



USAID
FROM THE AMERICAN PEOPLE

ASSESSMENT OF THE USAID/IRAQ PROGRAM AND GOI PRIORITIES TO INFORM FUTURE PROGRAMMING

FINAL REPORT

January 8, 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by International Business & Technical Consultants, Inc., Baghdad, Iraq.

ASSESSMENT OF THE USAID/IRAQ PROGRAM AND GOI PRIORITIES TO INFORM FUTURE PROGRAMMING

FINAL REPORT



International Business & Technical Consultants, Inc.
8614 Westwood Center Drive
Suite 400
Vienna, VA 22182

Contracted under 267-C-00-05-00508-00

Monitoring and Evaluation Performance Program, Phase II (MEPP II)

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Table of Contents

Acronyms.....	ii
Executive Summary.....	iv
Chapter One: Purpose of the Assessment.....	1
Chapter Two: Current Context of the Assessment.....	2
Chapter Three: Iraq’s National Development Strategy.....	10
Chapter Four: Key Legislation across Sectors.....	2
Chapter Five: USAID/ Iraq’s Transitional Strategic Plan (2006 – 2008).....	14
Chapter Six: Comparative Analysis of the Two Plans.....	23
Chapter Seven: Recommendations for USAID/Iraq’s Next Strategic Plan.....	28

Table of Figures

TABLE 2.1: STATUS OF MAJOR SOCIAL AND ECONOMIC INDICATORS:.....	3
TABLE 3.1 SUGGESTED USAID PRIORITIES WITHIN THE NDS FRAMEWORK.....	6
TABLE 4.1 STATUS OF CURRENT LEGISLATION.....	10
TABLE 6.1 COMPARISONS OF NDS PILLARS WITH USAID SOS AND PROGRAMS.....	23
TABLE 6.2 PROPOSED CAPITAL INVESTMENTS 2009 ALLOCATED BY PILLAR.....	25
TABLE 6.3 COMPARATIVE BUDGETS GOI PROPOSED CAPITAL INVESTMENT WITH USAID OBLIGATED FUNDS.....	27

Acronyms

ADS	Automated Directives System
AR	Annual Report
CAP	Community Action Program
CAG	Community Action Groups
CBI	Central Bank of Iraq
CFSVA	Comprehensive Food Security and Vulnerability Analysis
CO	Community Organization
COR	Council of Representatives
CSO	Civil Society Organization
CSP	Community Stabilization Program
CTO	Cognizant Technical Officer
DG	Democracy and Governance
EG	Economic Growth
FDI	Foreign Direct Investment
FMIS	Financial Management Information System
FY	Fiscal Year
GDP	Gross Domestic Product
GIS	Geographical Information System
GOI	Government of Iraq
GPS	Global Positioning System
ICCM	Iraq Community Based Conflict Mitigation
ICSP	Iraq Civil Society Program
ICT	Information and Communication Technology
IFES	IFES
IIPA	Iraq Investment Promotion Agency
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IP	Implementing Partner
IR	Intermediate Result
IRAP	Iraq Rapid Assistance Program
IT	Information Technology
ITIC	Iraq Trade and Investment Council
KRG	Kurdistan Regional Government
LG	Local Government
LGP	Local Government Program
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MEPP II	Monitoring and Evaluation Performance Program, Phase II
MFI	Micro-Finance Institution
MICS	Multiple Indicator Cluster Survey
MSME	Micro, Small, and Medium Enterprises

N/A	Non-Applicable
NCD	National Capacity Development Program
NGO	Non-Governmental Organization
OPA	Office of Provincial Affairs
PC	Program Component
PDS	Public Distribution System
PMP	Performance Management Plan
PRDC	Provincial Reconstruction Development Committee
PRT	Provincial Reconstruction Team
RFP	Request for Proposal
SO	Strategic Objective
SOE	State-Owned Enterprise
TBD	To Be Determined
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
WB	World Bank
WTO	World Trade Organization

Executive Summary

Per the Scope of Work (SOW, Annex 1), this assessment aims to provide an analysis of the United States Agency for International Development/ Iraq's (USAID/Iraq) 2006-2008/9 Transition Strategic Plan (TSP) within the context of the Government of Iraq's (GOI) development priorities.

The assessment addresses four key question-sets enunciated in the SOW.

1. What is the formulation and implementation status of key legislation across various Iraq sectors?
2. What are GOI future development priorities? What is the status of the National Development Strategy (NDS) implementation?
3. What current USAID/Iraq programs blend well with GOI priorities and where are there gaps?
4. What are the recommendations for USAID/Iraq future programming based on the findings and lessons learned from the assessment?

This report's format follows the questions enunciated in the SOW above.

Key Legislation

An analysis was done to determine what key legislation is in process as of September 2008 and where each piece of legislation is in terms of passage. Table 4.1 outlines the status of current legislation. It is the opinion of the team that most of the major legislation needed to move Iraq forward is languishing in the Council of Representatives (COR) at various points – from concept – to drafting – reading – stuck in committee – and if passed, not necessarily enacted or implemented.

This is a key area in which USAID might focus, particularly with the new Iraq Legislative Strengthening Program (ILSP) as many of USAID's programs cannot be fully implemented and are at times thwarted by the lack of legislation or implementation thereof to provide significant movement within programs.

Key Informant Interviews (KIIs) would suggest that there are two primary reasons for the slow passage of bills. First, is a lack of political will among the members of the COR to move forward on pending legislation due to divergent agendas related to their political bases. It is unlikely that USAID will have significant impact in this area. Second and really more important, is the lack of capacity among the Representatives in understanding and effectively managing the processes involved in the passage of a bill from start to finish as well as implementation. USAID could have significant impact in this area with one caveat. This process must be demand driven by the Representatives. This demand-driven approach is dependent upon the political will of the members of the COR to recognize their need for capacity building (CB) and technical assistance (TA), ask for assistance and then partner with the ILSP to design a meaningful program for which the COR will take ownership and actively participate. Utilizing this approach is key to any successful legislative strengthening program. USAID's ILSP assessment may highlight potential priorities but if these priorities are not viewed as important to the members of the COR, progress will be extremely slow going.

A best practice approach would be to find those representatives within the COR who have the political will to effect change – who understand what is needed and who will champion the provision of CB and TA and to begin working with them first to gain traction quickly. The team’s experience in this area has shown that once USAID is able to recruit a few key representatives who are able to lead the way, others will follow. This requires focused, intensive work and, perhaps at least at the outset, work in areas that may not be high priorities for the USAID portfolio but can be used to create trust, build a working partnership and gain traction more quickly to move to areas where USAID does see the need to push legislation forward.

GOI priorities within the NDS and Capital Budget

This assessment established that Government of Iraq (GOI) priorities are difficult to identify. The challenge appears to be that, broadly speaking, the GOI has limited ability to think strategically and prioritize their efforts based on resources available in a feasible strategic plan. This is illustrated by much of the current GOI “planning” documentation – the NDS, Provincial Development Strategies (PDS) and more recently, Provincial Development Plans (PDP). These are not strategic documents providing a road map outlining priorities to achieve desired results. Rather, they are mostly laundry lists of capital improvement projects that might be implemented. There may be additional documents, such as Ministry-level strategic plans and Memoranda of Understanding (MOU) that provide more detail and documentation of GOI priorities and how the various branches of government will meet them. Such documents, if they exist, were not available for this assessment.

The assessment team used two main source documents to try and determine what the GOI’s priorities might be moving forward: an in-depth review of the NDS and a review of current GOI capital budget allocations by spending unit. The team conducted a comparative analysis of the two to identify areas of congruence, which might provide some basis for recommendations in response to questions on GOI priorities.

The NDS itself centers around four “major pillars” that are designed to “...govern strategic public actions for reconstruction and development”:

- I. Strengthening the Foundations of Economic Growth
- II. Revitalizing the Private Sector
- III. Improving the Quality of Life
- IV. Development of Regions and Governorates

Improving the Quality of Life (Pillar III) appears to be GOI’s highest priority gauged by both capital investment and the prominence given to this pillar in the NDS. Prominent in Pillar III is the budget allocation to the provinces (this includes to the Kurdistan Regional Government (KRG) and the Baghdad Amanat). This is the largest single item listed, and strongly suggests that there is political will to decentralize and empower local authority. In terms of USAID’s strategy, it validates the local and regional governance capacity building emphases of the CAP III and LGP III projects. Surprisingly, GOI allocations for health and education are much lower, which is noteworthy considering that an analysis of the socio-economic indicators (Table 2.1) shows that these two areas are in great need of development. The low capital budget allocations seem to suggest that both of these sectors are not priorities of the GOI. It’s possible that these ministries have

relatively higher levels of need for human resource expenditures, such as staff salaries, compared with capital budget requirements. Further study is required to fully understand why these sectors appear to be low priorities for GOI as suggested by the capital budget analysis.

Pillar I (The Strengthening the Foundations of Economic Growth) ranks second in proposed capital development expenditure. Pillar I also ranks second based on prominence in the NDS and it also has the highest number of actions needed for improvement. This could be because Pillar I is largely accounted for by the Oil and Gas Sector. Agriculture (including water resources and irrigation, and marshland restoration) attracted significant development capital. This validates rhetorical emphasis placed on this sector in the NDS as a vehicle for diversifying the economy and engendering job growth.

Pillar II (Revitalizing the Private Sector) ranked third in proposed capital development expenditure as well as within the NDS. Expenditure on electricity dominated Pillar II, but investment in transportation also featured strongly.

Pillar IV (The Development of Regions and Governorates) ranked fourth in capital expenditure and was given the least attention in the NDS. The pillar is dominated by the Ministries of Defense and Interior. Both of these ministries however, have high operation and management costs needed to support a sizable police and military force so while capital expenditure is low, it is likely these ministries overall budget allocations as a percentage of the GOIs total budget is quite high. Drawing conclusions about GOI intentions in Pillar IV is challenging, but tourism attracted more investment than did improvement to the court system.

There were several cross-cutting themes across all Pillars within the NDS that are important to note. A rapid overview reveals the following:

- All the pillars heavily emphasized the need for policy reform/development.
- All the pillars include a resounding call for CB of many types and at many levels: infrastructural, institutional, equipment, information and communication technology (ICT) within all sectors, and individual human development in every regard -- whether, e.g., technical/professional at government or business levels, all types of education and livelihood skills at the community level.
- There seems to be an implicit preference for the establishment of CB institutions, centers, or capacity within-country, versus short-term or one-off training provided by temporary and/or outsider programs or organizations.

Current USAID programming against GOI priorities

An analysis of current USAID programming shows that for the most part, the Mission's programs complement broad GOI priorities by sector, although there might be gaps in USAID programming in the private sector. What is less easily discernible is whether or not the actual activities being undertaken within each sector fall within the priorities of the GOI. Additionally, there are clear areas where USAID programming could assist the GOI in meeting needs highlighted in the NDS but where current GOI investment may be lagging, such as Health and Education. Actual GOI priorities can best be determined by

allowing greater GOI involvement in the project design and implementation process while relying less and less on independent USG priorities.

For planning purposes, USAID might consider the following sectors as strategic priorities for intervention: governance at the national, regional and local levels, economics and agriculture. This recommendation is based on the confluence of NDS illustrated needs, GOI capital budget financed priorities and USAID manageable interest and technical capacity. A second tier might include health and education based on the wider analysis of socio-economic indicators and USAID's historical programming strengths in the region and worldwide. In-depth assessments of each of these sectors undertaken in partnership with GOI counterparts should be considered a priority.

