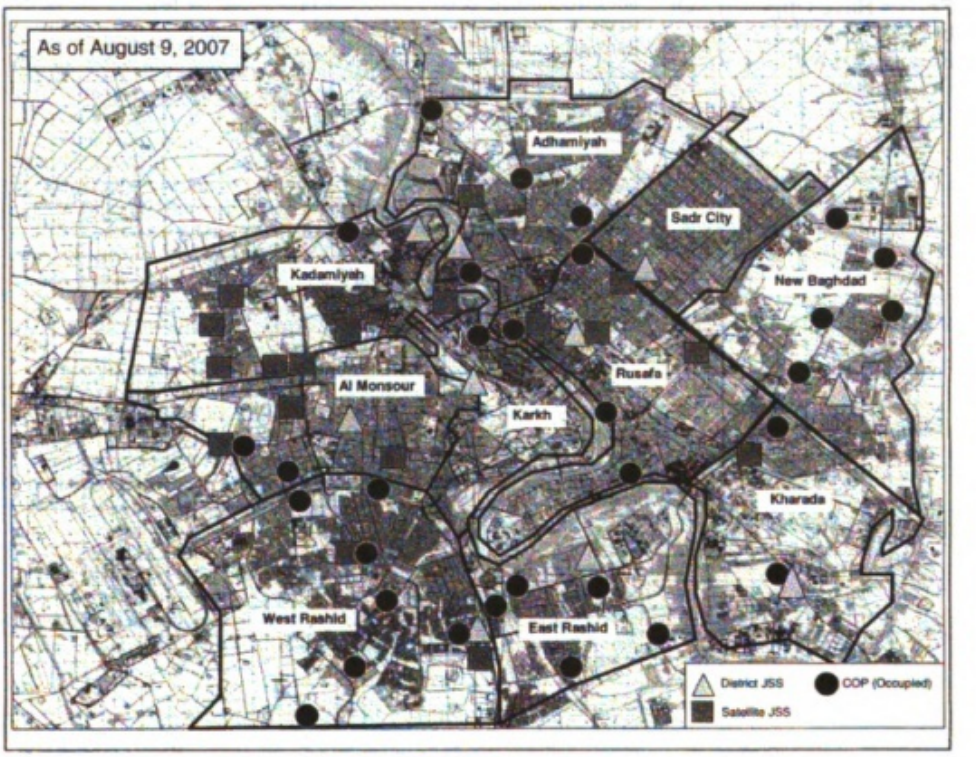
maintain a continuous presence in Baghdad and surrounding areas by establishing about 60 joint security stations with Iraqi forces and combat outposts outside of its large operating bases as of August 2007 (see fig. 5). In May 2008, the former commander of the Multinational Corps-Iraq reported that the number of joint security stations and combat outposts had since increased to 75.

Figure 5: Location of Joint Security Stations and Combat Outposts in Baghdad Security Districts, as of August 2007



Source: Multinational Division-Baghdad

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Table 2: Number of Iraqi Security Forces, March 2005, January 2007, and April 2008

Ministry	Component	March 2005 operational/trained and equipped[a]	January 2007 operational/trained and equipped[a]	April 2008 trained[a]
Defense	Iraqi Army	59,880	132,700[b]	200,013[c]
	Air Force	186	900	1,370
	Navy	517	1,100	1,194
Subtotal		60,583[d]	134,700[b]	202,577
Interior	Iraqi Police Service	55,015[e]	135,000	166,037
	Other Ministry of Interior forces			
	National police		24,400	44,156
	Border enforcement			28,023
	Other		28,900	
Subtotal		26,874	53,300	72,179
Subtotal		81,889[f]	188,300[d]	238,216
Counterterrorism Bureau	Special Operations			3,709
Subtotal				3,709
Total		142,472	323,000[b]	444,502[g]

Sources: U.S. State Department and Multinational Security Transition Command Reports.

Notes:

[a]The term "operational" refers to Ministry of Defense forces. The term "trained and equipped" refers to Ministry of Interior forces. Numbers are from the State Department's March 9, 2005 and January 31, 2007 Iraq Weekly Status Report and Multinational Security Transition Command Iraqi Security Forces Update, January 26, 2007.

