



Improving Services and Strengthening Cohesion in Fragile States: The Case of Iraq **By Todd Diamond and Cameron Berkuti, M.S., P.E., P.L.S.**

Abstract

Given central governments' typical reluctance to shift authority to local governments, a state whose legitimacy is challenged by armed resistance may seem an unlikely environment for decentralization. But in Iraq, the threat posed by ISIS as a non-state actor delivering essential services has expedited the devolution of authority to more than three quarters of the non-Kurdish-controlled parts of the country.

For the past three years, USAID has assisted the Iraqi government in reinforcing state cohesion and providing a more inclusive governance model at all levels through its Governance Strengthening Program, implemented by Chemonics International and known locally as *Taqadum*. The project has used a series of financial, administrative, legal, and service-delivery frameworks not only that provide detailed steps for the transfer of directorates, staff, and real assets but also that develop local government capacity to provide services effectively. The resulting transfer plans were designed initially for the ministries of education, health, and municipalities and public works, and they are now being rolled out to four additional service-delivery ministries.

Progress to date has demonstrated to parliamentarians, governors, and provincial counselors the value of improving the quantity, quality, and accessibility of citizen-centered services, despite the country's current security, political, and economic upheaval. By assisting with the transfer of functions from ministries to provinces and providing training on technical relationships and accountability mechanisms, *Taqadum* has demonstrated how taking the time to implement effective governance infrastructure at all levels can improve relationships between central and provincial authorities and promote stability and security across the country.

Introduction

Given the customary reluctance of central governments to shift authority to local governments, a state whose legitimacy is challenged by armed resistance might seem the least likely to implement decentralization policies. But in Iraq, the threat ISIS posed as a non-state actor effectively providing basic services prompted the central government to pursue an idea it had long contemplated. This in turn expedited the devolution of authority to the governments of the 12 provinces (representing nearly 80 percent of Iraq's non-Kurdish population) where the extremist group was unable to gain a foothold.

For the past three years, USAID has assisted the Iraqi government in realizing its vision of decentralization with the Governance Strengthening Program, known locally as *Taqadum* and

implemented by Chemonics International. Despite the country's security challenges and political and economic upheaval, the project's results have demonstrated to elected provincial officials across the country that improving the quantity, quality, and accessibility of citizen-centered services can help combat the influence of extremism. Iraq's decentralization process has provided elected provincial officials with political and economic incentives to take responsibility for service delivery and to challenge bureaucratic bottlenecks at the central level. With USAID's assistance, many of the central government's recent efforts to respond more effectively to citizens' demands have focused on reducing legal and administrative hurdles to reform and building the capacity of provincial actors to deliver services effectually. The Taqadum project has demonstrated to ministry officials that embracing decentralization need not equate to sacrificing their influence over public service delivery; decentralization restructures authority to produce a more effective outcome.

What follows is not an evaluation of how well the project achieved its stated outcomes; rather, we assessed how well the overall objective of building and strengthening state cohesion through the more efficient delivery of public services contributed to Taqadum's ability to counter the influence of an extremist, non-state actor. We found that in Iraq, building strong institutions of accountability and strengthening public services were not only possible but also effective at achieving that policy goal. The initial legitimacy that provincial governments gained by improving the delivery of basic services was strong enough in seven of the 12 provinces to enable local officials, with USAID's technical support, to focus on longer-term, gradual capacity building.

Background

The concept of decentralization in Iraq dates back to at least 1969, before the rise of ISIS, when Law 159 was passed to establish local administration.* The predecessor of ISIS, Al-Qaeda in Iraq, did not significantly influence views on decentralization in Iraq. Decentralization is mentioned in Iraq's 2005 Constitution and further codified in the Law of Governorates not Incorporated into a Region, Law 21 of 2008 (amended in 2010 and 2013). Initial attempts at decentralization focused primarily on administrative decentralization, leaving the fate of political and fiscal decentralization undecided.

In 2013, Iraq's parliament made rather dramatic "revisions" to Law 21, renamed the *Provincial Powers Act*, to enforce multiple articles of the constitution with several new declarations. According to Article 115 of the 2013 amendment, in areas mutually administered by provincial and central governments, governorate policy takes precedence, and the governorate is responsible for state officials within certain sectors of its jurisdiction. Article 44 of Law 21 also declared that governorates are legally entitled to revenue, not that the results of the annual budget process should determine the revenue governorates receive.

