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Iraq Local Governance Program – Phase III

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Iraq Local Governance Program – Phase III (LGP III)

Quarterly Report, January–March 2010

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Contents

Abbreviations and Acronyms.....	iii
I. Introduction: Contradictions Continue but Momentum Shifts.....	1
II. Progress of Work Element Activities	3
Work Element 1: Legislating	3
Work Element 2: Planning.....	7
Work Element 3: Budgeting.....	10
Work Element 4: Monitoring.....	12
Work Element 5: Organizational Development	16
Work Element 6: Baghdad Amanat	18
Work Element 7: Iraqi Local Government Association (ILGA) and the High Commission for Coordination between Provinces (HCCP).....	21
III. Deliverables	24
IV. Challenges and Delays	25
V. Implementation Plan for Next Quarter	27
Annex A: Policy Briefs	29

Abbreviations and Acronyms

ARDP	Accelerated Reconstruction and Development Program
CAP	Community Action Partner
COA	Commission of Advisors
COMSEC	Secretary General of the Council of Ministers
COR	Council of Representatives
DG	director general
ESC	Essential Service Commission
GAPTIS	Governorate Accounting and Project Tracking Information System
GIS	geographic information system
GO	Governor's Office
HCCP	High Commission for Coordination of the Provinces
ILGA	Iraqi Local Government Association
IT	information technology
MMPW	Ministry of Municipalities and Public Works
MOF	Ministry of Finance
MOLSA	Ministry of Labor and Social Affairs
MOPDC	Ministry of Planning and Development Cooperation
NDP	National Development Plan
NDS	National Development Strategy
NGO	nongovernmental organization
PC	Provincial Council
PDP	Provincial Development Plan
PDS	Provincial Development Strategy
PPA	Provincial Powers Act
PPL	Prioritized Project List

SDPM	service delivery performance measurement
SMS	Short Message Service
USAID	U.S. Agency for International Development

I. Introduction: Contradictions Continue but Momentum Shifts

The dominant political event of the first quarter of this year was undoubtedly the parliamentary elections. Although a spate of legislation passed the Council of Representatives at the end of January, whether those bills are signed into law, and indeed how those bills, if signed, are applied depends almost exclusively on how favorably or unfavorably the yet to be formed national government views its relationship to subnational government.

That national government being still the subject of horse trading by politicians elected in early March, the project now faces an evolving legal environment of continued contradictions. For example, the Shura Council, issued the non-binding opinion that Provincial Councils lack even the power to enact local legislation (despite the clear articulation of such power in Law 21 of 2008), and the national parliament or Council of Representatives (COR) passed laws that would expand the role of the governors.

In detail, the Shura Council went well beyond what they expressed in November of last year. In that first opinion, they argued that councils could only issue orders and decisions, since Article 12, requiring that decisions of the provincial councils be gazetted before they become effective, curiously omitted the word ‘legislation.’ In this year’s opinion, however, they stated that the provincial councils lack any authority whatsoever to issue legislation, something frankly at odds with the text of the law itself. Decisions of the Shura Council being advisory only, it is unclear what, if any, influence this ruling will have, but at a minimum it indicates grave misgivings on the part of at least one central government institution that Provincial Councils have a right to call themselves legislatures, leaving them with little more reason for being than electing a governor.

If the Shura Council’s opinion called into question the authority of subnational government, specifically the councils, three bills passed by the Council of Representatives (COR) appeared to empower it, or at least the provincial governors. The first of these was a bill dissociating Social Affairs from the Ministry of Labor. The second was a bill that would have devolved responsibility for the delivery of basic services – such as water, waste water and solid waste – from the provincial level departments of the Ministry of Public Works to the governors. And the third is the budget law of 2010. Two of the three bills were signed into law by the Presidency Council before national elections, and the implications of those two new laws, at least, are not yet known in the provinces.

The first of these bills to receive the requisite signatures converting it into law was the dissociation of Social Affairs. Curiously, perhaps because it was passed at the same time as the law purporting to devolve Public Works and the budget, the dissociation of Social Affairs has been interpreted in many quarters as proof of coming decentralization. We remain skeptical since the responsibility that the Ministry of Labor has shed onto the governors is simply that of paying pensions, and pension systems necessarily require a national database of pensioners. Most likely, a national database will continue and pensioners themselves will have to apply for their payments in the provinces where they live. In our estimation, the dissociation does not constitute some great grant of power to governors that they have not previously enjoyed; instead, we consider it the transfer of an administrative burden that they have not formerly borne.

The bill devolving the responsibilities of the Ministry of Public Works would be another matter, as its devolution would make the governors responsible for the delivery of basic services such as water and waste water, which are currently the responsibility of a provincial level department of a central government ministry. That bill, though passed by the COR, was never signed into law by the Presidency Council, and even though a clause in the constitution suggests something of a ‘reverse pocket veto’ in which a bill, if not signed within a certain period of time, becomes effective anyway, we have not heard of anyone (outside of the international community) asserting that the law has come into effect even without the approval of the Presidency Council. Instead, it remains a tantalizing possibility, and one that, as a capacity building program, we remain skeptical of implementation. Service delivery in Iraq is fraught with difficulty, and shifting responsibility for service delivery from a department of specialists to the governors’ offices (without either specialists or even adequate staff) does not persuade us as a viable means of improving service delivery.

The third bill to have been passed by the COR, and the one that surely has an impact on subnational government, is the budget law of 2010. In addition to the usual contents, Article 42 and 43 of that law recognize the central government’s responsibility to share revenues from natural resources and tourism from the provinces fortunate enough to enjoy either mineral or spiritual wealth. Instructions to the law, issued by the Ministry of Finance, do not materially differ from instructions issued in previous years. What does differ are additional permissions from the ministries for likely affected provincial governments to open bank accounts into which the Ministry would introduce funds. Although mistakenly cited as proof of ‘fiscal decentralization,’ these provisions and their qualifications show that the central government still intends to collect the revenues and to transfer them to the provinces. The acknowledgement of the legitimacy of local revenues, implicit in local bank accounts, nevertheless has encouraged certain provinces to proceed, sometimes aggressively in planning for the influx of formerly unimaginable sums of cash. In perhaps the most extreme example of this exuberance, Basrah imagines that a combination of customs duties, oil wealth and tourists taxes will net it between 700 and 900 million USD a year.

These expectations and contradictions notwithstanding, LGP III has stayed the course in implementing its work plan for the first quarter. We have understood that bills passed by a lame duck parliament were not much more than campaign promises and that the real battle for empowering local government would only begin after the dust of national elections had settled. The first quarter of this year has therefore been a challenging period of maintaining focus, of keeping our customers focused on the necessity of showing that they were capable of performing their essential functions as the most persuasive argument that more authority should be devolved to them. It has not been an entirely successful endeavor, as the seduction of political rhetoric always proves to be more attractive than the grind of daily administration, but as this quarter’s report shows, even in the midst of a national election that will determine the limits of their power, the elected officials we work with have made some remarkable progress, and have matured, despite the immature temptations of sudden wealth and sudden power. This first quarterly report of 2010 thus shows them doing their jobs, whatever the new government may do to expand or contract their job descriptions.

II. Progress of Work Element Activities

This section describes our work over the past quarter by each of the seven Work Elements of our work plan. Although progress in each province is inevitably linked to the unique political context there, five of our Work Elements are designed to cut across these differences. The last two are specific to the Baghdad *Amanat* and to developing sustainable government institutions.

The seven Work Elements are:

1. Legislating
2. Planning
3. Budgeting
4. Monitoring
5. Organizational Development
6. The Baghdad *Amanat*
7. The Iraqi Local Government Association (ILGA) and the High Commission for Coordination between Provinces (HCCP).

The first five Work Elements apply to LGP III activities in the 14 provinces covered by Law No. 21.² Given their national scope, activities under Work Element 6 and 7 occur in Baghdad only. Together, the seven Work Elements guide LGP III efforts and reflect the progress of the elected provincial bodies we serve.

Work Element I: Legislating

In the first quarter of 2010, Work Element 1 requires LGP III advisors to assist provincial governments in: (1) developing a procedural framework for legislating; and (2) reviewing the alignment of council committee structures with the provincial departments and the four functions of Law No. 21.