[a]The term "trained" refers to Ministry of Defense, Ministry of Interior and Counterterrorism Bureau forces. Numbers are from April 30, 2008 Iraq Weekly Status Report.

[b]Army numbers include Special Operations Forces and Support Forces.

[c]Army numbers include support forces.

[d]Unauthorized absent personnel are not included in Ministry of Defense numbers.

[e]The number in the Iraqi police service in 2005 includes highway patrol forces.

[f]Unauthorized absent personnel are included in Ministry of Interior numbers.

[g]Does not include the approximately 144,000 Facilities Protection Service personnel working in 27 ministries.

[g]Numbers reflect total Iraqi security forces trained to date, some of which are no longer assigned due to casualties, absence without leave, and normal separation.

Ministry of Defense forces consist of 12 Iraqi army divisions and a small air force and navy. These forces have grown by more than 230 percent since March 2005. Iraqi Ministry of Interior forces consist of Iraqi police—

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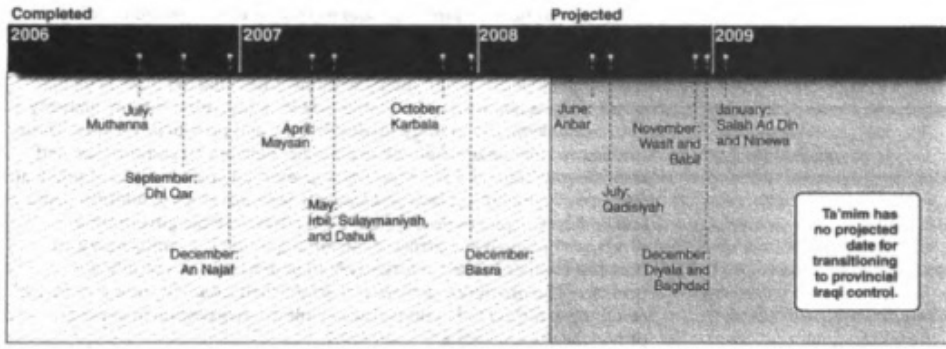
Figure 9: Timeline for Transfer of Security Responsibilities to Provincial Iraqi Control



Source: GAO analysis of MNF-I data.

According to the MNF-I Commanding General, the coalition continues to provide assistance even after security responsibilities have transferred to provincial Iraqi control. For example, the coalition continues to support Iraqi-led operations in those provinces with planning, logistics, close air support, intelligence, and embedded transition teams.

Enacting Key Iraqi Legislation

This section describes progress toward the U.S. goal of helping Iraq enact key legislation that would promote national reconciliation.

Iraq Has Enacted Some Legislation to Promote National Reconciliation, but Critical Laws Are Still Being Debated

To promote national reconciliation and unify the country, the Iraqi government, with U.S. support, committed in 2006 to address political grievances among Iraq's Shi'a, Sunni, and Kurd populations. The U.S. and Iraqi governments believed that fostering reconciliation through political compromise and the passage of legislation, such as reintegrating former Ba'athists and sharing hydrocarbon resources equitably, were essential. In 2007, in *The New Way Forward*, the U.S. government identified legislation