These amendments were primarily motivated by domestic political machinations rather than challenges to authority that ISIS or other non-state actors posed, but the amendments exposed the

* Al-Mufti, Torhan. Introduction. *Studies About Decentralization: Proceedings of the Decentralization Conference, Baghdad, 27-28 February 2012*, vol. 1. Published in Arabic by the Ministry Of State for Provincial Affairs and the High Commission for Coordination Between Provinces, n.d. 7-8.

central government's lack of responsiveness, which helped empower ISIS the following year. The central government was struggling with the notion that, as the sole legitimate provider (or regulator) of public services, it needed to prioritize transparency and responsiveness to citizens' demands to achieve and maintain political stability and state cohesion. In the case of Iraq, as in so many other countries struggling to achieve an equitable allocation of resources, decentralization was seen as a way to help prevent individuals and entities from using political power to acquire wealth by controlling ministerial directorates. With control transferred to provincial officials, power would be diluted, and local service providers could more immediately and effectively address constituent demands for basic services.

But in conflict-affected environments, where often there are no legitimate local state institutions that can provide citizens with basic services, non-state actors have capitalized on that void by providing local communities with those services. This was the case in northern Iraq by the summer of 2014, when ISIS, already established as a credible service provider in northern Syria, captured Mosul, Iraq's second largest city. Given the conditions on the ground, decentralizing responsibility and decision-making authority was seen as key to reinforcing the overarching goal of state cohesion and providing a more inclusive model of governance at all levels.

Political Context

Despite the positive momentum toward decentralization, the political changes in Iraq over the past 14 years at the central level have done little to diminish the notion that party loyalty supersedes governing responsibility. Political patronage, which is not unique to Iraq, is the dominant factor in all the country's decision-making processes, especially those related to reforms at the federal level that will shift the control of resources. Diminishing resources present another, more recent obstacle to the delivery of public services. Even in provinces and directorates with well-intentioned change agents, Iraq's widening budget shortfall has required government officials to do more with less and manage public expectations. Patience has worn thin as both external obstacles and continued political patronage have eroded public trust in officials at all levels. As public trust in these officials has dwindled, citizens have been less willing to dedicate themselves to strengthening the social contract, which would help improve the government's ability to meet their needs.

Progress on decentralization has finally begun to accelerate after much foot-dragging and, in some cases, outright opposition to Law 21. Seven of the eight ministries slated for decentralization under the law have now issued ministerial orders for the transfer of their directorates to provincial control. Early adapters, such as the Ministry of Municipalities and Public Works — which now also oversees construction and housing — the Ministry of Youth and Sports, and the Ministry of Labor and Social Affairs demonstrated willingness to relinquish functions and authorities. The Ministry of Finance, the one ministry still holding out, insists on maintaining control of its provincial-level directorates. The speed at which the remaining ministries have responded to their new mandates is much less a function of their role within the government than a result of the political and economic incentives their ministers and directors general have to support the mandates.

Geographically and demographically, support for decentralization has also followed the lines of political and economic interests. Although political and religious leaders in the predominantly

Sunni northern provinces initially opposed regionalization of the country because they were receiving so much funding from the federal budget, these leaders now realize that decentralization better serves their interests by empowering local officials. As resources are more equitably allocated, local leaders see the value of having their own decision-making authority. In the south, oil-rich governorates are demanding that decentralization be accelerated and that budget allocations be commensurate with the public revenue they generate.

The lack of transparency in the distribution of the diminishing federal revenue drives these demands. The transfer of funds to the provinces is currently based neither on need nor on a defined expenditure formula but merely on approval from either the Ministry of Finance or Ministry of Planning. Despite court rulings that provinces are entitled to collect taxes and service fees, the Ministry of Finance is holding to its interpretation of Article 28 of the constitution, which precludes local governments from generating their own revenue by limiting new local taxing-fee collection until federal legislation is passed.