Developing Procedural Frameworks for Legislating

Essential to any functional legislative body and its committees are the rules that govern its practice and procedure. In describing the core competencies of the provincial councils (PCs), Article 7, item 14 of Law No. 21 states that the PC should approve a set of regulatory laws governing the body. The elected councils established bylaws and internal rules of procedure within 30 days of being seated, as required by Law No. 21. However, bylaws are not permanent, but are subject to the changing relationships between the central government and the provinces, and thus may require revision over time.

During the first quarter of 2010, advisors across the 14 provinces in LGP III worked with the PC chairs and committees to help them prepare bylaws that describe the internal relationships of the council or committee, outline their function and responsibilities, and ensure that each committee has a sense of its vision and mission.

² Also known as the Provincial Powers Act (PPA) and the *Law of Governorates Not Incorporated into a Region*.

LGP III legal advisors offered technical assistance to PCs, helping them review rules of procedures for PC sessions and committee meetings. A significant impact of these consultations was a review of PC committees that found several councils that had appointed a surplus of committees, in some cases as many committees as PC members. Using objective criteria, advisors helped PC members reduce or combine committees to a more manageable number. For instance, after review, Diyala PC decided to reduce its committees from 19 to 13. Among the criteria that advisors studied was the frequency of meetings—some of the committees had never convened, while others had never produced a report.

In Anbar, advisors suggested combining committees with common themes. Members of both the reconstruction committee and the engineering committee agreed that their groups could be effectively merged. Still, restructuring committees is time consuming because PCs must first vote to change each committee and then vote on bylaw amendments. Because several PC members were running for office in the parliamentary elections, the Anbar PC decided to delay the resolution of this issue until after elections.

Many of the PC legal committees framed the discussion of bylaw amendments using the Shura Council's proposed standard bylaws circulated to the PCs in February 2010. However, at the end of March, few provinces had approved the full set of bylaws. Only the Maysan and Salah ad Din PCs had adopted some of the suggested amendments.

More than bylaws, though, proper procedural frameworks must also include processes that ensure that the law's legislative history is recorded and maintained. In this quarter, LGP III advisors continued to provide PC members with an increased understanding of and appreciation for legislative schedules, agendas, and minutes keeping. In consultation with LGP III advisors, PC members discussed how they could best identify and prioritize targeted topics to help them organize and plan committee work to foster more efficient and effective legislative planning. In Baghdad, members of selected PC committees decided on a sample legislative table to be submitted before the PC for consideration. Legislators in Salah ad Din elected to create monthly and quarterly calendars, with bills already proposed for inclusion in it. The possibility of posting the monthly calendar on the PC Web site was also considered.

Several provinces already maintain a record of their minutes, but differ in their methodology. Most use handwritten minutes, although some, such as Babil, Diwaniyah, Najaf, and Wasit, also videotape their meetings, especially for important sessions. In Baghdad, minutes are recorded by hand and later saved electronically. Both records are preserved in the Archive Department, a recently established department of the PC.

Underscoring the need for legislators to be transparent and accountable to the electorate, LGP III advisors encouraged PC members to record their votes by name. In the past, many PCs have used the simple practice of voting by a count of raised hands, without recording voters' names. However, for greater transparency and to help avoid later legal challenges to the record, advisors recommended that PCs adopt the practice of recording names, with videotape available as a back-up measure, if possible.

PC members in Babil agreed that an update of the traditional voting procedure was necessary. With LGP III assistance, PC members developed a form (see template at right) for recording votes. The template includes the voter name and the vote, as well as abstentions and reasons for abstention. Once completed, the form will be maintained in the PC archives. This system was readily received and adopted by the Babil, Karbala, and Muthanna PCs.

Vote recording template adopted by the Babil, Karbala, and Muthanna PCs.

Another aspect of the provincial legislative procedure is the establishment of a provincial gazette, in accordance with Articles 7 and 12 of Law No. 21. For a law to come into force, it is required to be published in the PC gazette.

It is essential that PCs' decisions be a part of the public record, thus maintaining a level of transparency for citizens to see their elected officials at work, as well as serving to increase local government's legitimacy. In January, Diyala joined four provinces in LGP III's South Central region (Babil, Muthanna, Najaf, and Wasit) in issuing PC gazettes, thereby providing a public record of their accomplishments and increasing their legitimacy. In its first month, the Diyala gazette published three issues, drawing greater public interest to legislative news and adding subsequent pages, including one for citizens' voices and others dedicated to poetry, sports, and entertainment.



Diyala's informal gazette, left, includes more general PC news compared to the formal gazette of Najaf, right.

In February, Baghdad PC members deliberated whether to publish a formal PC gazette, separate from the current PC gazette that covers all PC activities and discusses provincial

projects. LGP III advisors recommended that Law No. 21 requires a formal gazette, specifically and solely for the issuance of all PC decisions, laws, and recommendations. In Karbala, laws, decisions, and orders have been published alongside other provincial government news in what LGP III legal advisors call an “informal” gazette and not what is prescribed in Law No. 21. Thus, Karbala will no longer publish its laws solely in the PC newspaper *Karbala Today*, but is working with LGP III advisors to establish a formal PC gazette.

Advisors in Basrah, Dhi Qar, Karbala, and Salah ad Din continue to provide consultation to PCs as they develop their gazettes.

Reviewing Alignment of Council Committee Structure with Provincial Departments and PPA³ Four Functions

Emphasizing the four functions of local government, LGP III advisors assisted councils in reviewing and aligning their committee structure with the ministerial departments in their province. This alignment will help them better perform their functions in budgeting, monitoring, and legislating. Through ongoing consultations with PC members and committees, advisors helped identify the similarities and differences between the provincial-level committees and ministerial departments of government. It is necessary that councils harmonize PC committees with the Iraqi federal ministries that are represented in each province through governmental directorates, especially in light of the expected devolution of particular ministries’ duties to the provinces. Provinces need to begin now to prepare themselves for additional responsibilities that may soon become part of their duties.

In Ninawa, where the PC deputy chair and legal committee proposed a draft committee structure that consists of only 12 committees (less than half the committees common to many PCs), LGP III is helping realign, integrate, and merge existing PC committees. While Ninawa’s PC is acting on the recommendations of the Shura Council’s suggested bylaws, LGP III advisors agree that the realignment will help enhance and standardize work flow reporting between the PC and the national ministerial departments in the province, as well as encourage the work of the PC in fulfilling the Four Functions of Law No. 21. At last report, a final draft of the new committee structure was being prepared for presentation to the council.

To strengthen the lines of communication between PC committees and ministerial departments, the Wasit PC developed a draft committee structure that recognized the commonalities between committees and departments. Advisors report that meetings between departments and committees with a shared focus are helping to develop improved mechanisms for communication and reporting and to increase the level of mutual cooperation and coordination.

³ The Provincial Powers Act (PPA), also known as Law No. 21, the *Law of Governorates Not Incorporated into a Region*.

A screenshot of the reporting fields in Babil's electronic monitoring and recording system, developed with assistance from LGP III advisors.

In March 2010, the Babil PC worked with LGP III advisors to develop a reporting mechanism for PC committees that will encourage increased communication and shared information between groups. This electronic monitoring and recording system will assist the Babil PC to follow up on all administrative affairs and committee activities, as well as decisions, administrative orders, legislations, and instructions. The recording template (see screenshot above) enables committee performance evaluations at the end of each month that will list the activities completed, or if incomplete, the reason for delay. It will serve as an electronic archive for all meeting minutes of the PC and pave the way to establishing a database for local legislation. The Muthanna PC chair is also planning to introduce the same system to their PC.

Work Element 2: Planning

In Work Element 2, there are four planning subelements common to all 14 provinces where LGP III operates, and a fifth that is unique to Basrah. During the first quarter of 2010, activities were limited to: (1) assessing the provincial council's strategic planning capacity; (2) assisting councils in updating and revising the Provincial Development Strategy (PDS); and (3) in Basrah, completing the GIS handover to the provincial government.