Lessons learned and recommendations

- Very little traction exists in implementing programs where there is little political will on the part of the GOI and/or buy-in and ownership from program beneficiaries. USAID's decision to move towards a GOI demand-driven approach is appropriate and necessary.
- Selection of beneficiaries/counterparts is critical to the success of any program. Finding those actors within each program who not only have the political will but also the ability to champion a project or program is imperative – particularly within the GOI from the national level to the local level.
- Programs and projects to meet the needs of a specific region or area tend to be more successful than “cookie cutter” national programs not tailored to meet the specific needs of the beneficiaries in a particular area. This further emphasizes the importance of a demand-driven approach in program implementation.
- Less is more. Intense, focused programming, maximizing USAID's comparative advantage particularly in the arena of technical assistance driven by the beneficiary be it at the national government level down to the grass roots is likely to have the greatest impact at this juncture in Iraq.
- Programs implemented prior to the enacting of legislation to support implementation will likely not succeed within the contractual timeframe. This includes codification of the details in supporting rules and codes.
- Given the weight placed on capacity building across all sectors in the NDS and at every level, USAID should consider this its primary focus in the new strategic plan regardless of sector.
- Baselines should be required prior to the start of any new program against which performance will be measured. Additionally, it is strongly advised that technical teams oversee robust internal partner monitoring as well as utilize on a regular basis third-party monitoring to ground truth partner reporting.

Conclusion

Recent developments in USAID/Iraq programming are encouraging. With the issuance of CAP III charged to coordinate with LGP III and *Tatweer*, coordination of efforts across sectors will likely be greatly improved. Program assessments of CAP II as well as LGP II were undertaken prior to the design of the follow-on programs and a robust assessment was conducted prior to the design of the ILSP. This is best practice that ensures lesson learning and maximizes USAID resources by designing targeted programs.

The Mission should be commended for emphasizing the need to know GOI priorities and targeting the design and implementation of USAID/Iraq's programs to meet these priorities. Therefore, moving forward it is recommended that all projects implemented by USAID are designed in consultation and partnership with the appropriate GOI counterpart – from the highest levels of government to the local council. Further, the process should be GOI driven – their priorities – their ownership – and certainly with equal or greater financing provided by the GOI.

Chapter One: Purpose of the Assessment

Per the Scope of Work (SOW, Annex 1), this assessment aims to provide an analysis of the United States Agency for International Development/ Iraq's (USAID/Iraq) 2006-2008/9 Transition Strategic Plan (TSP) within the context of the Government of Iraq's (GOI) development priorities. Also to be included are useful lessons learned from the Mission's programming to date. The results of this exercise will be coupled with those from other strategy-related assessments being undertaken by the Mission in order to inform the design of its new development strategy.¹

This assessment addresses four key question-sets enunciated in the SOW.

1. What is the formulation and implementation status of key legislation across various Iraq sectors?
2. What are GOI development priorities GOI into the future? What is the status of the National Development Strategy (NDS) implementation?
3. What current USAID/Iraq programs blend well with GOI priorities and where are there gaps?
4. What are the recommendations for USAID/Iraq future programming based on the findings and lessons learned from the assessment?

Team Composition and Timeline

To complete this assessment, USAID/Iraq called upon International Business & Technical Consultants, Inc. (IBTCI), under the Mission's longstanding Monitoring Evaluation and Evaluation Performance Program II (MEPP II). All three of the MEPP II's team in-country complement played major roles in this assignment. Assisting them in a minor, "virtual" capacity was a writer/analyst in the Washington DC area who had previously worked with MEPP II inside Iraq and had relevant experience including strategic evaluation of selected UN projects in Iraq for the purpose of overall program review and re-design. Finally, full backstopping services were provided by the MEPP II Coordinator, from his vantage point of IBTCI HQ.

Work on the assessment took place during the third quarter of 2008. In September, the team began corralling existing program documents and databases and interviewing key informants for facts, figures, trends, experiences, and opinion that could feed into the task. During November, the team continued in-house background work on sectoral aspects of USAID/Iraq programming to date, and started analysis of all relevant data and writing the report.

Approach

The approach of this assessment was largely a desk review of existing information as required by the SOW. The Mission requested a short (maximum 30 pages) document of immediate practical use for management decision-making, notwithstanding the breadth of GOI sectors and functions to be considered in relation to an equally broad panoply of past and current USAID/Iraq programming.

¹ These other efforts include a donor assessment, an inter-agency review, and a number of sectoral studies.

Thus, in addressing this task, the MEPP II team drew heavily upon its own insights and expert judgments, based on its in-depth knowledge of the ever-evolving political and socioeconomic landscape of Iraq against USAID's current programming. While in total, the team has nearly twelve person-years of in-country work experience with USAID/Iraq initiatives in its current iteration within MEPP II, the level of analysis through the desk review was in some cases undermined by the lack of "hard data" particularly in relation to GOI priorities and in those cases where MEPP II has not conducted monitoring or evaluation of some USAID/Iraq programs. It might behoove USAID to further investigate in-depth GOI priorities by having meetings/interviews with key GOI actors, including the Ministry of Planning. The desk review analysis was complemented by limited Key Informant Interviews with mostly USAID PRT, ePRT Reps and Office Directors. Annex 2 outlines the design and methodology used in this assessment.

Chapter Two: Current Context of the Assessment

Status of Major Socio-economic indicators

Currently the government of Iraq is totally reliant (88% in 2008) on oil for its revenue. The unprecedented volatility of oil prices during 2008 saw the price per barrel reach \$140+ and then decline to the current \$45 per barrel price. This wreaks havoc for the nation's financial planners who started the year with an anticipation of a budget surplus but find themselves ending it with likely deficits. There is little in the short term that Iraq can do to offset the anticipated deficits except draw down foreign reserves. Adding to the problem, nearly all of Iraq's consumption is imported which serves to highlight the need to develop the domestic economy in all of the non-oil sectors. There has been virtually no foreign direct investment into Iraq. Major indicators of Iraq's economy are shown in Table 2.1 below.

Unemployment in Iraq is high. The official unemployment is about 18%, but this masks a much higher under-employment rate of around 30%. A large portion of employment is directly with the government (2.3 million) while another half million work in state owned enterprises (SOE) (according to estimates from the World Bank). Most of the employment in the SOE may be regarded as unproductive employment according to reports from implementing partners. Iraq's economically active population is about 45% (77% for men and 20% for women with some regional variation).

Iraq's total population is approaching 30 million. More than 40 percent of this total is under age 15. Population growth rates are estimated to be about 3%. Iraq's wars have resulted in an estimated 2.7 million displaced persons both within Iraq and outside. The International Organization for Migration (IOM) estimates that there are 1.5 million internally displaced persons (IDPs) while Syria and Jordan both are home to a majority of those who fled across Iraq's borders.

Indicators for health show that the percent of children estimated to be malnourished has decreased, but the under-5 mortality rates have not improved since 2004. Immunization coverage for children has declined, which is cause for concern.

The primary school attendance rate in 2006 was estimated to be as high as 85%, but this does not compare well with regional neighbors. Secondary school attendance is very low for a country like Iraq where educational achievement is held in high esteem.

Secondary school attendance measured in 2006 was just 40 per cent. This is plausible fuel for the insurgency.

Poverty in Iraq, indicated by food insecurity, had declined by 2008 when compared to 2005 estimates. Nevertheless some 930,000 were estimated to be food insecure by the Comprehensive Food Security and Vulnerability Analysis completed this year.

TABLE 2.1: STATUS OF MAJOR SOCIAL AND ECONOMIC INDICATORS:

Major Social and Economic Indicators²						
Indicator	(average) 2000–04	2005	2006	2007	2008	2009
ECONOMY:						
Real GDP growth (1)	-22.5	-0.7	6.2	2.8	3.8	6
Real GDP per capita growth (2)	-25.0	-4.0	-4.0	-0.3		
Nominal GDP in current US\$ billions (1)	16.0	31.4	49.5	61.7		
Total GOI revenue US\$ billions (4) & (7)	—		85.0	72.5	67.1	51.6
Total budget US\$ billions (7)					72.2	67.0
Overall fiscal balance US\$ billions (4) & (7)	—	3.4	5.9	5.5	-5.1	-15.3
Oil exports US\$ billions (5)	14.7	19.1	27.7	35.6	63.0	45.6
Oil revenue as% of total revenue (7)					94%	88%
FDI US\$ billions (6)	0.1	0.5	0.5	0.5		
Exchange rate Iraqi dinar to US\$ (4)	1846	1467	1459	1255		1080
EMPLOYMENT:						
Labor force in millions (3)	6.7	6.9	7.0	7.2		
Labor force growth per cent (3)	1.4	1.4	1.4	1.4		
GOI employment in millions (7)					2.32	2.35
% unemployment rate (age 15 and over and in the labor force) (8)		18				
% labor force participation (men) (8)		77				
% labor force participation (women) (8)		20				
DEMOGRAPHY:						
Population in millions (2)	25.2	27.9	28.8	29.7		
% Population <15 (9)			40.4			
% Population growth (2)	3.4	3.4	3.3	3.1		
HEALTH:						
% Children 0-59 severely or moderately malnourished (weight for age) (9)	11.7		7.6			
% Children 12-23 months immunized MMR (9)	78.2		65.3			
Under 5 mortality rate per thousand (9)	40		41			
EDUCATION:						
Primary school net attendance rate (9)			85.8			
Secondary school net attendance rate (9)			40.1			
POVERTY:						
Population (000) that is food insecure (10)		4,000			930	
Population (000) that is extremely vulnerable to food insecurity (10)		8,300			2,800	

² Table data source references: (1) National agencies and World Bank estimates; (2) UN population database, national agencies, and World Bank estimates; (3) International Labor Organization, national agencies, and World Bank estimates; (4) International Monetary Fund, national agencies, and World Bank estimates; (5) International Monetary Fund, International Energy Agency, UN Comtrade database, and World Bank estimates; (6) Economist Intelligence Unit, International Monetary Fund, UN Conference on Trade and Development (UNCTAD), national agencies, and World Bank estimates; (7) PFMAG estimates; (8) COSIT survey of employment and unemployment, ILO ; (9) Multiple Indicator Cluster Survey COSIT/UNICEF 2006 and 2000; (10) Comprehensive Food Security and Vulnerability Analysis (2008), COSIT, MOPDC, Kurdistan Region Statistics Office, Nutritional Research Institute, MOH & WFP

Chapter Three: Iraq's National Development Strategy

Iraq's National Development Strategy (NDS) for 2007 to 2010 reportedly was first drafted in 2005. The version available to the IBTCI team for review is believed to be the latest (NDS March 2007). The document is intended to serve as the overarching framework for government reconstruction and development policy, as a reference by which civil society can hold government accountable, and as a basis for Donor coordination and harmonization." Thus, the NDS both reflects, and acts as a broad guide to achieving, what the democratically elected GOI has articulated as a clear vision for the country: "Transform Iraq into a peaceful, unified federal democracy and a prosperous, market oriented regional economic powerhouse that is fully integrated into the global economy."

