

USAID/IRAQ TRANSITION STRATEGY PLAN (2006-2008)

SUMMARY

The new USAID Transition Strategy for Iraq provides a focused approach to essential issues, addressing the root causes of instability and building the foundation for a prosperous Iraq. It bridges the transition from the short-term provision of essential services to long-term, integrated, and Iraqi-led development. USAID's overarching goal is to contribute to stability and security as part of the U.S. government National Strategy for Victory in Iraq.

The USAID Strategy is a key element of the United States plan for victory in Iraq. Emphasizing responsiveness and sustainability, the new strategy calls for an expanded role in supporting focused stabilization, establishing the foundation for economic growth, and building national capacity. These efforts, in the short-term, will help stabilize areas impacted by the insurgency and mitigate the appeal of insurgent recruitment efforts. Over the longer term, the establishment of democratic institutions and sustainable economic development will form the foundations of a stable, democratic, and prosperous Iraq.

THE NATIONAL STRATEGY FOR VICTORY IN IRAQ

The President's National Strategy for Victory in Iraq, released on 30 Nov. 2005, lays out an integrated approach along three broad tracks that incorporates efforts across the U.S. government and works in coordination with the Iraqi government and the international community.

- [The security track](#) emphasizes developing the capacity of Iraqis to secure their country. It calls for *clearing* areas of enemy control by remaining on the offensive and denying them safe-haven, *holding* freed areas by supporting local governments and Iraqi security forces, and *building* the capacity of local institutions to deliver services, advance the rule of law, and nurture civil society.
- [The economic track](#) will help the Iraqi government set the foundation for a sound and self-sustaining economy with the capacity to deliver essential services. The national strategy calls for *restoring* essential infrastructure, *reforming* Iraq's economy so that it can be self-sustaining in the future, and *building* the capacity of Iraqi institutions to rejoin the international economic community and improve the general welfare of all Iraqis.
- [The political track](#) works to forge a broadly supported national compact for democratic governance. It builds on efforts to *isolate* insurgents by demonstrating to all Iraqis that they have a stake in a democratic Iraq, *engage* Iraqis outside the political process and expand political participation, and *build* stable, pluralistic, and effective national institutions that can protect the interests of all Iraqis.

USAID'S CONTRIBUTION TO THE NATIONAL STRATEGY

USAID works to enhance stability while building sustainable development capacity at national and local levels. Recognizing that insurgent groups prey on disenfranchised populations, this strategy will help the Government of Iraq (GOI) meet the needs of its citizens and lay the foundation for a future with solid democratic institutions and a strong economy.

STRATEGIC OBJECTIVE 1: THE SECURITY TRACK – FOCUSED STABILIZATION OF STRATEGIC CITIES

The USAID Transition Strategy emphasizes stabilization of strategic cities and the improvement of local governments' ability to provide services. Operating in strategic cities, USAID programs will support security and political initiatives to help hold communities free of insurgent influence by providing economic opportunities to disenfranchised populations, assisting local institutions deliver services, advancing the rule of law, and nurturing civil society. USAID will work in coordination with the Government of Iraq and the Multinational Force in Iraq (MNF-I) to help stabilize key urban areas by implementing rapid response programs to enhance economic and social stability. Linking stability with development will reduce incentives for violence and integrate key cities into longer-term development initiatives.

Stabilizing strategic cities

The first critical piece of the USAID strategy focuses on supporting economic and political stability to communities that have been impacted by violence. Localized post-conflict projects further isolate insurgents from the rest of the population and establish the foundation for increased economic opportunity and political participation by providing increased employment and improved local delivery of essential services. Drawing on lessons learned from earlier programs, USAID is developing rapid and flexible support mechanisms which provide assistance to vulnerable communities in urban areas.

- Short- and long-term jobs for infrastructure rehabilitation will provide unemployed and disengaged young men – often a key recruiting ground for the insurgency – with opportunities for employment and economic advancement. Restored urban infrastructure, including sewage lines and water mains, will show Iraqis concrete improvements while providing the foundation for local development.
- Programs will work closely with elected provincial councils, helping them build institutional capacity and restore essential services. On the municipal level, sponsoring or supporting key projects such as neighborhood cleanups, garbage collection, and infrastructure rehabilitation are ways of building confidence, capacity, and support for bigger efforts to follow.
- USAID will continue to support community-level action programs which promote dialogue and decision-making by bringing together different segments of communities prone to conflict. Programs will support public broadcasts that address conflict issues as well as groups and individuals that promote cooperation.