Although powerful elites at the provincial level now believe decentralization will benefit them, in general, the local population does not understand the connection between their demands for better services and accountability and the government's reform agenda. Many believe local governments already have the responsibility, authority, and resources to deliver local services and do not realize or acknowledge the bureaucratic bottlenecks that prevent local governments from doing so. The nuances of the complex bureaucratic bottlenecks at the federal level reflect the deep, vested interests of the large, centralized state institutions left behind by Saddam Hussein. Control of the central government, which is still the largest and most desirable employer in Iraq, continues to represent a lucrative prize for political parties.

To better respond to citizens' demands, recent central government efforts have focused on removing legal and financial hurdles to reform and building the capacity of provincial actors to deliver services effectively. The Ministry of Finance still controls the purse strings, but encouragingly, it has begun allowing provinces to generate revenue to complete local projects delayed by a lack of funding. After the Iraqi government realizes its vision of decentralization, provincial governments will be responsible for providing many services with limited federal investment or operational funding, except funding for staff salaries.

Below is a summary of key aspects of the project that contributed to this goal, the main lessons we learned, and considerations for future programming.

Service Delivery Tools

Since its inception in October 2011, Taqadam has worked side-by-side with provincial leaders and their staff to develop a set of tools, processes, and methodologies to help build the capacity of provincial governments to institutionalize and deliver effective services. These tools include service-delivery improvement plans that strengthen local capacity by assessing challenges to current service delivery and providing performance indicators, short- and long-term solutions, and recommendations for improvement. To improve political collaboration and accountability, the project helped create Provincial Planning and Development Councils for Governors' Offices to analyze service data and public demands and develop policies and programs for the provincial councils' approval. The councils also created working groups that oversaw essential service

delivery in each of the 12 provinces. In doing so, the councils strengthened the monitoring of public-service performance and achievements.

Beginning in June 2014, the project focused on the actual delivery of key decentralized services, namely health care, education, and public works. Taqadam assisted provincial governments in prioritizing and passing local laws to facilitate the decentralization process through two parallel approaches: drafting and passing local legislation and drafting and submitting legislation to the Council of Ministers for national adoption. Ultimately, the project assisted both the central and provincial governments in developing and institutionalizing the monitoring roles, responsibilities, and accountability frameworks between them according to regulations issued by the federal High Coordination Committee of Provinces. By advancing the transfer of functions and strengthening accountability mechanisms for citizen-centered service delivery, Taqadam bolstered the credibility of local bodies seen as linchpins of stability and peace in Iraq.

Taqadam's decentralization mapping-and-analysis tool was crucial to this multi-step process. Taqadam developed this tool to delineate roles, responsibilities, authorities, and accountabilities and to help determine which tasks should remain under the purview of their respective ministries and which should be handed over to the provinces. The most significant conclusion of this exercise was not the actual number or percentage of tasks reallocated, but rather ministries' gradual realization that decentralization would not require them to relinquish total oversight and control over their mandates or entail a misallocation of responsibilities and authorities.

The plans and tools Taqadam has helped generate have enabled the analysis of hundreds of total functions in the targeted health, education, municipal service, youth and sports, labor and social affairs, construction, and agriculture sectors. They have also facilitated the training of more than 11,000 local government staff in the decentralization processes, including local revenue generation and collection, integrated budgeting processes, public administration, and process mapping and streamlining. Trained staff are now implementing sector-specific service-delivery improvement plans in eight sectors across all 12 provinces.

To hold the implementers of these tasks accountable at all levels, Taqadam helped create working groups to better monitor and deliver services to citizens at the local level and close existing gaps in public service delivery. These groups conduct surveys and site visits at the neighborhood level to assess the conditions of service delivery, recommend improvements, oversee implementation of these improvements, and conduct follow-up visits and surveys to measure progress. Successes include the distribution of more than 4,200 trash cans and an improvement in the availability and quality of water in seven of the 10 target provinces, which the groups achieved through better monitoring, the installation of new water mains, and cleanup campaigns. Over the past year in Najaf, trash collection has increased from 5 percent to 100 percent of the province, and the cost of required provincial staff, equipment maintenance, and related expenses has decreased from 50 million to 6 million Iraqi dinars (\$38,500 to \$4,620) per month. In Maysan, when the water directorate pledged to increase water service in certain districts from 20 to 22 hours per day through the installation of a compact water treatment unit, the working groups were on site to verify that the directorate honored its pledge.