The strategy itself centers around four "major pillars" that are designed to "...govern strategic public actions for reconstruction and development":

- I. Strengthening the Foundations of Economic Growth
- II. Revitalizing the Private Sector
- III. Improving the Quality of Life
- II. Development of Regions and Governorates

In analyzing the NDS, the assessment team first took a critico-textual approach in examining the structure and content of the NDS in detail to:

- clarify some confusion across different elements of the document;
- briefly over viewing what is actually comprised within each pillar;
- where possible, detect any clear priorities for action within the textual discussion of each pillar.

The larger aim of this analysis, however, is to provide a working outline of pillar components that is based on what is actually said (or not said) in the body of the NDS text. This analysis provides a platform against which to examine USAID/Iraq's comparative advantages and resources for the purpose of designing a new USAID/Iraq Transitional Strategic Plan that complements the GOI's own strategy for reconstruction and development.

For purposes of the present assignment and the time constraints on it, discussion of the text is limited to the chapters involving the four pillars (per Box 2.1) – albeit with one exception. That is the NDS' final chapter, "Chapter 11: The Way Forward." It focuses on the vital importance of good monitoring and evaluation (M and E) throughout the GOI for keeping strategy implementation and targeting on-course, with feedback and/or feed-forward from all relevant stakeholders – donors, beneficiaries, service providers, policymakers, etc. Moreover, the chapter is exceptionally precise about which GOI agencies need to be involved in this effort, and how (e.g., particular types of surveys and censuses). Finally, Chapter 11 offers a tentative table of NDS indicators -- although many of these have various kinds of flaws and thus will want further technical review and refinement.

Box 3.1. NDS's 11 Chapters

Introductory Material:

1. The Country Context
2. Recent Economic Developments
3. The Medium-Term Fiscal Framework

Pillar I:

4. Strengthening the Foundations of Economic Growth
5. Structural Transformation of the Economy

Pillar II:

6. Revitalizing the Private Sector

Pillar III:

7. Improving the Quality of Life
8. Development of Regions and Governorates

Pillar IV:

9. Strengthening Good Governance and Improving Security

Concluding Material:

10. Implementing the Strategy
11. The Way Forward

Before proceeding to the explanation of each pillar, it should be noted that in both the NDS' executive summary and Chapter 9, no distinction was provided between governance and security items. Rather they were simply listed out in a seemingly random mix. The table of contents did not help to distinguish this, either. Indeed, it gave duplicate listings of items that, moreover, did not clearly respond to their exposition in the text. The team unilaterally re-organized Pillar IV items in what is hopefully a somewhat logical division.

In its analysis of the NDS, the team sought to note any commonalities shared by the textual discussion within all four pillars. A rapid overview reveals the following:

- Unfortunately, there is a lack of clearly stipulated or evident priorities within most pillars and components.
- All the pillars heavily emphasized the need for policy reform/development.
- All the pillars include a resounding call for capacity building (CB) of many types and at many levels including infrastructure, institutional, equipment, information and communication technology (within all sectors) and individual human resources development and skills training at all levels.
- There appears to be an implicit preference for the establishment of CB institutions or centers within Iraq, versus short-term or one-off training provided by temporary and/or outside programs and organizations.

Gleaning GOI priorities from the NDS was challenging. Table 3.1 below outlines the NDS Pillars and components and also provides the team's best judgment as to the suitability for USAID to include these components in their future strategy as they relate to what the team might consider to be GOI priorities. This task is not easy because, as the NDS clearly states, it is designed as a broad guide rather than an operational plan. Both the executive summary and the concluding chapter of the document emphasize that it falls to the relevant sectoral and other ministries subsequently "...to translate the key

[NDS] objectives into strategic actions...outputs...outcomes...and the activities which the [sector] expenditures will fund...” Indeed, although the NDS text talks about literally innumerable “priorities” and “key objectives,” few of these may become clear until detailed Ministry strategic plans are developed, programs and projects are designed and prioritized and budgets are assigned and expended.

To conclude this section of analysis, the following comments on strongly implicit priorities, key objectives, or at least emphases that could be identified by a close textual reading of each pillar is offered. In the absence of any other information, readers might consider the tenet of critico-textual analysis that says the order in which items are discussed is indicative of cognitive saliency, and thus often their importance. To a lesser extent, one could consider the amount of textual attention paid to an item, as measured in numbers of pages as an indicator of priority (see Table 3.2 in Annex Four).

TABLE 3.1 SUGGESTED USAID PRIORITIES WITHIN THE NDS FRAMEWORK

NDS Pillars and Components	USAID Priority?	Rationale
<i>Pillar I: Strengthening the Foundations of Economic Growth</i>		
<i>A. Stable macroeconomic environment</i>		
<ul style="list-style-type: none"> • Sound fiscal frameworks and institutions (micro and macro), monetary, banking, and other policies, GOI-wide FMIS, tax and customs policies, etc. 	Yes	EG II has been working successfully with MOF and CBI on economic reforms. It is an important part of enabling private sector growth
<ul style="list-style-type: none"> • Oil and gas sector 	Limited	<i>Tatweer</i> crosscuts with CB
<i>B. Structural transformation of the economy -- i.e., economic diversification for job creation</i>		
<ul style="list-style-type: none"> • Agriculture – numerous aspects of cropping, stock-raising, fisheries, forestry; conservation and non-pollution of soil and water; 'bio-Ag" approaches; agricultural credit and subsidies; agricultural policies and agricultural research; regional and international Agriculture & NRM agreements; rural women 	Yes	Agriculture should be a priority area. Iraq needs to move away from an oil-based economy. MOA seems to be willing. We do not yet understand the private sector in agriculture and we need an in-depth study.
<ul style="list-style-type: none"> • Tourism – e.g., establishing tourism offices in world capitals; fostering international hospitality industry; developing marshes and lakes, and religious sites; establishing tourism education institutes 	Perhaps	This is an area of interest to Provincial council members where traction may be gained. Najaf and Karbala are important for pilgrimage sites. Erbil is attempting to revitalize the Citadel
<i>Pillar II: Revitalizing the Private Sector</i>		
<i>A. Banking and finance, e.g.:</i>		
<ul style="list-style-type: none"> • Improving numerous aspects of banking system, including consolidating and privatizing state-owned banks 	Yes	Treasury and IMF have been working with Rafidian and Rasheed banks. EG II has done important work with the Central Bank to

NDS Pillars and Components	USAID Priority?	Rationale
		date; should this program continue, CB might be appropriate.
<ul style="list-style-type: none"> Making financial systems more open and accessible to private enterprise 	Continue current work	Laws need to be passed regarding commercial law and capital markets.
<i>B. Electricity, transport, and telecommunications – nationwide power, road/air/rail, phone, and postal systems</i>	Yes	Yes, but only in TA for billing systems, regulatory issues, networks, not major infrastructure except with respect to anti-corruption and oversight
<i>C. Privatization and restructuring of state-owned enterprises – e.g., mining and especially manufacturing</i>	Not yet	<i>Izdihar</i> started down this road but did not gain traction. Needs the passage of laws
<i>D. WTO accession and trade liberalization</i>	Yes	<i>Tijara</i> currently provides TA to WTO accession this should continue while USAID provides assistance in the Agriculture sector as Agriculture plays a large role in trade liberalization..
<i>E. Foreign direct investment, international obligations, and SBA</i>	Perhaps	EG II territory, but World Bank has a new public finance project, and IMF is the signatory to the SBA. Meet with them to see if it is to USAID's advantage to engage.
<i>Pillar III: Improving the Quality of Life</i>		
<i>A. Human development</i>		
<ul style="list-style-type: none"> Extreme poverty 	Yes	Crosscutting theme
<ul style="list-style-type: none"> Employment – human capital, jobs, women 	Yes	Crosscutting theme
<ul style="list-style-type: none"> Vulnerable groups 	Yes	Crosscutting theme
<ul style="list-style-type: none"> IDPs, refugees, and returnees 	Perhaps	OFDA had been following this, but now the refugees are longer term issues that GOI should solve through MOM. TA to MOM, but not direct assistance to IDP (barring another emergency)
<ul style="list-style-type: none"> Water and sanitation 	Yes	Implement through LGP III and CAP III using the current paradigm.
<ul style="list-style-type: none"> Education 	Yes if political will is found	Indicators show that secondary school attendance is low. Revisit with a new program if MOE traction.

NDS Pillars and Components	USAID Priority?	Rationale
<ul style="list-style-type: none"> Health 	<p>Yes If political will is found</p>	<p>Immunization coverage is low. Work with UNICEF on a campaign? Determine MOH political will.</p>
<ul style="list-style-type: none"> Housing and urban development 	<p>Yes</p>	<p>Needs in-depth study to confirm that a cadastral system and automated land registration are viable programs. Seen as foundation to develop the mortgage market and private sector.</p>
<p><i>B. Development of regions and governorates [hereafter, provinces]</i></p>		
<ul style="list-style-type: none"> Development banks 	<p>No</p>	<p>These are state banks</p>
<ul style="list-style-type: none"> Distribution of annual allocations to provinces, and enhanced planning capacities for decentralized development 	<p>Yes</p>	<p>Enhanced planning capacities such as those done under LGP II</p>
<ul style="list-style-type: none"> Central/regional/provincial coordination on management of said development 	<p>Yes</p>	<p>CB is important at the local/ regional level however, currently MOPDC has to approve all the capital development projects which slows down local development. With CB and TA, <i>Tatweer</i> might be able to influence this process at the central level, while LGP and CAP work at the local/regional levels to improve coordination.</p>
<p>Pillar IV: Strengthening Good Governance and Improving Security</p>		
<p><i>A. Good governance</i></p>		
<ul style="list-style-type: none"> National dialogue and reconciliation 	<p>Perhaps</p>	<p>It is not evident who the government counterpart would be. In reality, the democratic system should achieve this.</p>
<ul style="list-style-type: none"> Adoption of planned legislation (per NDS Annex III) 	<p>Yes</p>	<p>Some lobbying is needed to pass laws in the pipeline and to plan for implementation.</p>
<ul style="list-style-type: none"> Enhanced institutions and governance – e.g., policies and laws to engage and protect civil society; likewise for anti-corruption plus public education campaigns on same; civil service reform 	<p>Yes</p>	<p>Through TA for passage of laws and TA post passage.</p>
<p><i>B. Security</i></p>		
<ul style="list-style-type: none"> Build up forces and security; take over responsibilities from friends and allies; disarm, disband and re-integrate militias 	<p>No</p>	<p>Working with armed groups is not within USAID's mandate</p>

NDS Pillars and Components	USAID Priority?	Rationale
• Establish a comprehensive human rights regime nationwide, rule of law institutions and policies, transitional justice mechanisms	Perhaps	Some laws are pending passage and implementation. When this happens TA can be offered
• Improve court system and integrate it with the corrections system	Yes	In case processing and budget and management issues. Confirm buy in by the ministry.

Chapter Four: Key Legislation across Sectors

Understanding where progress is being made within the context of legislation is key in the successful implementation of most USAID programs.

This section answers the question posed in the SOW “What is the formulation and implementation status of key legislation across various Iraq sectors?” The section is organized within the Four Pillars where USAID might be able to provide assistance however, the cross-cutting themes in providing technical assistance and capacity building should be considered within the manageable interests

of USAID’s legislative strengthening program regardless of whether or not USAID proposes to implement programs within a particular sector where legislation is needed and/or currently pending.