Assessing Strategic Planning Capacity

Under this subelement, LGP III advisors assisted PCs in assessing their current PDS and the steps necessary for improving it. Article 7 of Law No. 21 states that the province must outline its PDS in a manner that does not contradict the National Development Strategy (NDS). Thus, it is in the interest of provinces to see that there are linkages between the NDS and the PDS, or at least that no elements disagree with the national vision. Following initial assessments conducted among PC members and governor's office (GO) officials in several

provinces, the general consensus was that the goals of the PDS do not contradict those of the NDS. The overall goals of the NDS are broad enough that provinces such as Salah ad Din and Baghdad had no trouble identifying commonalities, ranging from improved infrastructure and public services to health and education. However, PC members in Ninawa complained that the NDS, written for 2007–2010, required updating. It is appropriate then that in March 2010, the Ministry of Planning and Development Cooperation (MOPDC) announced in Ninawa the release of the roadmap for all national development projects throughout Iraq over the next five years. The recently released National Development Plan (NDP) 2010–2014, while more specific in nature than the NDS, may provide PCs with a more accurate picture of the central government's development strategy and could be useful for comparison with PDSs. LGP III planning advisors will discuss this in greater depth in an upcoming workshop in April, 2010.

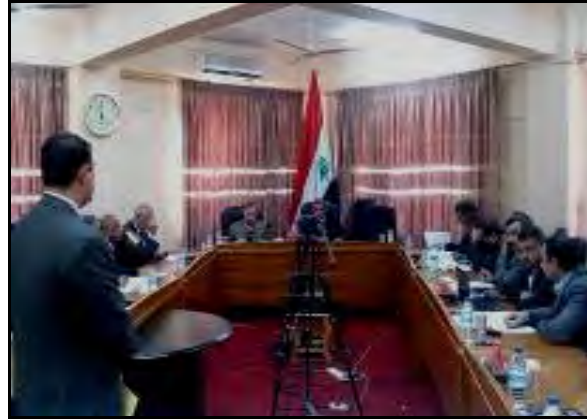
In consultations with PC members, advisors found varying degrees of satisfaction or acceptance with councils' PDSs. For instance, in Dhi Qar, the PC is committed to writing a new PDS; this is largely related to the MOPDC having changed last year's deadline. Because of that deadline change, it is not surprising that Dhi Qar, like many provinces, had not completed their PDS, but instead submitted only a project list that lacked descriptions, details, or any explanation of the projects, thus sending their prioritized projects list (PPL) to the MOPDC without any narrative. In January 2010, Dhi Qar PC members were not happy with the status of their PDS and were eager to review.

Assisting Councils in Updating or Revising their Strategy

Essential to good strategic planning are the appropriate systems and processes along with the necessary relevant laws. The most effective strategies are built using a participatory methodology. Throughout the first quarter, LGP III advisors worked with PCs to establish PDS task forces that included stakeholders representing a cross-section of society, from public and private sectors, nongovernmental organizations (NGOs), and universities.

In the rush to complete PPLs for 2009, few PCs had time to make their planning participatory. In contrast, the Babil PC, one of only three PCs that met the MOPDC's 2009 deadline, successfully used a task force to introduce direct public participation into their project lists. In addition to including stakeholders from cross-sections of society, task forces also represent an opportunity to include the participation of *qada'a* (district) and *nahiya* (subdistrict) council members, and so offer an opportunity for LGP III to coordinate with the U.S. Agency for International Development's (USAID's) Community Action Partners (CAPs) to integrate the lower level councils into the planning process.

Developing or even revising a carefully laid out strategy can be a long and laborious process. As the quarter progressed, LGP III advisors continued to assist PCs in establishing PDS task forces, developing plans of action, and guiding them through the planning life cycle. By March, several provinces had made good strides toward accomplishing this essential subelement.



LGP III advisor addressing Wasit strategic planning task force in the city of Al Kut, February 8, 2010.

Karbala, for instance, began updating its PDS in October 2009, months before the LGP III work plan or advisors suggested it. The Karbala PC conducted meetings with local departments to discuss their visions and strategies in each sector. In 2010, and with the assistance of LGP III advisors, the Karbala PC established a broader-based task force that is responsible for reviewing and amending the visions and strategies, thus providing an updated version of the PDS using a participatory methodology. This process is nearing completion in both Karbala and Babil, as these task forces are in the final stages of reviewing sector indicators and criteria before final submission for approval by the PC. Their revised strategies are expected by mid-April 2010. Wasit and Najaf, who are midway through their update and review of sectors, have also made good progress, but the process elsewhere has been challenging. In Muthanna, it stalled when the PC refused to adopt the PDS because it was prepared by the governor in 2007—in contradiction to Law No.21, which gives the PC authority over the PDS.

Others, too, are making progress, but have faced hurdles. In Salah ad Din, LGP III advisors have found some officials lacking in their commitment to apply strategic planning as a management tool within the province. The specific challenges include (1) obtaining and sustaining the community's commitment to strategic planning; (2) overcoming the lack of senior officials' commitment to a culture of strategic planning and management; (3) converting the process of strategic planning into action; and (4) dealing with senior officials who are entrenched in a system that lacks accountability and performance measurement.

LGP III advisors feel these challenges can be addressed by introducing a human resource development strategy, creating a framework that will better involve citizens in the process, and sharing experiences with other partners at the provincial level. Each of these interventions can be engaged through elements in LGP III's work plan.

In Najaf, the task force faced difficulties when sector department representatives were absent during meetings to review indicators and criteria. The PC chair sent a letter of warning, insisting they support the process and show due diligence in their responsibilities. Although such behavior on the part of the departments could be the sign of a lack of interest in the process, LGP III advisors highlighted the support shown by the PC in its persistent commitment to completing the PDS.

There are other examples of community support, such as in Wasit, where the PDS task force is midway through the sector revisions. Local media reporting on the PDS task force praised

its methodology of broad-based participation—a possible example of democracy in action in a place where, until recently, people had not seen such inclusive measures.

Completing GIS Handover in Basrah

While the second Work Element in the first quarter was largely about improving the strategic plans of the 14 provinces as they strive to meet the impending demands of the MOPDC, our work plan also included the transitioning of the geographic information system (GIS) unit to the Basrah GO.



LGP III advisors with Basrah GIS staff during a March training.

In January 2010, Basrah’s governor provided office space for the system, and LGP III transferred all GIS equipment to the new location while continuing to build capacity in the GO-GIS team throughout the first quarter. In March 2010, the GO established a sustainability committee to develop shared data knowledge systems using GIS. The Basrah GIS Steering Group received official approval from the first deputy governor and was officially named on the GO Web site. The committee, composed of 17 key government stakeholders, will be responsible for the continued implementation of GIS in Basrah. In the final week before handover, LGP III advisors delivered a collection of core sustainability resources to the GO-GIS team. These included, in Arabic translation, the *GIS Core Advisory Manual*, the *Steering Group Manual*, and a sample project proposal to assist the GIS manager in developing upcoming projects during the start-up of the GIS office.

On April 1, 2010, LGP III completed its handover of the Basrah GIS unit to the governor’s GIS Center, wrapping up a year of capacity building that prepared users and technicians, as well as GIS managers, to use technology in ways that can benefit provincial government in planning.

Work Element 3: Budgeting

Despite discussion and debate around the fiscal decentralization and local revenue generation that Law No. 21 opens to possibility, elected provincial governments remain dependent on the central government, specifically on the Ministry of Finance (MOF), for almost 100% of the funds they receive. PCs and GOs must, therefore, be able to prepare and execute budgets on the terms and timelines established by the ministry. Even with the prospect of fiscal decentralization and increased revenue being under provincial control, the responsibility for planning and executing budgets would remain among the essential functions of subnational government.

Thus, under Work Element 3, LGP III advisors will: (1) assist councils and governors in preparing their 2011 capital and operations budgets; and (2) assist governors with the execution of capital projects.

Assisting Councils and Governors in Preparing the 2011 Capital and Operations Budgets

LGP III has the benefit of having already prepared a *Budget Formulation Manual* in the program's first year. However, based on the draft instructions from the MOF that accompanied the annual budget law, the manual was not used as designed, largely because it proposed a thorough budget process of nine steps, beginning as early as February and concluding at the end of August. Unfortunately, in 2009, this was of little help to PCs who were not seated until April and the ministry did not publish final instructions before June. Thus, 2010 is the first year that LGP III is able to lead the councils through a deliberate budget formulation exercise.

Because all provincial governments are subject to the same deadlines, LGP III set a standard for program implementation throughout this year. We hope this will permit comparative analysis and the timely dissemination of relevant lessons. Ultimately, it should result in budgets that are based on actual expenses from prior years and actual community needs.

With improved budgeting formulation, we should see a better budget execution rate. It was reported in January that, of all the provinces, only Anbar spent the funds allotted by the central government to its capital investment budget. Although there are a number of reasons that explain the high reversion rate of provincial budgets—chief among them are bureaucratic inefficiencies and an inadequate banking sector—these are outside the scope of LGP III's work. However, better budget formulation is within the provincial governments' control, and it is LGP III's commitment to assist them in building this capacity.