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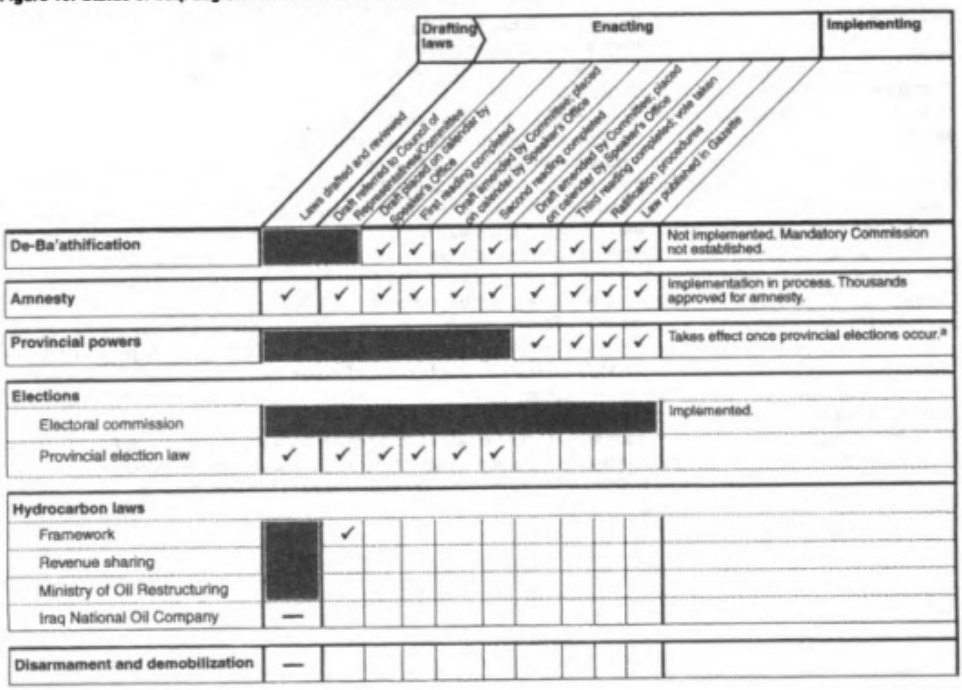
Figure 10: Status of Iraqi Legislation to Promote National Reconciliation



Source: GAO analysis of Department of State, Department of Defense, UN and Iraqi government data.

[a]The provincial powers law set an October 1, 2008, deadline for holding provincial elections.

Since we last reported on legislation to promote national reconciliation in September 2007, the Iraqi government has passed the following laws.

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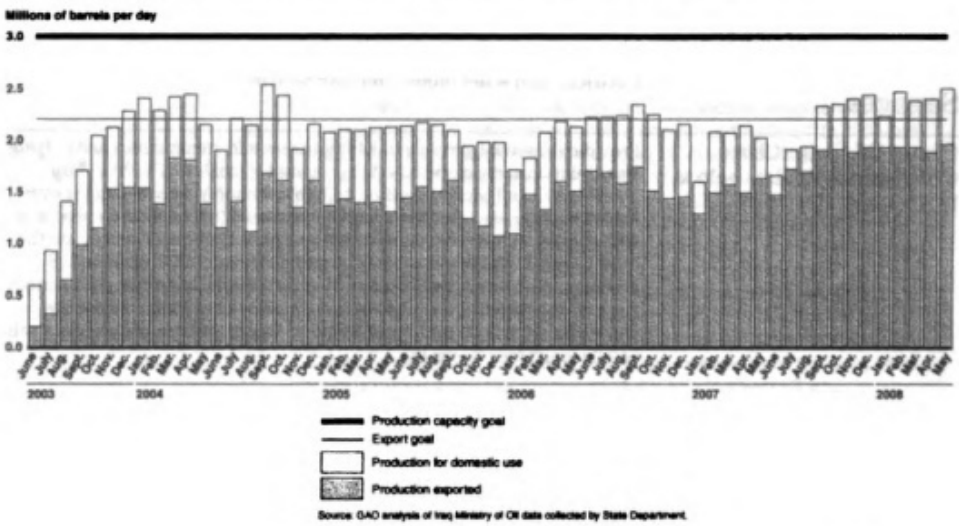
Figure 12: Iraq's Reported Crude Oil Production, Exports, and U.S. Goals, June 2003 through May 2008



Source: GAO analysis of Iraq Ministry of Oil data collected by State Department.

In May 2008, crude oil production was 2.5 million barrels per day and exports were 1.96 million barrels per day, according to the State Department. Poor security, corruption and smuggling continue to impede the reconstruction of Iraq's oil sector. For example, according to State Department officials and reports, as of 2006, about 10 to 30 percent of refined fuels was being diverted to the black market or smuggled out of Iraq and sold for a profit. According to DOD, investment in Iraq's oil sector is below the absolute minimum required to sustain current production and additional foreign and private investment is needed. U.S. officials and industry experts have stated that Iraq would need an estimated $20 billion to $30 billion over the next several years to reach and sustain a crude oil production capacity of 5 mbpd. This production goal is below the level identified in the 2005-2007 National Development Strategy—at least 6 mbpd by 2015.