A lesson learned in the implementation of the current USAID strategy highlights why this is so important. Since their inceptions, Local Governance Program (LGP) I and LGP II have helped promote a point of view that local governments exist in Iraq. MEPP II’s evaluation of local government and LGP II completed in April 2008 revealed this has been not the case. There was a fundamental disconnect between the premise upon which LGP I and II were based and the realities faced during program implementation. The Provincial Powers Law (PPL) was only passed in February 2008 and has yet to be enacted. The law, which constitutes an important step toward establishing a balance between adequate central government authority and strong local governments, outlines the specific powers of the provinces, including the specific functions and duties of the provincial and local councils. The original law provided that provincial council elections were to be held no later than October 1, 2008, after which the law will take effect. This date has now been pushed back to February 2009. It remains to be seen whether this election will take place at this time. As such, unless and until elections are held, the Provincial Powers law remains (in large part) inoperable. This is particularly relevant in regard to the roles and responsibilities of the provincial and local stakeholders. A cogent argument can be made that the technical assistance provided by LGP helped to not only advocate and push forward the passing of the PPL but also provided invaluable support to the provincial councils in good governance and strategic planning setting the stage for the enactment of the PPL. That said, the composition of the new Provincial Councils after the elections remains to be seen. The new councils could be comprised of largely new members who will not have benefited from the technical assistance of the current LGP and these new members might have completely different priorities which could set back the progress made to date quite dramatically. Compounding the problem, is that just as elections are forthcoming – and likely more assistance will be needed in governance at the provincial level, LGP’s budget has been decreased resulting in LGP now working in only nine of the eighteen provinces .

Two resounding themes emerge in terms of USAID’s ability to effect change and move processes forward within the legislature that will have an overall impact on USAID’s ability to effectively implement development programs within Iraq and in concert with the GOI: 1) political will and 2) the lack of technical expertise and support to actually draft laws compatible with international standards while remaining meaningful to the Iraqi context.

First, the political will of the members of the COR to pass appropriate legislation. Given the variety of political parties within the COR, many with divergent agendas specific to particular legislation, it is unlikely that USAID at this juncture will be able to effect change in areas where there is not existing political agreement. As a result, working at this level within the COR is unlikely to be within the manageable interests of USAID.

Where USAID could have the greatest impact is in providing technical assistance within the committees that have not only the political will to move legislation forward but more importantly recognize their need to have and will accept technical assistance to do so. The assessment team does not have an optic as to which of these committees within the COR presents the best possibility for traction for USAID. It is highly recommended that prior to USAID setting priorities for implementation of any programs, an in-depth assessment be done to determine first where the greatest priorities lie in terms of USAID's intended strategy; whether or not these priorities require enacted legislation for successful implementation and, if so, whether or not the committees corresponding to these priorities are willing to accept assistance.

Table 4.1 below identifies the legislation that will affect the progress made under each respective pillar. Some of the legislation has overlapping implications in terms of USAID strategy implementation within the various sectors identified under the NDS. It is important to note that legislation currently before the COR does not necessarily align itself easily with the NDS categories. As a result, where legislation is viewed as having the potential for cross-cutting impact, it has been added to more than one pillar.

TABLE 4.1 STATUS OF CURRENT LEGISLATION³

Pillar I: Strengthening the Foundation of Economic Growth

Legislation	No. of Readings	Enacted	Implemented	Next Steps	USAID Priority
1. WTO Action Plan ⁴	Completed	10 out of 22	Unknown.	Obtain committee and COR approval.	Yes
2. Hydrocarbon Law	0	No	No	Finalize draft laws; resolve revenue sharing conflicts.	Perhaps/TA
3. Labor Law	0	No	No		Yes
4. Anti-Corruption Laws	2	No	No	Resolve power distribution dispute between executive and independent bodies	Perhaps
5. Executive Oversight Law	1	No	No	Overcome executive branch opposition.	Perhaps

³ Source, Department of State, Office of Legislative Affairs, August/September 2008

⁴ There are 22 laws covering economic growth incorporated into this law. Annex Three provides specifics and background to each section of legislation listed in this table.

Pillar II: Revitalizing the Private Sector

Legislation	No. of Readings	Enacted	Implemented	Next Steps	USAID Priority
1. WTO Action Plan ⁵		10 out of 22	Unknown	Obtain committee and COR approval.	Yes
2. Constitutional Review	2 Reports issued	In process	No	Resolve contentious issues; amend the constitution; get COR approval.	Yes
3. Iraq Securities Law	0	No	No		Perhaps

Pillar III: Improving the Quality of Life

Legislation	No. of Readings	Enacted	Implemented	Next Steps	USAID Priority
1. Constitutional Review	2 Reports issued	In process	No	Resolve contentious issues; amend the constitution; get COR approval.	Yes
2. WTO Action Plan ⁶	Completed	10 out of 22	Unknown	Obtain committee and COR approval.	Yes
3. Minority Parties Rights	Completed	Yes	Yes	Ensure implementation of constitutional and by-law protections.	Perhaps
4. Amnesty Law	3	Yes	In process	Release the more than 20,000 approved for amnesty.	No
5. Social Security Number Law		No	No		Yes

⁵ There are 22 laws covering economic growth incorporated into this law. Annex Three provides specifics and background to each section of legislation listed in this table.

⁶ There are 22 laws covering economic growth incorporated into this law. Annex Three provides specifics and background to each section of legislation listed in this table.

Pillar IV: Strengthening Good Governance and Improving Security

Legislation	No. of Readings	Enacted	Implemented	Next Steps	USAID Priority
1. Constitutional Review	2 Reports issued	In process	No	Resolve contentious issues; amend the constitution; get COR approval.	Yes
2. Provincial Powers Law	3	Yes	No	Await provincial elections, required for law to take effect.	Yes
3. Provincial elections Law	3	No	No	Overcome presidential veto.	Yes
4. High Commission on Human Rights	2	No	No	Currently with COR Human Rights Committee	Yes
5. Anti-Corruption Laws	2	No	No	Resolve power distribution dispute between executive and independent bodies	Perhaps
6. De-Baathification Law	3	Yes.	No	Create mandatory Commission.	Perhaps
7. Minority Parties Rights	Completed	Yes	Yes	Ensure implementation of constitutional and by-law protections.	Perhaps
8. Executive Oversight Law	1	No	No	Overcome executive branch opposition.	Perhaps
9. Higher Judicial Council	2	No	No	Ensure the orderly transition of key leadership; provide oversight.	Perhaps
10. Supreme Federal Court	0	No	No		Perhaps
11. Semi-Autonomous Regions Law	3	Yes	No	Await an attempt by a province to form a region.	No

Chapter Five: USAID/ Iraq's Transitional Strategic Plan (2006 – 2008)

The current USAID Strategy for Iraq is based in laying the foundation for democratic governance and private sector led economic growth. The Mission's current Performance Monitoring Plan (PMP), which has been extended through FY 2009, outlines four strategic objectives (SOs) under which various programs are being implemented to meet the Mission's SOs. Below is a brief synopsis of each program currently under implementation in Iraq organized by SO.

Strategic Objective 7: Focused Stabilization

Results Statement: Reduced Incentives for Participation in Violent Conflict in Selected Communities

Currently, USAID is implementing one program under this SO, the Community Stabilization Project (CSP). While the Iraq Community-based Conflict Management Program (ICCM) contributes to Intermediate Result 7.2., that program is implemented under SO 9.

Community Stabilization Project

CSP was awarded to International Relief and Development (IRD) in May 2006 to implement this project as a complement to the military surge in select conflict-prone communities throughout Iraq. The objectives of CSP are to: 1) create jobs and develop employable skills with a focus on unemployed youth, 2) revitalize community infrastructure and essential services, 3) support established businesses and develop new sustainable businesses, and 4) help mitigate conflict in selected communities.

CSP activities are focused on providing jobs, job skills, business opportunities and promoting community activities under the hypothesis that such initiatives will reduce the incentives for participation in violent conflict by primarily targeting young male Iraqis.

Recommendation(s)

MEPP II has provided on-going in-depth monitoring of the CSP since December 2006. While it has been difficult to solely attribute impact of CSP activities to the results statement of *"reduced incentives for participation in violent conflict in selected communities"*, there is no doubt that violence in the communities where CSP is being implemented has decreased substantially in almost every area. Further, MEPP II monitoring has shown that by and large, CSP has implemented its program according to its contract; rebuilding of infrastructure, providing grants to businesses and employment generation. MEPP II is currently undertaking a special sectoral study of the Business Development Program, Vocational Education Program and Apprenticeship program with the primary objective to determine the sustainability and long-term impact of these sectors within CSP. While the study is not yet complete, early indications would suggest that a full in-depth evaluation be completed prior to the closing of this project. Given that this project was initiated as a complement to the military surge, it is further suggested that this type of programming not be included in the Mission's new strategy.

Strategic Objective 8: Economic Growth and Agriculture

Results Statement: Private Sector Opportunities Expanded

EGA has focused on Economic Governance that facilitates and supports private sector growth. There are currently three programs being implemented under SO 8. Two of the programs are follow-on programs to programs initiated under USAID's SO's 1 – 4; ARDI (Agriculture) and *Izdihar* (private sector growth and micro-finance support). Both programs have morphed into new programs, now *Inma* (agriculture) and *Tijara* (private sector development through access to finance). A third program Economic Governance (EG II), implemented by Bearing Point, was launched in 2004 as a follow on to the Economic Recovery, Reform and Sustained Growth Project (EG I). EG II focuses on IR 8.1 and 8.3. Their work tends to be at the policy level where they seek to engender institutional and system changes that enable the private sector and fiscal responsibility.

Agriculture:

USAID's Agricultural Reconstruction and Development Program for Iraq (ARDI), implemented by Development Alternatives International (DAI) began on October 15, 2003. The focus of the program was on employment generation, improvements in production and marketing to increase income, and improvement of the policy and regulatory framework to allow the sector to redevelop and recover. Specifically, USAID sought to correct many of the Iraqi agriculture sector's ills by expanding agriculture productivity and restoring the capacity of rural agro-enterprises to produce, process, and market agricultural goods and services, as well as to improve soils and water management. While ARDI had many successes, upon completion of the program, USAID determined that for the agricultural sector to survive and thrive, its focus in agriculture would shift to building rural economies by adopting market-based structures and incentives, leading to value added production and export-led growth. As a result, a new agricultural program was designed (*Inma*), solicited and awarded to Louis Berger in August 2007.

Inma resources are focused on promoting economic diversification and job creation with an emphasis on the growth of the agriculture and agribusiness sectors in the provincial, regional and sub-regional economies. *Inma* is an ambitious program that is aimed to promote a viable and profitable commercial agribusiness sector that provides food and economic security for the people of Iraq. This will be accomplished by supporting the growth and expansion of a substantial and profitable agriculture product generation, processing, and marketing industry providing a catalyst that will stimulate the cascade of agribusiness development.⁷

Recommendation(s)

The MEPP II team has not had the opportunity to monitor and/or evaluate any of *Inma*'s activities to date. Key Informant Interviews undertaken by MEPP II for this assessment at the PRT and e/PRT level would indicate that there is wide-spread discontent with the implementation of this program. Given the SOW for this assessment, MEPP II did not drill down to determine the validity of the complaints and it did not undertake an evaluation of the *Inma* program. MEPP II recommends a broad-based evaluation be

⁷ *Inma* Monitoring and Evaluation Plan FY 2007 - 2010

completed soonest possible, not only of the *Inma* program but of the agricultural sector within Iraq to determine whether or not this program is indeed meeting the agricultural needs within Iraq and to inform USAID's new strategy.