In an effort to better project provincial revenues, LGP III advisors counseled officials in identifying the available and expected sources of 2011 revenue, including both local and central government transfers.

Responding to the requests of the Baghdad PC, the LGP III budgeting advisor suggested legislation permitting the local government to collect new sources of income, referencing potential revenue generation from administrative fees and fees levied on restaurants, nontourist hotels, beauty shops, and crafts.⁴ Although federally legislated mechanisms exist for the collection of fees and fines in Baghdad province, a lack of protection and unstable law enforcement have resulted in government employees not attempting to collect them.

At the end of January, the passing of *Budget Law No.10, 2010*, particularly Articles 42 and 43, raised notable interest in Basrah, Karbala, and Najaf, where the financial implications of the new law could result in an unprecedented increase in revenue. The GOs acted quickly, seeking the advice of LGP III staff by inquiring how they could best prepare for the potential influx of additional revenue.

LGP III advisors were quick to respond, noting that Article 43, Paragraph 3, of the 2010 Budget Law stipulates that provincial governments should revise their plans and programs to

⁴ See Federal Supreme Court Resolution No. 16 of 2008. In response to a query by the Najaf Provincial Council about the collection of local revenues, the court authorized PCs to impose local taxes according to the *Constitution*.

include the new revenues and then submit them to the MOF. On advisors' suggestions, the Basrah GO established a budgeting unit that is working closely with the Planning and Follow-up Department at the GO. On March 23, 2010, and following the advice of LGP III staff, the governor issued an order by which a committee should be formed to estimate the revenues resulting from oil and gas production and borders and ports. While the establishment of units and committees does not alone offer a solution, it does play a part in the process that we will actively continue to support through our budgeting activities and according to the LGP III 2010 work plan.

Throughout the quarter, advisors continued to provide technical assistance in both data gathering and financial projections. LGP III advisors worked with accounting staff in several of the GOs, coaching them in using a budgeting formula that includes historical data to calculate the expected change in revenues from previous years for estimated revenues for 2011. In Salah ad Din, the director of accounting in the GO said this new formula was less cumbersome and more accurate than the formula they had used in previous years, which was a more advanced formula permitting a greater number of variables, but less effective when meeting the Salah ad Din GO's needs.

Assisting Governors with the Execution of Capital Projects

By collecting data on actual expenditure rates and by financially tracking capital projects, LGP III may better assist elected officials in spending the money committed to their capital investment projects. In February, LGP III advisors continued to assist GOs in collecting data on monthly budget execution, a necessary step in producing the trial balance reports required from each province by the MOF. Most GOs continue to produce these reports using manual, paper-based systems.

Work Element 4: Monitoring

Article 2 of Law No. 21 describes the PC as the highest oversight authority in the province. LGP III will assist local officials in the PC and GO in building their capacity to exercise their oversight and monitoring authority. In meeting this goal, Work Element 4, per the first quarter work plan, required LGP III advisors to: (1) assist the GO in improving financial management of capital projects; (2) provide assistance in improved oversight and physical inspection of capital projects; and (3) assist the GO in conducting a pilot project to improve water and wastewater service at one site.

Assisting the GO in Improving Financial Management of Capital Projects



The governor of Babil (left) with participants at the GO GAPTIS Version 2.0 regional orientation training held January 23 to 25, 2010, in Babil.

A key responsibility of the GO, according to Law No. 21, is to ensure the responsible use and oversight of capital investment funds. LGP III continues to assist GOs in increasing their oversight capacity through the introduction of tools that can improve their monitoring systems. In the first quarter of 2010, LGP III advisors assisted GO staff in assessing whether their office met the preconditions for a successful launch of the Governorates Accounting and Project Tracking Information System (GAPTIS) Version 2.0. In preparation for

the rollout, Babil hosted a three-day regional training from January 23 to 25, for GAPTIS teams from Babil, Muthanna, and Diwaniyah provinces. Basrah also hosted a two-day regional training from January 10 to 11, 2010, for teams from Basrah, Maysan, and Dhi Qar provinces.

Although several GOs asked that the GAPTIS Version 2.0 rollout be expedited, the official launch began in Anbar, as they best matched the necessary preconditions for a successful start. These preconditions were noted in the beta test conducted in Najaf in 2009, and they include the personal endorsement of the governor, proper staffing, office equipment and space, and the willingness to share information across departments. By December 2009, Anbar had already entered data for 382 projects, and the legal, engineering, contracting, and accounting departments within the Anbar GO were each involved. At the beginning of February, a four-day workshop was held in the Baghdad Karrada compound for the Anbar GO GAPTIS staff.

At the end of March, nine provinces had installed GAPTIS Version 2.0, and LGP III advisors had trained their staff. Although this tool may help produce monitoring reports, the few provinces that are producing these, do it for internal purposes only. It has not, as yet, been used to produce the monthly trial balance report for the MOF. Advisors have noted that some GOs, still growing accustomed to the new technology, continue to use it as a secondary system to the manual system they have used for decades. It may take time for staff to embrace and trust the technology.

Oversight and Physical Inspection of Capital Projects

In the first quarter of 2010, advisors interviewed governors and senior members of the GO to explore how the GO could be better informed when making executive decisions and exercising oversight of project execution. The technical review process for documenting and tracking implementation of investment projects was highlighted in these conversations. Using process mapping, advisors collected information and documented the structure of tasks and responsibilities for the project oversight system. This helped GOs identify the gaps in

oversight and monitoring and allowed advisors an opportunity to find solutions designed to improve capital project management and tracking.

GOs have shown a proactive interest in adopting mechanisms for making the necessary improvements to their processes. Following consultations in Salah ad Din, the director of the GO engineering section agreed to a schedule for the regular monitoring of projects, including a minimum of two field trips each week. They likewise committed themselves to formulating regular reports and submitting them to the governor or his deputy to better inform about project status regarding quality and compliance with contract terms and project timelines.



An LGP III monitoring advisor leads a workshop on performance measurements indicators held on March 30, 2010, in the LGP compound in Basrah.

In Basrah, LGP III advisors found that the construction committee did not use indicators to measure their service delivery. Instead, they address citizens' complaints through field visits by committee members who evaluate the situation and submit a follow-up report to decision makers. After advisors raised the importance of service indicators to any study of performance delivery, the PC chair called a workshop, inviting all technical DGs and other concerned parties in the Basrah PC to discuss the appropriate performance measurement indicators for the evaluation of water service delivery. The right mechanism can help uncover defects in service delivery, better situating the PC and GO to improve services. The workshop was conducted on March 30, 2010.

Setting their sights on a more comprehensive look at oversight systems in their region, LGP III advisors in Babil conducted a study on project oversight systems in the six provinces of the South Central region. Assessment forms that were developed using an LGP III template were distributed to the six provinces, with the goal of better understanding the issues affecting oversight and of eventually offering interventions that will enhance it. Advisors hoped to gain a more complete picture of provincial monitoring and oversight systems and the government sections responsible for each; of process maps that illustrate the relationship of the sections to the GO and the roles and responsibilities of each; and the number of active and suspended projects in each province. At the end of March, three provinces had completed their assessments, and the remainder are expected to complete theirs in mid-April. The study, when finished, should show the effect of government orders on projects and whether these can enhance a project. LGP III advisors will study the reports and offer recommendations to improve the monitoring and oversight systems.

Assisting the GO in Conducting a Pilot Project to Improve Water and Wastewater Service at One Site

In January 2010, the Council of Representatives (COR) passed a bill calling for the devolution of the Ministry of Municipalities and Public Works (MMPW). Once signed, this bill would devolve control of the MMPW responsibilities to the GO. Proponents of the bill argued that elected officials from the community better understand the people's needs for basic services, while opponents claimed that GOs do not have the required capacity to assume basic services management. Although the bill has not yet been signed into law, this year's pilot projects will act as service management studies of ongoing water and wastewater service to afford GO staff the opportunity to acquire some first-hand experience of service delivery in the event that responsibility for the delivery of basic services is devolved to them. Because access to clean, potable water is a basic service that most citizens consider a top priority. Recognizing this, LGP III chose water and wastewater services as the provincial pilot project for the 2010 work plan.