Improving local service and local government capacity

Working through Provincial Reconstruction Teams (PRTs), USAID programs will help provincial and local councils build the capacity to deliver essential services – power, water, waste water treatment – and address the demands of their constituents. Improved delivery will not only enhance the living standards of average Iraqis, it will promote the legitimacy of provincial and local government. Programs will focus on strengthening organizational structure, developing financial management systems, and establishing authority for local decision making. PRTs will also work with national ministries to better deliver these key services.

Continuing to support Iraqi communities

Focusing on conflict-prone areas, USAID efforts will help increase employment, support community action groups, and encourage direct citizen participation in the rehabilitation of Iraq. By supporting locally-driven efforts and helping communities work together toward their own goals, these efforts will encourage inter-ethnic cooperation and build capacity. Community action development programs have proven successful in improving public infrastructure, meeting critical needs such as securing potable water, and helping citizens to organize and address governance problems on the local level.

USAID will concentrate on the development of advocacy skills for members of civil society, including women's advocacy groups, which can effectively represent the needs of certain segments of the population and serve as watchdogs to combat government corruption. USAID recognizes the vital role played by the independent media in informing Iraqi citizens of democratic principles and processes, and fostering a dialogue among government officials and their constituents.

Through this approach, USAID will support and encourage collective citizen and government decision-making to ultimately contribute to enhancing community welfare, resolving conflicts, addressing gender-based disparities, and making governments more accountable and transparent.

STRATEGIC OBJECTIVE 2: THE ECONOMIC TRACK – EXPAND PRIVATE SECTOR OPPORTUNITIES

Economic growth and a strong private sector are vital to confronting poverty and instability in Iraq. USAID's strategy helps the Iraqi government restore economic growth and development, reform key Iraqi institutions and practices, and build the capacity of Iraqi institutions to ensure long-term growth and improve the general welfare of all Iraqis.

The USAID Strategy emphasizes increased access to financial services, improved agricultural capacity, and privatization/business development. Programs will enhance the ability of Iraqis to access essential credit and financial services, which ensure access to economic opportunities that fuel growth. In the agricultural sector, Iraq's largest employer and a potential solution to food needs, ministry officials and extension officers are receiving technical support and training in modern agricultural equipment and practices. To promote trade and investment, USAID is developing an investment promotion framework to encourage trade and investment, and continues to support accession to the World Trade Organization (WTO). USAID will also strengthen the capacity and productivity of the private sector by introducing business associations, firms, and government organizations to new ideas, technologies, and ways of managing

their businesses, which will help to establish the foundations for a vibrant market economy.

Increasing access to financial services

The new USAID strategy builds on the positive link between a viable financial system and economic growth. Moving away from a centralized, state-owned financial sector is essential to establishing the foundations of a responsive credit market for local and international investors, and entrepreneurs. USAID will support the divestiture of the state-owned banking sector while working with Iraq's financial institutions to increase outreach, efficiency, product diversification, and best practices.

A sound capital market will help build the credibility of the financial system and allocate scarce, private financial resources to where they can best be utilized. USAID will help modernize the stock exchange, strengthen the securities market, and build the capacity of key counterparts.

Enhancing the ability of Iraqis to access credit is another fundamental component of a growing economy. USAID intends to provide assistance to financial services providers to target the most resource-starved Iraqi entrepreneurs – primarily small and medium-sized business leaders – through the banking sector and microfinance institutions.

Strengthening agricultural capacity and productivity

The agricultural sector is the largest employer of Iraq's workforce, but it is filled with low-skilled workers with little participation in the country's economic growth. Extensive subsidies have distorted markets and prevented private sector investment from taking root. USAID programs are continuing to provide agricultural assistance to farmers and extension officers. Additional programs work with the Ministry of Agriculture to provide training and technical assistance in developing policies on sustainable water resources management and building Iraqi natural resources management.

Promoting privatization and business development

Creating the framework by which Iraq can participate in the global economy, while appropriately supporting foreign investment in Iraq, is crucial to long-term growth. USAID will support the GOI's accession to the WTO; build the capacity of associations, firms, and government policymakers to participate in international trade; and develop an investment promotion framework.

The Government of Iraq will continue to receive support in the privatization of state-owned assets, a delicate but essential move to increase the role of the private sector in Iraq's economic growth. USAID programs will also provide technical assistance and training to Iraqi business associations and Iraqi micro-finance organizations, groups that will help share the knowledge of best practices and ensure that the Iraqi private sector has the tools necessary to grow.

Advancing policy, subsidy, regulatory, and transparency reforms

USAID supports a policy, legal, and regulatory environment that will enable the private sector to grow. USAID will also provide assistance to develop administrative processes such as business, property, and land registration, and will enhance legal transparency by improving public understanding of laws and regulations.