Private Sector Development:

Izdihar and its follow-on program *Tijara*, implemented by Louis Berger focuses on developing the private sector supporting business development and the financial sector that supports it. Overall, the objective of the *Tijara* is to grow the Iraqi economy by promoting private sector development by increasing access to finance. Under Component One, *Tijara* provides business development services (BDS) by providing targeted BDS primarily through the Small Business Development Centers (SBDCs) and other local organizations identified by the project. In addition, *Tijara* continues to assist the GOI in its efforts to join the World Trade Organization and standing up the National Investment Commission (NIC), which were begun during the *Izdihar* project. Under Component Two, *Tijara* focuses on expansion of commercial lending through microfinance institutions and banks by identifying and reducing market lending risks; providing training and technical assistance; disseminating information, education, knowledge management and research; and operating a grant facility.

Economic Governance

EG II, implemented by Bearing Point, focuses on monetary policy, public finance (fiscal) reform, effective bank supervision by the CBI, customs and tax reform, commercial law, and working with the Ministry of Labor and Social Affairs (MOLSA) on the social safety net, pension reform and (more recently) MOLSA's venture into loans and grants to small businesses. Due to the unfortunate security incidents surrounding the implementation of FMIS attention is drawn to that aspect of EG II's work. There was initial success on the FMIS roll-out to spending units (SUs) that was later reversed. The Minister of Finance recently signed a directive ordering the SUs to implement the FMIS, and this is seen as significant. Apart from FMIS EG II has assisted in bringing the GOI into compliance with the SBA requirement on the system of national accounts (SNA). EG II has assisted the GOI to begin to put in place the institutional infrastructure needed in a modern economy: Company Law amendments; modernized Bankruptcy Law, modernized Commercial Arbitration Law; modernized Housing Fund Law and a Secured Transaction Law (none of these efforts have been yet fully adopted by the GOI and need continued oversight). EG II has worked with COSIT and MOLSA to establish a means tested criteria for qualifying social safety net beneficiaries. This is an SBA requirement and is linked to monetizing the PDS.

MOLSA embarked on a micro-lending and employment generation program in 2006. EG II provided technical assistance. The program competes with the MFI initiatives under *Izdihar* and *Tijara*. Apparently only limited funds are available to MOLSA for this program in the current budget cycle.

Recommendation(s)

While MEPP II has not monitored or evaluated any of these programs in their entirety, some lessons have been learned during the process of their implementation. Foremost, these types of programs must have legislation in place and enacted and second, there

must be political will on the part of GOI counterparts if these programs are truly going to succeed. The laws amended or initiated using EG II technical assistance need to be followed and lobbied for as they underpin efforts to modernize and privatize the Iraqi economy. A study needs to ascertain whether there is political will or a champion in the GOI that will see that these laws are enacted and implemented. It is recommended that the Mission undertake in-depth evaluations on all programs currently being implemented under SO 8 to determine lessons learned and validate successes prior to the design of new programs under the Mission's new strategy.

SO 9: Democracy and Governance

Results Statement: Responsive and Effective Local Government Strengthened

Five programs are implemented under SO 9; Local Governance Program (LGP), the Community Action Program (CAP), the Iraq Community-based Conflict Management Program (ICCM), the International Foundation for Electoral Systems (IFES) and the Iraq Legislative Strengthening Program (ILSP).

Local Governance Project

Research Triangle International (RTI) was awarded the LGP II contract in May 2005 with the goals of establishing and strengthening good governance institutions, capacity, and the legal or policy environment at the national level while helping build capacity and practices for improved local and sub-national governance.

LGP II operates through the structure of Provincial Reconstruction Teams (PRTs) and embedded PRTs (ePRTs) to build the capacity of provincial, district, and municipal governments to govern well and respond to citizens' needs. Through December 2008, LGP II will foster a critical mass of Iraqi leaders in districts, provinces, and municipalities who can manage public service institutions and programs through participatory government processes. The contract and work plans divide this work across five components:

- 1) Promoting policy reform in support of local governance
- 2) Supporting clarification of the roles and responsibilities of different levels of government
- 3) Promoting increased efficiency of local service delivery
- 4) Assisting in the development of regularized mechanisms of citizen participation in governmental decision-making processes
- 5) Capturing learning through systematic study and reflection.

LGP II is currently being phased out to begin implementation of the newly designed LGP III program in early 2009. MEPP II conducted an assessment in April 2008 that informed the design of LGP III but at this stage, sensitivities related to procurement issues for what is essentially a new program limit the discussion on the design of LGP III.

Recommendation(s)

Moving forward, improving governance at all levels should be an imperative within the Mission's strategy. LGP provides us with several lessons learned. Since their inceptions, Local Governance Program (LGP) I and LGP II have helped promote a point

of view that local governments exist in Iraq. MEPP II's evaluation of local government and LGP II completed in April 2008 revealed this has been not the case.⁸ While the Provincial Powers Law (PPL) has been passed, it will not be enacted until after the Provincial elections due to be held in May 2009 thus the PPL is largely inoperable. This is particularly relevant in regard to the roles and responsibilities of the provincial and local stakeholders. A cogent argument can be made that the technical assistance provided by LGP helped to not only advocate and push forward the passing of the PPL⁹ but also provided invaluable support to the provincial councils in good governance and strategic planning setting the stage for the enactment of the PPL. That said the composition of the new Provincial Councils after the elections remains to be seen. The new councils could be comprised of largely new members who will not have benefited from the technical assistance of the current LGP and these new members might have completely different priorities which could set back the progress made to date quite dramatically. The assessment team recommends continued aggressive assistance in local governance moving forward.

Community Action Program (CAP)

The stated goal in the cooperative agreement for CAP is *“to strengthen responsible and effective local governance in Iraq by institutionalizing community-level mechanisms and capacity for citizen participation in local decision-making and development.”* CAP operates under the SO 9 IR 9.3 *“Outreach mechanisms for citizen participation in local development are institutionalized.”* CAP was initiated in 2003 and is currently in its third phase, CAP III, under a cooperative agreement to USAID for implementation until 2010. CAP III differs from CAP I and II by acknowledging the natural evolution of community driven development programs towards engaging and advocating community needs to local government. CAP III is responsive to some of the conclusions from the mini-evaluation undertaken by MEPP II in 2008 and GOI initiatives to fund provincial capital development through local government entities. *“The ultimate goal is to train local government to reach out and articulate community needs, develop well-designed project packages, and then get those projects in to the national budgets of the line ministries or the capital budgets of the provincial development strategy.”* *“The key measure of success will be to demonstrate the extent to which communities and local government can attract and secure funding from provincial and national budgets for project implementation (quoted from the RFA).”* CAP III will be implemented by four partners under a cooperative agreement with USAID. They are: IRD, Mercy Corps (MC), Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) and Community Housing Foundation (CHF).

Objectives for CAP III are:

Objective 1: Communities better articulate their needs and mobilize resources within and outside the community to solve common problems.

Objective 2: Local executive and representative Government in CAP communities better meet the articulated needs of the community.

⁸ And this circumstance will continue to be so until after the provincial elections scheduled for late 2008.

⁹ The Local Government Association developed under LGP lobbied strongly for passage of the PPL

Recommendation(s)

As of this writing, CAP II is phasing out and CAP III ramping up. CAP III is charged to collaborate with all key USAID programs including the Local Governance Program (LGP), *Tatweer*, and the Community Stabilization Program (CSP) as well as with the Provincial Reconstruction Teams (PRTs). This is an important shift for the successful implementation of all of USAID/Iraq's programs moving forward. This collaboration ensures that CAP III's interventions fit the different levels of stability, community mobilization, and local governments' capacities and receptiveness in the Program's area of responsibility (AOR) as well as benefit from the previous USAID investments in governance capacity building and training. Close attention should be paid moving forward to ensure that all partners are working in concert with each other where necessary. As with the LGP the CAP III program needs implementation of the PPL that is set to define the roles of the lower level councils.

Iraq Community-based Conflict Mitigation

Relief International is implementing ICCM's program in collaboration with Columbia University. Awarded in October 2007, its activities focus on three areas; Community Conflict Analyses and quick impact projects at the community level and the implementation of youth peace building activities. Activities under this program contribute to both SO 9 and SO 7. The program is managed under SO 9. ICCM contributes to Intermediate 7.2 *Conflict Mitigated through Increased CSO and Community Activities*. Under SO 9, the program contributes to Intermediate Result 9.3 *Outreach mechanisms for citizen participation in local decision-making development are institutionalized*. ICCM is establishing and supporting a Peace and Conflict Mitigation Network through local universities.

Recommendation(s)

The MEPP II team has not been asked to provide monitoring or evaluation services to this program and as a result does not have an optic on its successes and lessons learned. Upon review of the ICCM PMP as well as discussions with the ICCM team, the hypothesis of this program appears to be that keeping people busy will mitigate conflict, rather than the typical in-depth conflict mitigation programs seen in other post-conflict countries. Broadly, under this SO, MEPP II believes that the data garnered from the conflict assessments might be helpful to USAID in informing future conflict mitigation strategies however, the quick impact projects appear to be similar to those undertaken by CSP as well as CAP and therefore may be replicating projects in areas already being served by other USAID programs. An in-depth evaluation of the program is recommended prior to determining whether or not this type of programming will be useful in the successful implementation of a new Mission strategy. If so, the Mission might want to consider providing continued technical assistance to the conflict mitigation centers as part of its overall capacity building efforts in the new strategy.

IFES

The IFES elections strengthening project is an integral part of the U.S. Government's effort to build the capacity of the Independent Higher Electoral Commission (IHEC) and

to create a nationwide structure for administering voter registration and conducting Election Day polling. The objective of the IFES project is to provide flexible, responsive, and timely support to the IHEC, taking into account the quickly evolving requirements of an election operation and the resources available from the United Nations and other international donors and technical assistance providers. The ultimate aim is for the IHEC to organize and run their electoral events without the assistance of the international community.

Recommendation(s)

While the MEPP II team has not been asked to monitor or evaluate the work IFES has undertaken, it assumes that in the interim between the elections in 2006 and the elections coming up early in 2009, aggressive technical assistance and infrastructure support has been provided to the GOI through this program. The team does not foresee electoral support remaining a priority for USAID within the coming strategy and believes that should support be needed, this might best be provided by the United Nations.

Iraq Legislative Strengthening Program

There are a variety of stakeholders currently involved in providing support to the Council of Representatives (COR) in the area of legislative strengthening (LS). However, there are gaps in this support that can provide an entry point for USAID programming.

The tasks under this program are to:

1. Undertake an assessment of current donor activities with the sector of LS to determine gaps that might be filled by USAID programming.
2. Undertake a baseline needs assessment within the COR to inform the design of a new LS program designed around the four main functions of the COR; law making, executive oversight, representative/constituency relations and COR management procedures and,
3. Prepare a proposed set of project outlines within the LS sector informed by the assessments.

Recommendation(s)

In reading the SOW for this program assessment, it is the view of the MEPP II team that USAID is exactly on track in terms of program assessments to inform design prior to program solicitation. The only suggestion would be to ensure that the implementation of this program is driven by the COR – by their perceived priorities and needs. It is suggested that USAID enter into a MOU with those committees who show the political will to not simply partner with – but actually lead the process of implementation in provision of TA. Our experience has shown that while parliamentarians will state their priorities and even be able to articulate the gaps they have in TA to inform program design and implementation, when it actually comes time to implement the program, if there is not a champion to drive the process and take ownership of the program it will likely fail.