To follow the improvement of a basic service, GO officials must be familiar with service delivery performance measurement. Performance measurement is an effective tool for project monitoring and oversight. Throughout this quarter, LGP III advisors conducted workshops with GO departments in an effort to explain and help set oversight mechanisms for the GO over the service directorates. In response to a request from the Baghdad Suburbs Services Commission (BSSC), LGP III held a workshop in Baghdad on February 28 to discuss the concepts of service delivery measurement and establish a team responsible for performance measurement in the pilot project.

Babil GO staff met on March 15, 2010, with advisors who shared various methods of evaluating levels of service, including through a variety of studies and field assistance. The governor, acting on the suggestion of LGP III staff, ordered the establishment of an ad hoc committee responsible for choosing the pilot project neighborhood. The committee will also be responsible for identifying challenges and problems and for reporting on water projects. The committee identified Al Tayara neighborhood in the center of Hillah as the pilot project neighborhood. By the end of March, all other provinces had established committees and were in the process of confirming their pilot project neighborhoods.

Introducing SMS Pilot in a Selected Province

Public participation is a cross-cutting theme that LGP III is encouraging through many of its Work Elements in the 2010 work plan, and using Short Message Service (SMS) is one way to encourage participation.

During the first quarter, LGP III staff met with the Babil governor and members of his staff, where they introduced the idea of an e-governance program using SMS cell phone technology. Highlighting its ability to build a more responsive and inclusive form of governance, advisors explained how, with a small server and connected cell phone, the GO and MMPW can improve service delivery. This innovative approach, involving the public in monitoring service delivery, has been successfully implemented in other countries in the Middle East, Africa, and Asia. LGP III will introduce this initiative to Iraq in a pilot project in Hillah.

Work Element 5: Organizational Development

Legislating, planning, budgeting, and monitoring are the Four Functions derived from Law No. 21, but to be effective, each requires a strong organizational foundation. To help meet this need in the first quarter and under the fourth Work Element, LGP III advisors:

(1) assisted provincial councils and governor's offices in establishing structures, processes, and personnel to support performance of basic functions; and (2) facilitated increased public participation in decision making by elected provincial officials (this subelement will, initially, be specific to LGP III's South Central region).

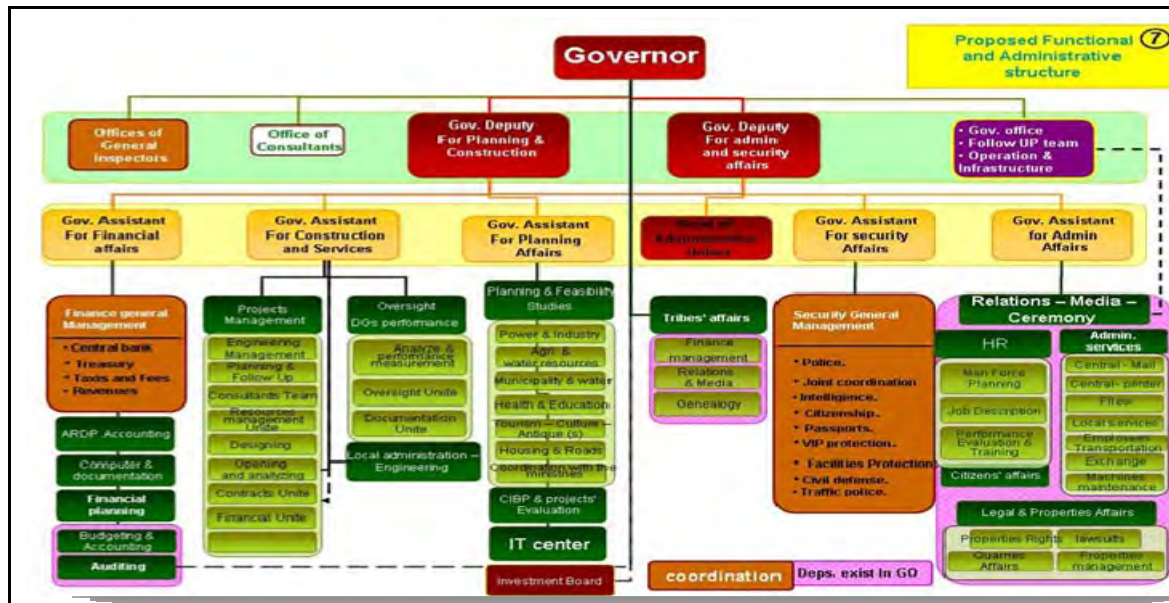
Assisting PCs and GOs in Establishing Structures, Processes, and Personnel to Support Performance of Basic Functions

In the first year of LGP III, we assisted several provinces in formalizing organizational charts and developing job descriptions and salary scales, with a specific focus on the GO. In the first quarter of 2010, we continued these processes, but on a larger and more comprehensive scale, in all 14 provinces.

Both the PC and the GO of many provinces have a need for established organizational structures, clear processes, and personnel with approved job descriptions. Without these, frustration increases, possibly fueling already existing political tensions. For instance, in January a conflict arose between deputy governors in Basrah, over a disagreement between the two on job responsibilities. Advisors reported that job descriptions existed, but that they were not being implemented.

Likewise, in the Ninawa GO, which has transitioned to a new organizational structure, confusion remains. LGP III advisors facilitated a discussion and on-the-job training for second- and third-level management, including the governor's deputies, assistants, and advisors. Until this discussion, these key positions had lacked clearly defined job descriptions.

In examining, mapping, and evaluating key processes within the GO and PC, particularly as they pertain to the four functions of government, LGP III advisors can help officials and their staff become more effective and efficient in meeting their day-to-day responsibilities. Advisors identified key staff, drafted lists of the personnel associated with each function of government, and included the personnel in function-oriented process mapping workshops. In Baghdad, the names of key staff served as the basis for committees that were formed according to the four functions. These committees worked with LGP III advisors to address the task of improving staff capacities. Within the legislative committee, this action resulted in a proposed legislative process map, currently under consideration by the PC.



New organizational structure adopted by the Ninawa GO in February 2010.

After almost three months of process mapping and examining reporting relationships and their connection to the four functions, Ninawa's GO adopted a new organizational structure on February 8, 2010. In collaboration with LGP III advisors, the GO has been assessing jobs and rewriting GO job descriptions. Before the new structure can come into effect, the workforce will have to be redistributed according to need and function. LGP III staff are working with the GO to develop a migration plan to best facilitate a transfer to the new organizational structure that will likely occur one department at a time. Salah ad Din, too, has moved quickly with their organizational process, completing their job descriptions for the four basic functions and finalizing an organizational structure that is currently before the PC awaiting approval.

On March 30, 2010, advisors in Maysan hosted an organizational development workshop that addressed the frustrations and challenges of monitoring and the relationship between PC and GO structures. Members of the GO's technical department and the PC's reconstruction committee participated in process mapping sessions that helped them identify and remedy their overlapping authorities related to monitoring. The sessions also raised discussion of noninterference by the PC in GO oversight duties and the PC's monitoring role in general.

Similar workshops were held across the 14 provinces. In Basrah, LGP III organizational development advisors led participants from the GO and PC in a March 16, 2010, session that covered basic process mapping, tools, and techniques and how they can be used in better understanding processes as they relate to functions within a structure. This workshop focused specifically on budgeting, the steps involved in budget implementation, and how to map those steps. The process highlighted where delays occur in budget preparation and provided a venue to discuss how the delays could be prevented.

In March, Wasit, Najaf, Muthanna, and Diwaniyah provinces completed and approved their PC organizational charts. Although LGP III staff have had success in working with PC members to develop organizational structures, advisors suggest it will be more complicated to record the structure of the GO, largely because of the lines of reporting between departments, advisors, and assistants, as they relate to the governor. Apparently, many individuals prefer to think they report directly to the governor, even though this may not necessarily be the case.



An LGP III advisor addresses PC members and GO officials in a budget process mapping workshop held on March 16, 2010, in Basrah.

An additional subelement of LGP III's organizational development is the targeted attempt to facilitate increased public participation in decision making. This subelement is limited in geographical scope to LGP III's South Central region, where advisors are introducing the concept of public participation in provincial decision-making to senior officials in the GO and PC.