Support among local officials for Taqadum's approach was demonstrated by the funding of activities recommended by the respective provincial working groups. For example, after Wasit province's group made recommendations to the Governor's Office, the office allocated 30 billion Iraqi dinars (\$25 million) of provincial funds for the purchase of heavy equipment to improve trash collection and other services. In the seven provinces that currently implement the service-delivery improvement plans, seven directorates have established interactive websites to increase information sharing and citizen participation in planning and implementation. Wasit's e-monitoring system, in particular, allows real-time communication between the government and citizens. The system can enhance government transparency by providing citizens with access to information — such as local project completion percentages and the disbursement rate of expenditures. The system also increases citizen engagement by providing citizens with a “Citizen Feedback” portal so they may comment on existing projects.

The Central Government's Reaction

One legacy of Iraq's centralized governance system is that directorates in each province generally have the same structure and perform the same functions in the same way. The organizational structure of each province's Governor's Office is also consistent across the country. In contrast, institutional and individual staff capabilities within provincial directorates and the political will to implement reform vary across provinces. Service-delivery gaps in each province also depend on the availability and condition of infrastructure and equipment and the load internal migration places on the province's systems. For several years, when the Iraqi government had money but failed to deliver public services, the prevailing assumption was that corruption was to blame. Although this assumption was not entirely unfounded, the federal government's mismanagement of resources — especially, its allocation of money and staff with little regard for citizens' needs — also significantly contributed to the problem. Even with fewer financial resources, more effective management at the provincial level has improved service delivery.

Political calculations and the motivations that drive them are always unique and often unpredictable, especially when the state's hold on power is fragile. But particularly when state control is neither monolithic nor assured, engaging various levels of government with targeted interventions to improve service delivery and citizen responsiveness can create environments that advance the institutionalization of accountability and stability at all levels, as in Iraq.

In Iraq, provincial governments have developed the capacity to provide essential services, although they still lack the full legal authority to do so. Provincial governments' efforts to attain this authority have involved protracted negotiations with the directors general of relevant ministries — officials who were generally unwilling to part with their control of the budget and even the staff who provided services at the local level. The usual objection to such decentralization focuses on provincial governments' supposed inability to deliver public services. In addition to providing skills-building workshops for provincial actors, Taqadum sought to demonstrate to the directors general that realizing maximum efficiency is not a zero-sum game. The project analyzed 890 functions in the ministries of health, education, municipalities and public works, housing and construction, labor and social affairs, agriculture, and youth and sports, and found that 200 should indeed remain with central ministries.

But changing the mindset of stakeholders is a protracted process that can only be accomplished through multiple interventions. Barriers differ at the central and provincial levels; thus, maintaining a good understanding of the context and drivers in each ministry and each province is essential to optimizing the project's impact. Throughout the process, Taqadum leadership cultivated and maintained relationships with government officials at the highest level to build support for and consensus around decentralization. One lesson learned is that this process might have been expedited had the project included a more formal analysis of the political economy in its decentralization mapping-and-analysis plan.

Progress to date has demonstrated to parliamentarians, governors, and provincial counselors the value of improving the quantity, quality, and accessibility of citizen-centered services, despite the country's current security, political, and economic upheaval. By assisting with the transfer of functions and providing training on technical relationships and accountability mechanisms, Taqadum has demonstrated how taking the time to implement effective governance infrastructure at all levels can improve relationships between central and provincial authorities. In doing so, Taqadum has also helped build public trust in local governments and promote stability and security across the country.