Strategic Objective 10: Capacity of National Government Institutions Improved.
Results Statement: Core Functions of National Level Institutions Improved

The *Tatweer* Project is the major USAID contract in support of USAID's Strategic Objective 10: Capacity of National Government Institutions Improved under IR 10.1 "Core Functions of National Level Institutions Improved." Implemented by Management Sciences International (MSI), *Tatweer* began operations July 31, 2006 and has a scheduled end date of July 31, 2009.

Tatweer implements interventions in three domains including providing training to Ministry staff in core public administration skills, improving the institutional capacity of Ministries and Executive Offices through technical assistance and expanding the training capacity of national, regional and Ministerial training centers.

Recommendation(s)

As noted in Chapter Two, CB has been identified as a key priority by the GOI in all sectors. According to the NDS, projects will mostly be operationalized within each Ministry. Building capacities at any level takes time and is largely dependent upon the stability of human resources as well as the political will of the leadership within ministries. In addition it takes time to build the trust necessary for beneficiaries to accept the advice and technical assistance being provided by the implementer. While it is unknown to what degree *Tatweer* has successfully met its objectives, to the extent possible, should the program be redesigned, key local staff that have proven to work successfully within the ministries should be retained. As *Tatweer* and USAID's Capacity Building Office (CBO) have developed relationships within some of the key ministries as well as with the Ministers themselves, these relationships should be exploited in determining where USAID should place its resources moving forward. It is recommended that an in-depth evaluation of this program be conducted to inform the Mission's new strategy.

Non-Traditional USAID programming

Office of Foreign Disaster Assistance (OFDA)

OFDA activities fall outside of the four Mission SOs, however, their programming has been important in the context of providing relief to the internally displaced and extremely vulnerable populations within Iraq. OFDA has supported primary health care programming, primarily targeted at internally displaced and/or economically vulnerable populations including mobile health clinics; primary health care (PHC) clinic construction, renovation, equipment and supply; and medical provider training. Working through a half dozen implementing partners, OFDA has funded direct delivery of essential services such as shelter, nutrition, water and sanitation although these efforts have often been outside of local government processes and have not included a capacity building element for government officials and community members for improved service delivery.

Recommendation(s)

While OFDA traditionally works in countries to provide immediate relief after a disaster, it is envisaged that this office will likely remain in Iraq for some time to come due to the issues surrounding the internally displaced in-country. MEPP II undertook monitoring of OFDA programs in 2008 with multiple findings regarding operational issues as well as a significant amount of overlap between their programming and the more typical development programs implemented by USAID. While this Office works independently in many respects from the Mission, it is suggested that the Mission highly encourage OFDA to coordinate closely with current and future AID programs to ensure that resources are maximized and economies of scale utilized.

Iraq Rapid Assistance Program

On September 28, 2007, USAID awarded Development Alternatives International (DAI) a letter contract to implement IRAP throughout Iraq. While a non-traditional USAID program, IRAP is currently managed under USAID/Iraq's PRT Program Office/SO 9 *Responsive and effective local government strengthened*. The program was designed as a new implementation tool for grants identified by Provincial Reconstruction Teams (PRTs) and embedded Provincial Reconstruction Teams (ePRTs). PRTs/ePRTs are joint civilian-military teams. There are approximately 33 such teams currently operating in Iraq. Grants between \$50,000 and \$200,000 are identified and/or developed by PRTs/ePRTs that support the teams' priorities and are implemented under IRAP. The primary objective of IRAP is to strengthen ties between Iraqi civilians, civil society, and government bodies.

A secondary goal of IRAP is to help mitigate conflict by strengthening civil society. IRAP will identify civil society organizations (CSOs) and activities deserving of assistance on both the national and local levels and implement grants that support the mitigation of conflict in Iraq. IRAP's success has largely been dependent upon the capacity of the PRT and e/PRTs to develop appropriate proposals for submission to IRAP for funding and as a result, reported successes of the program were varied according to key informant interviews (KIIs) undertaken for this assessment. MEPP II has not had the opportunity to monitor or evaluate IRAP's projects and therefore cannot confirm information provided in the review of documents or KIIs.

Recommendation(s)

It appears that many of the projects undertaken by IRAP replicate other USAID programming such as CAP, CSP and ICCM. As the PRTs and e/PRT model is phased out, USAID might want to consider phasing out IRAP leaving the more traditional USAID models in place that are already to a large degree undertaking similar projects. It is suggested that prior to closure, USAID undertake a final evaluation of this program to determine program impact.

Chapter Six: Comparative Analysis of the Two Plans

In accordance with the SOW, MEPP II provides here an overview of USAID/Iraq's comparative advantage and the sectoral areas in which the Mission's human and financial resources might have the most and lasting impact. The initial table compares USAID recent programs with the NDS Pillars and sub-headings. USAID's programs are listed within Mission Strategic Objectives. The table's organizing principle is the NDS Pillars. USAID program may be spread across Pillars. The assignment of programs to Pillars was done by IBTCI based on document review and assessment experience. USAID programs have crosscutting elements such as employment generation, health, education, vulnerable groups and governance. However SO 8 programs fall mainly under Pillars I and II, with SO 9 and 10 under Pillars III and IV.

TABLE 6.1 COMPARISONS OF NDS PILLARS WITH USAID SOS AND PROGRAMS

	CSP	ICCM	ARDI	EG II	INMA	IZDIHAR	TLARA	CAP	ICSP	IFES/CEPPS	IGP	ILSP	TATWEER	IRAP	OFDA
USAID Strategic Objective >	SO 7	SO 8					SO 9					SO 10	Non-SO		
Pillar I: Strengthening the Foundations of Economic Growth															
A. Stable macroeconomic environment															
• Sound fiscal frameworks and institutions (micro and macro), monetary, banking, and other policies, GOI-wide FMIS, tax and customs policies, etc.			X	X	X	X							X		
• Oil and gas sector													X		
B. Structural transformation of the economy -- i.e., economic diversification for job creation															
• Agriculture – numerous aspects of cropping, stock-raising, fisheries, forestry; conservation and non-pollution of soil and water; "bio-ag" approaches; agricultural credit and subsidies; agricultural policies and agricultural research; regional and international Agriculture & NRM agreements; rural women			X		X										
• Tourism – e.g., establishing tourism offices in world capitals; fostering international hospitality industry; developing marshes and lakes, and religious sites; establishing tourism education institutes									X						
Pillar II: Revitalizing the Private Sector															
A. Banking and finance, e.g.:															
• Improving numerous aspects of banking system, including consolidating and privatizing state-owned banks			X		X	X									
• Making financial systems more open and accessible to private enterprise			X		X	X									
B. Electricity, transport, and telecommunications – nationwide power, road/air/rail, phone, and postal systems															
			X												
C. Privatization and restructuring of state-owned enterprises – e.g., mining and especially manufacturing															
				X	X										
D. WTO accession and trade liberalization															
					X	X									
E. Foreign direct investment, international obligations, and SBA															
					X	X									

	CSP	ICCM	ARDI	EG II	INMA	IZDIHAR	TJARA	CAP	ICSP	IFES/CEPPS	LGP	ILSP	TATWEER	IRAP	OPDA
USAID Strategic Objective >	SO 7	SO 8					SO 9				SO 10	Non-SO			
Pillar III: Improving the Quality of Life															
A. Human development															
• Extreme poverty	X		X				X								X
• Employment – human capital, jobs, women	X	X	X	X	X	X	X			X					X
• Vulnerable groups	X						X	X		X					X
• IDPs, refugees, and returnees	X						X								X
• Water and sanitation	X						X			X					
• Education	X						X			X					X
• Health	X						X			X		X			X
• Housing and urban development							X			X					
B. Development of regions and governorates [hereafter, provinces]															
• Development banks															
• Distribution of annual allocations to provinces, and enhanced planning capacities for decentralized development										X		X			
• Central/regional/provincial coordination on management of said development							X			X		X			
Pillar IV: Strengthening Good Governance and Improving Security															
A. Good governance															
• National dialogue and reconciliation								X	X	X					
• Adoption of planned legislation (per NDS Annex III)			X	X		X	X			X	X				
• Enhanced institutions and governance – e.g., policies and laws to engage and protect civil society; likewise for anti-corruption plus public education campaigns on same; civil service reform			X		X			X	X	X		X			
B. Security															
• Build up forces and security; take over responsibilities from friends and allies; disarm, disband and re-integrate militias	X	X												X	
• Establish a comprehensive human rights regime nationwide, rule of law institutions and policies, transitional justice mechanisms								X							
• Improve court system and integrate it with the corrections system															

GOI Budget Expenditures:

GOI budget information is limited to proposed capital investments. Table 6.2 is offered as a guide to GOI development priorities providing some detail about where the GOI intends to invest in its development. The budget figures do not include operations and maintenance (O&M) budgets and therefore will not reflect how GOI may have allocated LOE to address development priorities. Programs such as the Social Safety Net and the Public Distribution System are also not accounted for. Table 6.2 estimates the distribution of proposed capital investments by Pillar. Annex 6 shows the source of the proposed capital investment data and how the allocations to NDS Pillars were made. These allocations are rough, back-of-the-envelope estimates, showing how intended capital investments relate to the NDS Pillars. A pending Five Year Strategic Investment Strategy done by each Ministry is due to the Ministry of Planning in December 2008 and in final form by March 2009. This will clarify GOI intentions.

Gauged by capital investment alone Pillar III (Improving the Quality of Life) ranks highest. Prominent in Pillar III is the budget allocation to the provinces (this includes to

the KRG and the Baghdad Amanat). This is the largest single item listed, and surely demonstrates that there is a political will to decentralize and empower local authority. For development strategy it validates the CAP III and LGP III projects. To the contrary allocations for health and education are below expectation based on the health and education indicators noted in Table 6.1. It suggests that both of these sectors are not priorities by the GOI.

TABLE 6.2 PROPOSED CAPITAL INVESTMENTS 2009 ALLOCATED BY PILLAR

Pillar	Pillar Element	\$ in millions	Pillar Rank
I. Strengthening the Foundations of Economic Growth	Sound fiscal frameworks and institutions...	\$ 37	2
	Oil and Gas sector	\$ 2,595	
	Structural transformation, job diversification	\$ 28	
	Agriculture including credit	\$ 1,291	
	Tourism	\$ 25	
Pillar total		\$ 3,979	
II. Revitalizing the Private Sector	Electricity, transportation, telecommunications	\$ 1,907	3
	Privatization, restructuring SOE	\$ 593	
	WTO accession	\$ 67	
	FDI, SBA, international obligations	\$ 85	
Pillar total		\$ 2,653	
III. Improving the Quality of Life	Extreme poverty (MOLSA)	\$ 25	1
	Vulnerable Groups	\$ 83	
	IDPs, refugees and returnees	\$ 6	
	Water and sanitation (municipalities)	\$ 550	
	Education	\$ 618	
	Health	\$ 127	
	Housing and Urban Development	\$ 508	
	Distributions of allocations to provinces	\$ 4,948	
	Central/Regional/Provincial coordination	\$ 50	
Pillar total		\$ 6,920	
IV. Strengthening Good Governance and Improving Security	National dialogue and reconciliation	\$ 56	4
	Enhanced institutions and governance (policies, laws, public education)	\$ 73	
	Security, build up forces	\$ 618	
	Establish human rights regime	\$ 28	
	Improve court system	\$ 12	
Pillar total		\$ 790	

Source: Tatweer estimates, November 2008 for PFMAG

Proposed capital development expenditure under Pillar I (Strengthening the Foundations of Economic Growth) ranks second. Pillar I is accounted for mostly by the Oil and Gas Sector. Since Oil accounts for 88% of GOI revenue and there is a need to expand and revitalize the sector this is sector would appear to be a GOI priority. Agriculture (including water resources and irrigation, and marshland restoration) attracted significant development capital. This validates rhetorical emphasis placed on this sector in the

NDS as a vehicle for diversifying the economy and engendering job growth. It corresponds with similar USAID interest in expanding agriculture. Through this the GOI has expressed a will to revitalize the agricultural sector; emphasis needs to be made that this revitalization benefits the private sector rather than legacy public enterprises and institutions.