Addressing public finance issues related to Iraq's many subsidy programs is essential for government accountability and transparency. The public distribution system (PDS) puts an unsustainable drain on the financial resources and retards the development of agriculture markets, yet is still inadequate for reaching vulnerable groups. USAID will

assist the GOI in determining how best to address food welfare and to develop appropriate and sustainable safety net programs to address the needs of vulnerable groups. Other important subsidies which need to be addressed include fuel and production subsidies.

USAID will help educate GOI officials in worldwide-best practices in economic governance, train government officials in various technical areas, and work side-by-side to support government officials in developing new policies and laws.

STRATEGIC OBJECTIVE 3: THE POLITICAL TRACK – BUILD NATIONAL CAPACITY

Under the new strategy, USAID's policy and reform agenda will focus on developing effective national institutions. In supporting national capacity, USAID programs will help demonstrate to all Iraqis that they have a stake in a democratic Iraq, engage Iraqis in the constructive political process, and contribute to the building of effective national institutions.

In coordination with other U.S. government agencies, USAID will help the national government improve its operations in core public administration functions – including human resources, information technology, and resource management – and pursue targeted policy reform through training and with on-site experience. Other programs will expand support for budgetary and financial issues, helping to improve budget development, revenue collections, capital expenditure forecasting, and management.

Developing capacity and core functions of national institutions

USAID will build the capacity of national institutions. Support to public administration training centers will lay the groundwork for future reform of the civil service, building Iraqi capacity to implement public policy and provide services.

These programs will involve developing management systems within ministries, as well as in-service and on the job training for senior and mid-level staff. As key systems begin to work in selected ministries, the program will be expanded to other ministries and public organizations. Support will also be provided to strengthen the capacity of the Legislative Assembly in areas such as lawmaking, representation, and executive oversight.

Supporting budget development

To qualify for International Monetary Fund (IMF) post-conflict assistance, Iraq needs to demonstrate increased capacity for solid macroeconomic policy decisions, increased transparency, and improved budget management. Specific areas of USAID support to help Iraq meet the requirements for IMF assistance include: the establishment of a Financial Management Information System (FMIS), the collection and evaluation of core statistics, the development of tax and customs policies, and the restructuring of the banking system in Iraq.

CROSS CUTTING AND CONVERGING THEMES

USAID's Strategic Plan emphasizes sustainability, responsiveness, transparency, and coordination between public and private organizations in building a stable, prosperous Iraq.

Sustainability and Capacity-Building

Activities are designed so that Iraqi institutions, communities, and individuals “own” the principles, processes and benefits introduced. Projects that entail construction of infrastructure, reform of processes and procedures, and provision of services have components that help ensure that Iraqis have the capacity needed to continue them once USAID assistance is complete.

Responsiveness

USAID is actively engaged in the government’s on-going process of policy-formation and planning. The foundations for policy reform have already been laid. Once the post-constitutional government is in place, an active and aggressive policy reform dialogue will begin.

Transparency and Accountability

The Mission’s approach to anti-corruption closely follows the Agency strategy. In all transactions, USAID follows standards and regulations that ensure transparency and accountability. As the strategy unfolds over the next three years, more attention will be given to capacity building and institutional reform, which are key elements under the Agency’s anti-corruption strategy.

The Agency’s anti-corruption strategy also suggests a multi-sector approach to the problem. The USAID strategy will:

- Support civil society and media, providing the Iraqi people with tools to strengthen demand for accountability and transparency and to demand institutional reform.
- Establish basic transparency and accountability standards (through the introduction of FMIS) throughout the government, continuing banking system reform, encouraging small and medium business, promoting business associations, and strengthening oversight institutions.
- Improve democratic processes through continued election training and support, and training of Parliamentarians.
- Encourage competition through privatization, support to small and medium enterprises, and promoting business associations.

Other elements of the anti-corruption approach include involving other USG agencies and international donors in addressing corruption through public education. By supporting the growth of a vibrant civil society, USAID programs will help increase public awareness, citizen participation, and civil society oversight of government bodies. Programs have assisted the creation of media watch-groups, advocacy efforts, and local outreach campaigns ranging from cultural events to radio and television shows.

Global Development Alliance

Cross-cutting GDA activities will strengthen the United States Government’s program to rebuild Iraq. Public Private Partnerships will:

- Provide an opportunity for private sector partners committed to a long-term presence in Iraq to engage in stabilizing the country and to address sustainable development issues through USAID’s direction and expertise and in direct partnership with Iraqis. Those development issues include infrastructure, essential services, economic growth, governance, education and health.



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- Leverage additional resources (financial and human) beyond those channeled through the public sector.
- Contribute to a robust private sector by allowing businesses to develop expeditiously in order to establish networks, augment skills, build partnerships with Iraqis, and integrate Iraq into the global economy dialogue.