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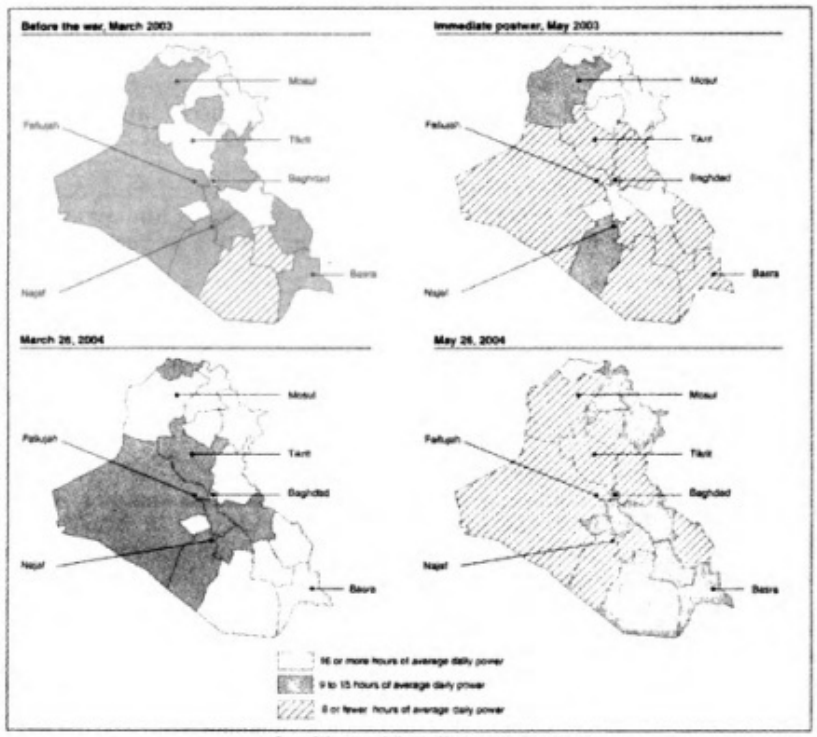
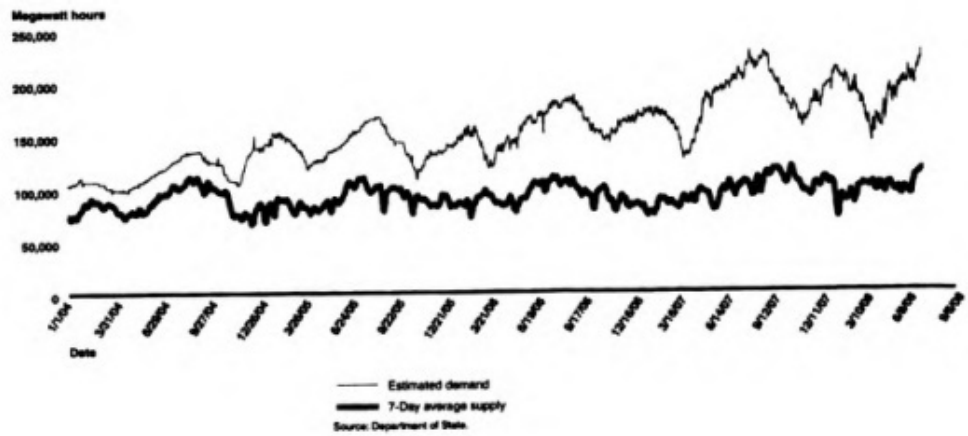
Figure 1: Average Daily Power Distribution, March-May 2003, March-May 2004



As of August 2008, the Departments of State and Defense were using the Iraqis' ability to meet demand from the national grid as indicator of progress in the electricity sector. Comparable supply and demand data for March 2003 are not available. Figure 2 illustrates the trend in supply from the national grid and estimated demand since January 1, 2004. According to the State Department, daily electricity demand for August 25 to August 31 was 7 percent above the same period last year. Daily supply from the grid was 2 percent below the year-earlier period and met 47 percent of demand, compared with 51 percent for the year-earlier period. [See page 14.]

Figure 2: Trend in Supply and Demand of Electricity from Iraq's National Grid



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