Pillar II (Revitalizing the Private Sector) ranked third in proposed capital development expenditure. Expenditure on electricity dominated Pillar II, but investment in transportation also featured strongly. The Ministry of Industry and Minerals had sizeable capital expenditure and this appears to have been allocated (perhaps optimistically) to restructuring the SOE, but this assumption needs to be validated by further study.

Pillar IV ranked fourth in capital expenditure. The pillar is dominated by MOD and MOI proposed capital expenditure. USAID supports this Pillar with its community stabilization programs, conflict mitigation and governance programs. MOD and MOI both have high O&M costs needed to support a sizeable police and the military force, however these are not reflected in the capital development budgets. Drawing conclusions about GOI intentions in Pillar IV is murky. It is interesting that tourism attracted more investment than did improvement to the court system.

Table 6.3 below attempts to compare GOI priorities with those of USAID based on proposed expenditures and obligated funds. Proposed GOI capital investments for 2009 are compared with USAID obligated funds. The intention of the table is to give guidance about where there may be a mismatch between GOI priority and USAID priority expressed in terms of where they put their money. The table uses the NDS pillars as the organizing principle and attempts to fit USAID programming into the NDS pillars rather than the other way around. Unfortunately, USAID programs do not fit neatly into the NDS pillars and some explanation for organization of the table is needed.

USAID activities under SO 7 were reckoned to fit under the Security category in Pillar IV because they are essentially intended to meet USAID's goal to "Defeat the Insurgency" and reduce participation in violent conflict. Based on this classifying principle the CSP program was placed under Pillar IV (CSP includes a MSME business development component that could arguably fit under Pillar II, but the major thrust of CSP is the reduction in violence). For the same reason ICCM and IRAP were classified under Pillar IV as their focus has been to support counter-insurgency efforts and to bring stability to insurgent-prone communities.

Good governance crosscuts with most USAID programs and is a component of Pillar IV. *Tatweer*, IFES and ILSP are placed here as the emphasis is on nation-wide activities. LGP and CAP could also be considered as good governance activities, but using the NDS Pillar as the guiding principle they fit best under Pillar III that relates to the development of regions and governorates.

Tijara was the lone program supporting Pillar II. *Inma* is similar to *Tijara* in terms of its support for the private sector, but acts only in the Agricultural sector. For this reason *Inma* is placed in Pillar I with the agricultural sector. EG II is the dominant program under Pillar I. EG II is a complex, long-standing program that crosscuts Pillar II (EG II has been active in improving banking regulations and providing advice on Telecoms regulation and licensing) and Pillar III (EG II's social safety net activities can be classified

under Extreme Poverty). We did not have data resources to attempt dividing up EG II across other Pillars. Even so we believe that Table 6.3 provides a useful indication for comparison of GOI and USAID emphasis. It should be noted that USAID budget numbers are estimated and there is some overlap in budgetary figures between the current and prior strategy.

TABLE 6.3 GOI PROPOSED CAPITAL BUDGET EXPENDITURES FY 2009 AGAINST USAID FUNDS OBLIGATED SINCE 2006.¹⁰

NDS Pillars	Proposed Capital Investment 2009 (\$1 = ID 1180) FY 2009	USAID Obligated Amounts Estimated since 2006	USAID Projects
Pillar I: Strengthening the Foundations of Economic Growth	\$ 3,979,041,525	\$ 397,210,201	SO 8: <i>Inma</i> , EG-II
Pillar II: Revitalizing the Private Sector	\$ 2,653,772,034	\$ 20,981,652	SO 8: <i>Tijara</i> , <i>Izdihar</i>
Pillar III: Improving the Quality of Life	\$ 6,920,105,932	\$ 780,814,464	SO 9: LGP, CAP
Pillar IV: Strengthening Good Governance and Improving Security	\$ 790,300,000	\$ 1,224,483,003	SO 7, 9,10: CSP, ICCM, IFES, ILSP, IRAP, <i>Tatweer</i>
Other	\$ 4,237,288	\$ 82,177,948	MEPP II, Manpower II,IRG
Total	\$ 14,347,456,780	\$ 2,505,607,178	

Conclusions drawn from the table are that USAID may be under invested in revitalizing the private sector – the GOI has given good emphasis here. USAID appears to be over invested in Pillar IV, but this is largely due to CSP and IRAP that fall outside the traditional development paradigm. When these are subtracted the scale of investment is more reasonable (but GOI, outside of security, is not well invested in ROL). In Pillar III the GOI is strongly committed to supporting decentralization (with some retention of approval authority by the central government). LGP and CAP address this and are well designed to engage correctly with what is needed. It would appear that the reduction in LGP coverage may be ill conceived given GOI enthusiasm. GOI proposed capital investment in agriculture is enthusiastic and needs a USAID response. USAID involvement was initiated with ARDI (who worked with the MOA to develop a strategy) and followed on by *Inma*. There is uncertainty now that the *Inma* strategy is correct, based in part on uncertainty about private agribusiness in Iraq. It calls for further study to inform the strategy. Apart from the agricultural sector support for economic governance (in terms of capital investment) is lacking. Many laws remain unapproved

¹⁰ Note: One cannot compare the two as the GOI budget numbers do not reflect the entire budget allocations and USAID's budget numbers are estimated from 2006 forward. This is simply used as a proxy indicator to note where USAID has expended funds vs. where the GOI is currently prioritizing the use of funding for capital projects.

that would underwrite private sector development. The EG II effort to improve the customs tax revenue remains still borne.

For planning purposes, USAID might consider the following sectors as strategic priorities for intervention: governance at the national, regional and local levels, economics and agriculture. This recommendation is based on the confluence of NDS illustrated needs, GOI capital budget financed priorities and USAID manageable interest and technical capacity. A second tier might include health and education based on the wider analysis of population-based needs and USAID's historical programming strengths in the region and worldwide. In-depth assessments of each of these sectors undertaken in partnership with GOI counterparts should be considered a priority.

Chapter Seven: Recommendations for USAID/Iraq's Next Strategic Plan

These recommendations are based on the review of available program partner documents, reports from previous monitoring and evaluations undertaken by MEPP II, KILs with PRTs and e/PRTs and discussions with key stakeholders within USAID and other USG implementing agencies. Every attempt was made to understand current and possible future GOI priorities. However, in most instances relevant information was not readily available.

The team's analysis suggests that the USAID/Iraq Transition Strategy Plan (2006-2008) was informed primarily by programs and projects that were operational at the time the strategy was developed. In other words, rather than develop a cogent strategy informed by the needs and priorities of Iraq and the Iraqi government in 2006, it appears that the Transition Strategy programs were informed and built around programs implemented under SOs 1 - 4, which dated back to the days of the Coalition Provisional Authority. While the use of this backwards process is understandable, it explains why to a large degree some of these programs might not fully meet the higher-level Strategic Objectives outlined in the Transition Strategy nor be directly aligned with GOI priorities. Further complicating matters, in most instances, baseline studies were not completed at the start of the programs, which makes it very difficult to assess progress to date. The political imperative under which USAID was operating at the time was simply to begin implementing programs and projects within programs as quickly as possible. Consequently, success was measured by outputs rather than outcomes.

While there have been clear successes, some lessons can be learned that can inform the way forward.¹¹ The observations that follow are more strategic in nature and are taken from the commonality of lessons learned across the USAID portfolio with the optic of ensuring GOI buy-in to future programming. It must be noted that these are broad-based observations informed by the team's experience and available information.

Observations from lessons learned:

1. Very little traction is gained in implementing programs where there is little political will on the part of the GOI and/or buy-in and ownership from program beneficiaries.

¹¹ Recommendations for each ongoing program are found in Chapter Four.

There are multiple examples to evidence this fact at first blush, although the team understands there are nuances and often political imperatives that force implementation of programs at a specific juncture. These are likely to continue. Three programs are specifically noteworthy illustrations.

- The privatization of state-owned enterprises (SOEs) under the Economic Governance and Agriculture (EGA) office did not have the necessary legislation enacted and implemented to support their efforts, neither does it appear there was political will on the part of the COR to make this happen. As a result, this component of the EGA program was eventually dropped from the portfolio.
- The Financial Management Information System (FMIS) implemented by Bearing Point: Such a system is vitally needed within Iraq – and required by the International Monetary Fund (IMF) as a pre-requisite for debt reduction. Huge resources, both financial and human, have been expended by USAID to assist the Ministry of Finance (MOF) in the implementation of FMIS. While experience in other countries shows that it can take as long as seven years to fully develop and implement FMIS, the MEPP II technical review undertaken in November 2008 clearly showed that this program should and could have been much farther along had the MOF been fully on board from the start and been willing to take ownership of the implementation of the program. With some increasing evidence of buy-in from the Ministry and a newly signed MOU between USAID and the Ministry as well as the standby agreement signed with the IMF, it appears that this program might be gaining some traction however at this point it may be too little, too late.
- The targeting of key ministries under *Tatweer's* ministerial CB program does not appear to have involved the key ministries selected in order to understand their priorities and political will to accept and utilize the TA provided by the program. Rather the ten key ministries seem to have been unilaterally chosen by USAID to receive assistance. While both USAID and the GOI understand the vital need for capacity building within the ministries, unless this effort is GOI driven, little traction will be achieved.

Recommendation

Prior to the design, solicitation and implementation of a program, USAID should ensure that key GOI stakeholders are on board with the design and the nature of program activities. This way, GOI stakeholders can champion USAID programs within their sectors. This will greatly increase the rate of implementation as well as the chances for overall success of the program. It is further recommended that the requisite GOI stakeholder commits to co-financing the project as an indication of their commitment and buy-in.