At the ministry level, there has been greater resistance to systemic change to improve citizen-centered services. For many directors general, regardless of their ministries' capacities, the loss of control outweighs the improved outcomes that new systems promise. But under the dual components of institutional strengthening at the local level and legislative and regulatory reform at the central level, Taqadum has nevertheless increased the capacity and authority of Iraqi provincial and local governments to improve public-service delivery to citizens. For example, health directorates in rural provinces such as Diwaniya are better managing resources to enable larger numbers of people in more remote areas to receive basic health care services and more children to receive vaccinations. In Maysan, the sewage directorate has implemented a plan to clean and maintain 14,500 meters of sewage pipelines, which will help prevent flooding in the province. In Najaf, where trash pickup increased from 103 tons per day to 206 tons per day, the governorate reported that by decentralizing equipment-repair workshops and better managing repairs, it reduced the range of maintenance costs from 50 to 80 million Iraqi dinars per month to 3 to 5 million Iraqi dinars per month. Reforms included an extensive public-awareness campaign on the trash collection routes, pick-up times, phone numbers citizens could call to voice complaints, truck identification, and distribution of trash bags.

This assistance has also led to the development of initial post-disaster management planning in Ninewa, Salah ad Din, and Anbar. Since the provinces' liberation from ISIS, staff from each province have begun returning home with lessons from project-training activities in Baghdad and Erbil and a newfound understanding of how providing basic services can improve constituent satisfaction.

Considerations for Future Programming

To help future programming achieve accountability for service delivery at the local level, we offer the following considerations based on our analysis:

1. *Empower key stakeholders at all levels of government.* In states such as Iraq, where the public sector plays a dominant role in service delivery, the control of material assets is often seen as the key to power; in contrast, regulatory authority is often seen as having little value. But demonstrating and emphasizing the value of centrally regulating locally provided services, such as hospital management and pharmaceutical distribution, gives all levels of government a shared stake in the success of basic service delivery. This gradual decentralization process also reduces the “shock therapy” fears that often spawn popular distrust in officials at the local level and institutional intransigence at the central level. Legal objections by the Iraqi government delayed the implementation of Law 21 until 2013.
2. *Adapt to the unstable political environment in fragile contexts.* A project’s ability to respond quickly and appropriately to community needs is paramount to establishing credibility and trust. Similarly, projects, particularly in fragile contexts, need ongoing analysis and adjustments based on shifting opportunities and constraints to stay relevant and responsive to changing power dynamics during project implementation. For example, after the provincial elections in April 2013 resulted in the turnover of nearly 70 percent of provincial council membership, Taqadam expanded its technical assistance to accommodate the need to build the capacity of newly elected council members and staff. Additionally, passage of the second amendment to Law 21 in August 2013, which articulates an enabling legal framework that gives governorates the administrative authority to provide services at the local level, created a significant opportunity to diversify stakeholder authority.
3. *Understand trade-offs without losing sight of long-term governance objectives.* Given the importance of establishing legitimate government authority in a fragile state, immediate service-delivery goals to stabilize the country may inherently take precedence over long-term government capacity building objectives. Although all local governance projects must adapt to political and conflict-driven realities, they must also fully integrate and monitor longer-term governance objectives to enhance the capacity of local institutions to deliver valuable services to citizens in sustainable ways. Taqadam applied this approach in its training of provincial directorate staff in Anbar, Ninewa, and Salah ad Din on post-conflict service-delivery restoration. After the fall of ISIS, the international donor community will likely be capable of helping to provide basic services, but supporting government institutions at the local level is key to ensuring the country’s long-term stability.
4. *Communicate and replicate success without further destabilizing the environment.* Even when official information dissemination is not ideal, citizens quickly learn how effectively services are being delivered in neighboring communities. In Iraq, as the Taqadam project expanded its training on service-delivery improvement planning from five to 12 provinces, the plans for and the staff from the first five provinces were used to establish models for the additional seven. Uniform standards and indicators for essential sectors were either developed by the project or provided by the ministries, and technical assistance was distributed across the country without favoring political, sectarian, or cultural divisions.

5. *Encourage local governments to support reforms by sharing the costs.* Cost sharing demonstrates the government's commitment to taking ownership of, sustaining, and maintaining accountability for reforms and demonstrates a return on tax payer (local and donor) investment. This is especially true in fragile states, where funds are often earmarked for "stabilization" or other political objectives but the objectives and commitments to any designated recipients remain vague. Cost sharing can come in the form of investment or in-kind contributions in project-recommended activities. For Taqadum, one of the most significant financial-management successes has been the extent to which the provincial governments participated in in-kind cost sharing with the project. In doing so, provincial governments demonstrated their confidence in the project's recommendations and their commitment to improving service-delivery to citizens.