During this quarter, advisors met with government officials to introduce the concept, types, and significance of the public's role in decision making. In Wasit, advisors conducted several meetings with officials, including both of the deputy governors and deputy PC chair, helping them explore ways for citizens to participate in decision making and increasing understanding and cooperation between citizens and the government. LGP III advisors are helping officials see the benefit in encouraging citizen engagement in assessing the efforts of local government. These engagements can serve to reduce conflict, support the completion of projects, improve planning, and at its most basic, make local government more accountable to the people they are elected to serve.

An interesting example related to public participation is being introduced in Babil. The PC issued a decision ordering every *qada'a* and *nahiya* in the province to open an office for citizen complaints, encouraging greater interaction between the public and the government and providing the people with an avenue through which their problems and concerns might be addressed. In Samawah, the governor of Muthanna verbally addressed the head of administrative units for *qada'as* and *nahiyas* to likewise establish offices to receive citizens' complaints and proposals. A written order will be issued in this regard.

Work Element 6: Baghdad Amanat

In the first year of LGP III, and at the request of USAID, program staff developed a separate work plan for the Baghdad *Amanat*. Recognizing the *Amanat's* unique political status, Work Element 6 includes: (1) supporting the completion of GIS implementation in four pilot *beladiyahs* and the complete transition of GIS to the *Amanat*; (2) assisting the *Amanat* in improving financial management of capital projects; (3) oversight and physical inspection of capital projects; (4) assisting the *Amanat* in conducting a pilot project to improve water and wastewater service at one site; and (5) providing on-demand legal advice and policy analysis.

GIS Implementation and Transitioning to the *Amanat*

In January 2010, LGP III began the official transitioning of both capability and staff from the GIS program to the *Amanat*. Throughout the quarter, LGP III engineers tested and tweaked the network connectivity between the four pilot *beladiyahs* and the GIS backup system at the *Amanat's* central site. In an effort to build capacity and sustainability, LGP III GIS engineers seconded to the *Amanat* continued to mentor a growing Iraqi cadre of GIS experts within the *Amanat*, providing site supervision and advice on proper network use, and coaching on surveying and data verification.

Because proper training is critical for a successful transition, advisors are delivering a series of training sessions, consisting of five courses, to the *beladiyahs'* GIS sections, the technical staff at the *Amanat*, and separately to managers and decision-makers at the *Amanat*. The sessions began on February 1 and will continue until June 30, when LGP III will have completed its handover of GIS to the *Amanat*.

Assisting the *Amanat* in Improving Financial Management of Capital Projects

During this quarter, officials in the water and wastewater directorates asked LGP III for assistance in improving financial management systems for *Amanat* projects, particularly in financial transactions flow and human resources system and payroll. As a result, LGP III advisors conducted an assessment to determine if GAPTIS implementation should move forward in the *Amanat* or if they should keep the existing system with modifications for improved financial management of capital projects. Advisors found that the Sewage Directorate's finance staff faced challenges that included an outdated manual system and delayed invoice payments—challenges that the advisors believed could be addressed through the introduction of an electronic system such as GAPTIS.

Following discussions with officials, including the director of Planning and the Finance manager in the Sewage Department, and with the approval of the Baghdad mayor, an agreement was reached to install GAPTIS Version 2.0 in the Sewage Directorate. The director of Planning has promised to provide qualified staff, and network services are available. LGP III will provide capacity building for the staff and install the appropriate system software.

Oversight and Physical Inspection of Capital Projects

This year, LGP III is helping the *Amanat* develop mechanisms for the improved oversight and physical inspection of capital projects. In the first quarter of 2010, LGP III advisors met with Baghdad's deputy mayor of Municipal Affairs, who expressed his frustrations with proper monitoring and oversight. He said the mayoralty lacks proper project databases, needs more effective reporting formats, and needs an improved monitoring process for all of the *beladiyahs*. He also requested on-the-job training for employees working in monitoring.

Working with chiefs of the *Amanat's* Planning and Follow-up departments, the deputy DG of the Baghdad Sewage Directorate, and the chief of the Execution Department, LGP III advisors collected information on monitoring and reporting tasks and responsibilities and reviewed the structure for project oversight within the *Amanat*. The meeting provided a current assessment, through process mapping, of capital projects and project execution. Advisors gathered all required information to develop two process maps: (1) explaining the

steps that any project goes through, from identifying needs to starting implementation, and (2) explaining the responsibility of each directorate in monitoring and project follow-up during implementation. Advisors developed a general administration diagram of the *Amanat* Baghdad, showing the relationships between all *Amanat* directorates.

Assist the *Amanat* in Conducting a Pilot Project to Improve Water and Wastewater Service in One Site

Building on the success of the 2009 Khadhumiya pilot project, advisors worked with its pilot project committee, to help identify the baseline performance measurement commission that will consolidate the four 2009 pilot service-delivery performance measurement (SDPM) working groups (finance, planning, technical, and service delivery), to implement the 2010 water service survey in Khadhumiya. LGP III advisors introduced the concept of performance measurement to members of the Essential Services Commission (ESC) staff and discussed the purpose of the survey form prepared by LGP III advisors. The members decided to survey at least 10% of all homes connected to the water network in selected *mahallahs* (neighborhoods) of Khadhumiya. LGP III advisors will provide a one-day training for enumerators to prepare them for survey implementation.

Providing Legal Advice and Policy Analysis

Offering advice on matters of law and policy, in January 2010, LGP III legal advisors assisted *Amanat* staff in analyzing district boundaries for a submission to the COR. Boundaries are a chronic problem in Baghdad, particularly in relation to public services management. Because Baghdad is both a province and contains the capital city, it faces unique challenges in defining the boundaries of the capital district and in redistricting the existing province. LGP III facilitated meetings with the Chairman of the COR, members of the Baghdad PC, and municipal and *qada'a* council members, working as a committee to define the new administrative divisions of the Baghdad *Amanat*. The current separate systems of governance may be merged, following the passage of a Baghdad Capital Law, still under review by the COR's Committee of Regions. If clear boundaries were established, our advisors believe many political problems could be resolved. The passage of a Capital Law could serve to clarify many issues.

To provide the best advice possible on matters of law and policy, LGP III advisors are building a comprehensive law library, gathering English and Arabic copies of legislation, ministerial directives, administrative regulations, executive orders, and court cases relevant to subnational government. The electronic copies will be indexed, cross-referenced, and uploaded to an LGP III electronic law library.

Three teams are in the process of being established to aid the implementation process, including a legal team, a local information technology (IT) company to be supported by an IT unit at RTI headquarters, and a translation team.

In March, LGP III staff also gathered local legislation from the provinces and prepared policy briefs in Arabic on the Dissociation of the Department of Social Affairs from the Ministry of Labor and Social Affairs (MOLSA).

Work Element 7: Iraqi Local Government Association (ILGA) and the High Commission for Coordination between Provinces (HCCP)

Under this Work Element, LGP III is developing an effective Iraqi Local Government Association (ILGA) and 2) supporting the High Commission for Coordination between Provinces (HCCP). The ILGA and HCCP represent the interests of PCs and governors, respectively, to the central government.

Developing an Effective ILGA

When the ILGA was registered as an NGO on October 20, 2009, it acquired legal personality under Iraqi law. In our 2010 work plan, we proposed that RTI should enter into a grant agreement with the independent association. The first step toward that agreement was an external evaluation of the sustainability of the ILGA from three perspectives—organizational, operational, and financial. In February 2010, an external evaluation of the independent association was conducted by three short-term consultants through RTI’s subcontractor on LGP III, the Vereniging van Nederlandse Gemeenten. Their review, report and recommendations for how to structure the contemplated grant agreement, was shared with USAID and would form the outline of our new relationship with the independent ILGA.

At the end of March 2010, RTI submitted a grant application on behalf of ILGA to USAID. The grant would provide the association with funds adequate to meet its operating expenses in exchange for amending its bylaws to provide for a more inclusive membership and other conditions.

During this quarter, the ILGA continued to exercise increasing autonomy by seeking financial support from other international donor agencies. A variety of U.S. Government donors expressed a desire to collaborate with the ILGA on specific issues. LGP III has an interest in helping the association build relationships with a broad variety of international actors, among them the U.S. Institute for Peace, the International Republican Institute, Constitutional and Legislative Affairs, the United Nations Human Settlements Programme, and the United Nations Development Programme. These additional relationships, if they are well coordinated, could further empower the ILGA, giving it an increasingly credible voice and a more sustainable future.