2. Selection of beneficiaries/counterparts is critical to the success of any program.

This observation impacts virtually every program currently being implemented by USAID to varying degrees. Some examples are:

- CSP – while the premise of CSP is to target youth most vulnerable to joining the insurgency, MEPP II monitoring has shown that, for the most part, beneficiary selection has not been driven by this imperative. Indeed, when beneficiaries were asked on surveys whether or not these types of projects would reduce the possibility for the beneficiaries to join the insurgency, overwhelmingly, the response was negative, because most of the beneficiaries involved in the projects would not have joined the insurgency regardless. While the development hypothesis of providing work and income for young men to decrease incentives for participation in violent activity may make sense, demonstrating the cause and effect relationship is difficult as age alone does not necessarily indicate willingness for young men to participate in violent activities. CSP did not develop or apply targeted selection criteria beyond sex, age and employment status and the de facto geographical selection criterion of only working in particular cities. As a result, it is hard to say with confidence that the limited number of jobs created by the project went to those young men who would have otherwise engaged in violent activities. Future projects may want to place more emphasis on trying to understand and document specific risk factors for participation in the insurgency to make sure that sufficient resources are targeted as much as possible to those who are most at risk.
- ICCM – As this program has not been evaluated for impact, this observation is based on the review of ICCM's program documents colored by the experience the assessment team has in conflict mitigation. Elements of this program would appear to be based on the developmental hypothesis that engaging people in projects decreases conflict. This might in fact be true if the beneficiaries selected to engage in projects are those who are known to engage in and/or foment conflict. There is little evidence that beneficiary selection under ICCM is being undertaken with this lens in mind – rather it is being done through community assessments and engaging the communities as a whole. True conflict mitigation programs target, very specifically, individuals and/or groups who are known to have conflict or cause conflict and bringing them together in a targeted way to begin a dialogue that over time, if implemented correctly, can mitigate conflict. This is a painstaking and laborious process and, depending on the type of conflict, length of conflict and will of the participants can take years. The nature of ICCM programming does not seem to reflect this fact.

Recommendation

To ensure that programs are targeting beneficiaries correctly it is suggested that implementers are obliged to develop beneficiary selection criteria that specifically targets the population to be served by the contract – and to show a causal link between the selected beneficiaries' profiles and the particular program's intended results.

3. Tailor-made programs and projects that address the needs of a specific region, area or population tends to be more successful than “cookie cutter” national programs that are not informed by needs on the ground.

The Mission has already started to move the implementation of projects towards this approach in both the CAPP III and *Inma* programs. While CAP III is not yet fully operational, USAID understood the regional diversity within Iraq and designed CAP III to

allow the partners to focus on regional needs rather than forcing standardization. If CAP III implementing partners truly begin working at the local government (LG) level allowing LG to drive the process with their priorities and in collaboration with *Tatweer* and LGP III, then this program has been set up for success assuming the effective implementation of the Provincial Powers law. The key will be ensuring that the needs of their constituents are well understood and prioritized by the LG.

Information from key informant interviews appears to suggest that there is general discontent with the implementation of the *Inma* project. While more research may be necessary to verify this, experience shows that often, when stakeholders do not know what is going on within a program, they tend to believe nothing is going on – or that the program is not achieving the desired results when in fact, focused monitoring of those programs (CAP II being a prime example) can show that significant results are being achieved. It is unclear as to whether the design of the *Inma* program is going to meet the current needs of Iraq in the Agricultural sector, however, the premise of focusing interventions based on regional needs definitely has merit and this approach should be adopted by *Inma* and in further agricultural programming by USAID.

Recommendation

As indicated above, USAID has already begun to implement focused programming to meet specific needs and the team's recommendation is that this type of programming be continued under the Mission's new strategy.

4. Less is more. Intense, focused programming, maximizing USAID's comparative advantage in the arena of demand-driven technical assistance at the national government level down and the grass roots is likely to have the greatest impact at this juncture in Iraq.

As USAID/Iraq's program matures, security stabilizes and likely, funding decreases, it becomes more important to focus on USAID's comparative advantages within Iraq as well as historically what it's known for doing best - capacity building. As noted before, USAID/Iraq's programming has been driven at times by political imperatives beyond its control resulting in programs being implemented across a broad spectrum of sectors and until recently without the normal due diligences being done to ensure programs are strategic, targeted, coordinated and focused. Programs like LGP have been successful because, the program focused on key initiatives targeting key beneficiaries with very specific programming aimed at building capacities. Scattershot small grants programs such as CAP I and II, spread over the entire country across entire sectors with little thought to sustainability have not proven to be effective in the long-term development of Iraq. While these projects might have done some good in the short-term, and provided ample reporting successes of outputs, there are scant data available to answer the "so what" questions that are now being raised. The Mission's new focus with CAP III and the coordination among partners like that of CAP working with *Tatweer* and LGP should be encouraged at every level.

Recommendation

This again comes back to the selection of beneficiaries. One could argue that programs could "cherry pick" beneficiaries and therefore show inflated results. In fact, if beneficiaries are strategically chosen – in strategic locations to receive intense, focused assistance directly correlating to the Mission's intended SO and the Partners' IRs, the

up-front work, while time consuming, will over time show much greater success and sustainability. With limited resources, USAID cannot be all things to all people and hope to achieve sustainable development. Working with a core group of beneficiaries at all levels within the sectors chosen who show political will – who will champion a cause – who can become change agents within their sectors, Ministries or communities will ultimately lead to greater success. Although Iraq has made strides to decentralize, it still has a long way to go. Democracy can be defined as “by the people, for the people.” The Mission might consider implementing pilot programs in some areas intently focused where respected agents for change can be found with whom to work. These might be Ministers, members of the COR, local politicians or perhaps through CAP III community leaders. This strategy has been found to work in other post-conflict countries where political will is hard to find overall; however when others’ particularly the population see success in one area, they begin to see the benefit and then begin asking for assistance and see it as value added. When leaders and the population begin asking for assistance to improve systems and/or their lives on a strategic level and are willing to put their weight behind this assistance because they have seen the success in other areas, the process then becomes truly Iraqi-driven.

5. Programs implemented prior to the enacting of legislation to support implementation will likely not succeed within the contractual timeframe. This includes codification of the details in supporting rules and codes.

This issue with LGP has been broadly discussed elsewhere. This poses a particular danger for the full implementation of CAP III because even though the provincial powers law has been passed, it will most likely be subject to diverse interpretation and will be unevenly implemented. It is not clear, for example, that there is: enough information on provincial and local council roles to develop uniform training materials and job descriptions nor the political will to codify this at the present time so it can be quickly acted on.

Recommendation

The Mission should work closely with ILSP targeting sectors in which the ILSP is gaining traction within the COR to ensure that programming is not out ahead of the legislative process. Conversely, the Mission might direct ILSP to target specific committees within the COR within the areas that does not yet have legislation enacted but where the Mission might want to focus to move the legislative process along in order give teeth to programs being implemented on the ground.

6. Grants-funded activities by local partners present special M&E challenges (ICSP, IRAP, ICCM, CAP).

A key lesson learned beginning with the Iraq Civil Society Project (ICSP) and continuing with IRAP and other projects is the difficulty in relying on grantees implementing workshops, advocacy initiatives, humanitarian assistance and other activities to effectively monitor their work for medium and long-term results. In ICSP and IRAP, under the terms of the grants, grantee civil society organizations (CSOs) are paid upon successful completion of the activity and the submission of required documentation. It appears there were/are no mechanisms in place to ensure follow-up of implemented activities to document results several months after the completion of project interventions. This shortcoming, combined with the inability to issue dedicated M&E

grants to CSOs and a lack of sufficient project M&E staffing to conduct routine monitoring for results, create a situation where success stories from grant-funded activities are only captured in an ad hoc fashion. In addition, Partners have the fiduciary responsibility to ensure that all grant funding issued under their contract or agreement is utilized appropriately and according to the grant contract.

Recommendation

On-going robust monitoring should be undertaken for every grant to ensure policies within the grant manual are being followed by the grantees. It is recommended that no grantee be given the full amount of the grant up front – but rather allocated in tranches according to specific written benchmarks set within the grant contract. For example, if funding for training is granted, the first tranche might be provided to develop the training materials. It is vital that partners review all training materials in English to ensure that the training curricula actually addresses and will meet the objectives of the grant. Upon successful completion of this task, another tranche might be given to secure the location and for logistics for the seminar. Upon production of receipts, and on-site monitoring of the venue, the next tranche might be given to advertise for the training. Specific attention should be paid to the targeted beneficiary population to whom the training will be advertised to ensure the right beneficiaries are selected to meet the objectives. Steps might vary, obviously according to the grant and types of training. The point being that the final disbursement of funding should be granted upon successful completion of the grant and after ensuring that not only have the objectives been met, but all funding expended has been expended appropriately and according to the grant. This team has a lot of experience in small grant disbursement and is aware that unless close supervision and monitoring is on-going and vigilant, funding will go awry – and after the fact, there is little that can be done to correct the situation. Course correction must be undertaken as necessary within the period of the implementation of the grant.

7. An apparent lack of understanding of the importance of M&E and reliance on anecdotal reporting from partners; lack of emphasis or consistency on managing for results in USAID contracts and agreements by some of USAID's technical teams.

While the Mission has made great strides in M&E since 2006, much remains to be done. This assessment has shown that while MEPP II's mandate has been to provide an objective third-party M and E function, it has not been tasked to do so by more than half of the SO teams which has resulted in limited ground-truthing of partner and/or grantee activities. In an attempt to address some of the gaps related to M&E, the Mission recently issued the Managing For Results Mission Order and continues to avail opportunities for technical teams and partners to learn the role and importance of M&E in effective program implementation.

Recommendation

It is suggested that the Mission continue to raise the profile and importance of M&E with a strong requirement for on-going monitoring of programs by the implementing partners and the robust use of partner PMPs as program management and reporting tools. M&E efforts by the partners should be coupled with the use of a third-party M&E mechanism such as MEPP II to provide technical assistance to technical teams, conduct mini-DQAs, ground truth partner reporting and consolidate partner information to tell the USAID story. This process will add value on several fronts; providing verification for success,

providing the technical team's information for course correction if needed and enabling consistent and standardized reporting of USAID program performance.

Conclusion

Generally, USAID/Iraq is headed in the right direction. With the issuance of CAP III charged to coordinate with LGP III and *Tatweer*, coordination of efforts across sectors will likely be greatly improved. It is also heartening to see the robust assessment completed in Legislative Strengthening prior to the design of the program. An assessment of CAP II as well as LGP II was also undertaken prior to the design of the follow-on programs.

The critical component, which the Mission fully realizes, is to understand where the priorities lie within the GOI and targeting the design and implementation of USAID/Iraq's programs to meet these priorities. The challenge appears to be that for the most part, the GOI is not used to thinking strategically and prioritizing their efforts based on resources available against a feasible strategic plan. If one studies current documentation of the GOI – the NDS, Provincial Development Strategies and more recently, Provincial Development Plans, they are not strategic documents providing a road map outlining priorities to achieve desired results. Rather, they are mostly laundry lists of capital improvement projects that might be implemented. There may be additional documents, such as Ministry strategic plans and MOUs that provide more detail and documentation of GOI priorities and how the government will meet them. Such documents, if they exist, were not readily available for this assessment, which in itself is a potential indicator of GOI willingness and ability to articulate and share its vision for addressing the country's needs.

Under the old regime everything was centralized and decisions made by few. The argument can be made that in the past five years, the USG has largely done the same thing in determining what the GOI needs to move forward and then designed and implemented programs to achieve USG goals – not necessarily the goals of the GOI – which might be quite different. Further, the USG and other donors have funded these projects thereby limiting the amount of ownership felt by the GOI in their implementation.

Moving forward it is suggested that all projects implemented by USAID should be designed in partnership with the appropriate GOI counterpart – from the highest levels of government to the local council. Further, the process should be GOI driven – their priorities – their ownership – and certainly with equal or greater financing provided by the GOI. Given the weight capacity building has been given across all sectors in the NDS and at every level, USAID should consider this its primary focus in the new strategic plan regardless of sector.