A sign of increasing support from the PCs came in the offer of financial assistance from Diwaniyah PC members, who pledged one million Iraqi dinars (US\$857) per month to assist the ILGA in conducting its affairs. This could serve as a support model for other provinces. The PC chair in Anbar has also made a verbal commitment to provide the ILGA with some financial support.

Throughout the quarter, LGP III advisors provided interim technical assistance to the association in a variety of activities, including finalizing the ILGA promotional brochure (see below) and completing the draft strategic plan that is now before the ILGA Board of Directors.

<p>المنظمة التنسيقية العراقية</p>  <p>من أجل حكومات محلية قوية وفعالة ومسئولة أمام مواطنيها</p>	<p>المنظمة التنسيقية العراقية</p> <p>الاجتماع الدوري الأول للمنظمة تموز 2009</p>  <p>ورشة عمل فاسون المحافظات غير المنتظمة بالقادم ايلول 2009</p>  <p>قاعة اجتماعات المنظمة التنسيقية العراقية</p>  <p>العنوان: العراق - بغداد، م 903 / 34 / 124 الهاتف: 07901370458 - 07801032519 البريد الإلكتروني: Iraqi_lga@yahoo.com</p>	<p>الأهداف</p> <ol style="list-style-type: none"> 1. العمل كمندفع رئيسي عن السياسات والتشريعات على الصعيدين الوطني والدولي للارتقاء بالحكومة المحلية لتصبح فاعلة 2. العمل على تطوير القدرات وتوقيس التدريب وتقديم المساعدات الفنية للأعضاء. <p>مصادر التمويل</p> <p>تتكون مصادر تمويل المنظمة من الآتي:</p> <ol style="list-style-type: none"> أ. رسوم الانساب لعضوية المنظمة وتدفع مرة واحدة عند تقديم طلب الانساب. ب. رسوم الاشتراكات السنوية للأعضاء. ج. الهبات والتبرعات التي ترد للمنظمة من داخل وخارج العراق. د. ريع الأموال المستثمرة من قبل المنظمة. هـ. بدل رسوم الخدمات التي تقدمها المنظمة. و. المنح التي تقدمها الحكومة المحلية والوطنية. ز. أية واردات أخرى بشرط أن لا تتعارض مع الدستور العراقي.
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The ILGA brochure was designed and printed in February 2010.

There is also strong interest among local government representatives for an LGP III/ILGA-sponsored national workshop on decentralization and devolution. A tentative date of April 28-29 has been set for the conference to be held in Baghdad. In addition, two more regional events are in the works, one each for the two provinces who have indicated their willingness to provide financial support to the association, Diwaniyah and Anbar.

Supporting the HCCP

The HCCP was officially and publicly declared at the commission's second gathering—a conference of governors convened on January 23, 2010, in the city of Al Kut in Wasit province. Governors from 10 provinces were in attendance in addition to the Secretary General of the Council of Ministers (COMSEC), representing the Prime Minister, who could not attend because he was in talks with U.S. Vice President Joseph Biden at the time. Also in attendance at the conference were the Minister of State for Provincial Affairs and the Commission of Advisors (COA). The governors discussed in detail the structure of the HCCP secretariat and its bylaws, unanimously adopting them. Both structures were designed by the COA and the governors, in collaboration with LGP III advisors. The bylaws are a starting point, designed to serve as an elementary framework upon which the HCCP can build.

This quarter, the governors and the Minister of State for Provincial Affairs asked LGP III to provide capacity development assistance to HCCP personnel and to work with the Higher Coordination Committee. Per the 2010 work plan, LGP III staff commenced discussions with the governors, the Minister of State for Provincial Affairs in her capacity as President of the Coordination Office (i.e., the secretariat of the HCCP), and COMSEC about the capacity development support potentially required by the HCCP.

In February 2010, LGP III staff held separate meetings with the governors of Baghdad and Babil. Each governor highlighted the needs they anticipate in the event of decentralization. HCCP could play a role in facilitating discussions between governors and the provincial DGs to explore the potential impact and implications of devolution. LGP III was asked to facilitate

such gatherings, providing the substantive technical expertise to help ensure meaningful discussion. The governors also expressed an interest in a mechanism to develop the capacity of provincial coordinators and the coordinator's role in the HCCP. In March 2010, in further meetings with LGP III staff, governors in Diwaniyah, Diyala, and Wasit, again emphasized the need for a discussion of devolution. The governors agreed that discussing devolution should be a priority for the HCCP and confirmed that LGP III could take the lead in helping prepare local government officials for this eventuality, particularly through regional meetings and a national workshop on devolution and decentralization to be held in Baghdad in the second quarter of 2010.

At the end of March 2010, only five provinces had nominated a provincial coordinator per the bylaws of the commission. This delay may have been caused by the heavy involvement of government officials in the parliamentary elections held on March 7, 2010. However, the Minister of State for Provincial Affairs continues to encourage the governors to nominate their provincial coordinators.

The governor of Wasit invited the HCCP to host their second official meeting in Al Kut. This is a timely invitation because Law 21, Article 45, states that the commission should meet every 60 days. This next meeting would provide an opportunity for the HCCP to further discuss common issues and obstacles facing governorates and possible solutions. While the HCCP chair (the Prime Minister) is busy forming a government, the governor believes the HCCP could meet under the vice chairs, the COMSEC and the Minister of State for Provincial Affairs. The governor of Baghdad has likewise encouraged this.



Governors met in Al Kut, Wasit province, where the HCCP was officially declared on January 23, 2010.

III. Deliverables

The following deliverables and reports were submitted to USAID between January 1 and April 7, 2010.

Name of Deliverable	Date Submitted
Monthly Report–January 2010	February 5, 2010
Monthly Report–February 2010	March 5, 2010
Quarterly Implementation Plan–Quarter 2	March 17, 2010
Performance Management Plan–Realignment	March 24, 2010
Accrual Report I	March 31, 2010
Monthly Report–March 2010	April 5, 2010
Quarterly Report–Quarter 1, 2010	April 7, 2010

IV. Challenges and Delays

In this first quarter of implementing the 2010 work plan, LGP III and its staff experienced a variety of challenges and constraints that affected the overall program effectiveness and efficiency in meeting the primary goal of supporting local government capacity building. The major issues can be categorized below.

Parliamentary elections

In designing the 2010 Implementation Plan, we anticipated that the March 7, 2010, parliamentary elections would cause some disruption to LGP III activities; however, we underestimated the impact. At least one-third of PC members ran for a seat in the COR. These PC members, and the members supporting them, devoted several weeks to campaign preparation and thus neglected their duties within the PC. For instance, in Anbar, PC members agreed that they needed to review bylaws and consolidate committees, but these and other efforts to align the PC committees' structure with ministerial departments were delayed until after the election. At the end of March 2010, LGP III advisors continued to work with PC members on these issues. We believe that with adjustments to the work plan, already approved by USAID, we will meet our targets in the second quarter of 2010.

Security and local politics

Although security issues are not necessarily tied to local politics, they can have an impact and are often related. LGP III staff experienced several such challenges this quarter, including but not limited to

- In the weeks before the parliamentary election in Diyala, a PC member running for election on an opposing list to the then Prime Minister's State of Law Party. The PC member was attacked and arrested by Iraqi special forces. Other PC members were also arrested or had warrants issued for their arrest. LGP III advisors reported that very few PC members were coming to their offices.
- In Salah ad Din, LGP III advisors were caught between the competing demands of three different governors—the ex-governor who refused to leave office, the acting governor, and the governor-elect. Twice during this quarter, Iraqi military forces surrounded the governor's office in Tikrit.
- In Ninawa, LGP III programming has struggled in some areas of the work plan partly because one-third of the Kurdish PC members continue to boycott the council. Advisors reported that some PC committees cannot meet because they lack a quorum and PC members cited their weak capacity as an excuse for not producing a gazette. However, LGP III advisors have begun to address these issues through assisting the PC in improving their organizational capacity, developing more focused agendas for various committee sessions, and developing a plan of action for a new gazette.

Devolution

At the end of January 2010, the COR passed two bills that suggested that the country was moving toward the decentralization of essential services more rapidly than anyone had

previously imagined. At the end of March 2010, only one of them had been signed into law and gazetted—Law No.18, 2010, the *Law of Dissolution of Social Affairs Departments* that dissociates responsibility over pensions from MOLSA and gives it to the provincial governors. While the passing of Law No. 18 has not delayed our activities during this quarter, it is an issue that could soon affect our partners in local governance, because it will demand more direct supervisory authority by the GO over specific services. LGP III's Work Element 5, Organizational Development, is already providing the technical assistance that is required to organize, staff, and develop procedures for the GOs. LGP III will accommodate future changes in collaboration with our partners and with prior approval from USAID.

The *Law of Dissolution of Public Works* is also of great interest to LGP III's work in local governance. Although the bill has not yet been signed into law, this year's pilot projects in Work Element 4, Monitoring, will act as service management studies of ongoing water and wastewater service and provide GO staff the opportunity to acquire some firsthand experience of service delivery in the event that responsibility for the delivery of basic services is devolved to them.

V. Implementation Plan for Next Quarter

As stated in the 2010 work plan, in the second quarter of the 2010, LGP III will continue to support Law 21's implementation by concentrating our efforts on assisting elected officials at the provincial level to best perform the Four Functions of subnational governance. This will be accomplished through the activities outlined under our seven Work Elements and will include:

Work Element 1–Legislation: In the second quarter of 2010, activities in Work Element 1 will continue to focus on developing a procedural framework for legislating and providing technical assistance that can help PCs maintain a record of their legislative history. In April 2010, LGP III will host a national workshop on devolution and decentralization, creating a higher profile for both LGP III and the local governance issues in which we engage in collaboration with our partners. Finally, in June 2010, we will begin a new subelement concentrating on assistance to PCs and GOs on drafting effective legislation.

Work Element 2–Planning: The emphasis within Planning in the first half of the next quarter will be continued assistance in updating and/or revising the provincial development strategies (PDSs). The second half will be devoted to assisting councils and governors in developing their five-year provincial development plans with PPLs and linking them to the PDS. To showcase the issues around local governance and planning, LGP III will host this quarter's second national conference in June 2010, with a focus on planning.

Work Element 3–Budgeting: Following LGP III's budget formulation manual, advisors will continue to coach PCs and GOs through the preparations of their 2011 capital and operations and maintenance budgets. At the end of May 2010, advisors will begin on-the-job training to create a draft budget. At the end of the second quarter of 2010, the draft budget should be constructed and ready to present to the Governor for approval.

Work Element 4–Monitoring: In the second quarter of 2010, LGP III's monitoring advisors will ramp up their work in measuring service delivery with a focus on assisting the GOs in conducting their pilot project on water and/or wastewater service, while establishing an oversight system with trained GO and PC staff. We will also continue the rollout of GAPTIS 2.0.

Work Element 5–Organizational Development: After a first quarter delay (and an extension granted by USAID), LGP III will offer GO leadership management principles training. The second quarter of 2010 also marks the beginning of our implementation of the *Civil Service Law*, according to standards established by Tatweer and efforts to ensure the standardization of LGP III's efforts across the provinces. Our advisors will also continue to facilitate increased public participation in decision making, helping PCs and GOs develop mechanisms that open and encourage increased engagement with the public.

Work Element 6–Baghdad Amanat: Efforts to build improved systems for oversight and physical inspection of capital projects will continue and increase as the Khadhumiya pilot project on water and wastewater service gets underway in the *Amanat*. The rollout of GAPTIS 2.0 in the Sewage Directorate will continue and, at the end of June 2010, the transition of GIS to the *Amanat* will be complete. Finally, LGP III's digital law library staff will begin to upload laws, directives, regulations and orders to the LGP III Web site.

Work Element 7–ILGA/HCCP: LGP III will continue to provide technical assistance to both the ILGA and the HCCP. In the second quarter of 2010, LGP III, ILGA, and HCCP will focus on the national workshop on devolution and decentralization, tentatively scheduled for April 28-29 in Baghdad.

Annex A: Policy Briefs

The following Policy Brief was drafted by LGP III subject matter experts during the first quarter. The brief is informed by research and our advisors' experiences working with provincial officials. It may also serve as a useful briefing material for other development partners at the provincial level.

Policy Brief

Analysis and Recommendations for Iraq's Provincial Governments

LEGISLATING

PLANNING

BUDGETING

MONITORING

LGP III
Quarterly Report
Jan – Mar 2010

Ministry of Finance Allocations to the Provinces

Since 2006, the first budget year following the adoption of the Constitution, the Ministry of Finance has been annually allocating funds from the general budget of the Federal Government of Iraq, to be distributed among the provinces. The provincial allocations are earmarked for capital investment projects, whose selection and implementation is left to the initiative of each province. A prevailing confusion is the assumption by some observers that the allocation constitutes a transfer from the central government budget to provincial government budgets, allowing provincial government to treat the funds as provincial "own" funds.

What the Law Says

The paragraph first of article 112 of the Iraqi *Constitution* establishes a per capita based equalizing formula to distribute oil revenues. The same article 112 implies a more favorable treatment for regions deprived by the prior regime and for regions suffering damage afterwards. The *Financial Management Law and Public Debt Law 95 of 2004* -- CPA Order 95 of 2004 -- mentions what an allocation is in numbers 4 and 6 of section 6, "Budget Preparation", and in 1) c) of section 12, "Ministry of Finance Functions". The same Law 95, in number 36 of section 2, "Definitions for the Purposes of this Law," defines transfer. In article 44, the Law 21 of 2008 groups the financial resources of the provinces in five. Articles 42 and 43 of the *Annual Budget Law 10 of 2010*, further concretizes a set of revenues for the provinces.

What Experience Suggests

The experience in Iraq so far indicates that provincial investment funds are being treated as allocations from the federal government, and the provinces for all purposes related to the allocation are merely federal government spending units. Basically, the provincial authorities must follow in full the rules issued by the Ministry of Finance and the Ministry of Planning (MOP) for budget preparation, budget execution and reporting requirements and in the handling of the capital allocations. More rules have been added every year. The role of the MOP has been to exercise stiff control on a project by project basis before the province is able to actually commit any money.

The federal authorities have pushed for the provinces to engage in small projects whose execution does not exceed 12 months, although some flexibility has been applied on a case by case basis. There is no guarantee that the provinces would receive the whole money allocated and even if they have in some cases received it in full, the allocation has been so late in the budget year that the possibility to expend it is close to zero. Although there is some random flexibility to carry forward a portion of the allocated amounts, all unused funds expire at the end of the fiscal year, reducing in net the actual amount of the allocation to the amount the province was able to pay to contractors during that fiscal year. Furthermore, all assets created by the province by investing the allocations become Federal Government property.

Analysis

On one hand in a generic budget allocation the spending unit needs to demonstrate it has either obtained or produced a good, a service or paid labor; on the other hand the recipient of a transfer does not need to do so. The recipient of a transfer is not a budget executer on behalf of the federal government; it is a final beneficiary. Attending to the rules for classification contained in the UN/IMF Government Financial Statistics a budget transfer is a grant and it is only feasible to be given either to a foreign government or to an international organization, or to other general government units; all grants are not reimbursable. Other allocations to the private sector -- non enterprises or households -- that are non reimbursable, are social assistance benefits—subsidies.

The *Law 21 of 2008* recognizes transfers from the federal government as revenues for the provinces, and this definition must concur with the definition of transfers in the Law 95 of 2004 and with internationally accepted terminology. In brief, both sources define a transfer as: Allocation not subjected to any kind of reciprocity by the final recipient, or "non reimbursable."

Recently the *Law 10 of 2010* -- the *Annual Budget Law* -- maintains the allocations for capital projects to the provinces and prescribes in a different section a list of what it regards as real provincial revenue sources.

Recommendation

The allocations for capital investment to the provinces cannot be considered as provincial revenue because they do not match the revenue concept in Law 21, Article 44, nor any accepted classification for either revenue or transfer. They should be considered a way of fiscal de-concentration where the province is no more than another budget executing agency of the Federal Government with a more restricted territorial scope.

The allocations for capital investment to the provinces are not the ideal decentralizing mechanism, but they have facilitated a great deal of decision making to the provincial authorities as compared to the prior situation, and have played a relevant role in improving the living standards of the inhabitants.

This Policy Brief was produced by the US AID Iraq Local Governance Program —Phase III (LGP III). LGP III works with Iraq's Provincial Councils and with the governors they elect to reach broad consensus around the principles of effective local governance, apply those principles by prioritizing and responding to citizens' needs, and develop the systems and institutions to improve and sustain that response. For more information on LGP III, please visit www.lgp-iraq.org.