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The Reconstruction of Islamic State-Liberated Areas

Nearly thirteen years since the beginning of one of the largest programmes for post-conflict reconstruction, Iraq finds itself again in need of international financial assistance, but the conditions are hardly the same. This time the role of the international community should be matched by the Iraqi political leadership taking responsibility for the country and all of its population.

The account of current developments in Iraq has been influenced by two dominant narratives: on the one hand, the geostrategic and symbolic importance of Mosul has overshadowed the fate of other cities that have gone through a similar process of conquest by, and liberation from, the Islamic State (IS) over the last two years. On the other hand, the need for immediate humanitarian assistance has diverted attention away from the equally necessary medium- and long-term reconstruction (infrastructural, economic, social, and political) of IS-liberated areas across Iraq.

This policy brief analyses the current status of international financial assistance to Iraq and identifies the conditions that can turn the reconstruction process into an opportunity for the Iraqi political leadership to restore its legitimacy among the population.

Needs and Financial Resources

Reports coming from liberated areas in Iraq are not reassuring. In September 2016, according to the [Iraqi Minister of Migration and Displacement](#) “over 1,000,000 people have not returned to areas liberated from Daesh” and the figure had only partially improved at the beginning of October. Many factors influence the decision to return, including perceptions of (in)security and social integration or cleavages. Currently, however, the degree of destruction in the liberated areas is a major obstacle. In Ramadi around [3000 buildings and 400 roads and bridges](#) were destroyed or damaged. Fallujah [offers a similar picture](#) of devastation. According to the [deputy governor Ali Farhan](#), the reconstruction of liberated areas in al-Anbar governorate alone will cost around \$22 billion.

The current economic crisis in Iraq, coupled with low oil prices, does not leave many options other than once again resorting to international assistance to finance the reconstruction of areas liberated by IS. However, key players in the post-2003 reconstruction (foremost, the US) are reluctantly engaging in rebuilding efforts – “there is not”, for instance, “[a specific reconstruction fund for Iraq like there was in 2003](#)”. In September

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2016, [an international fair and convention](#) was held in Baghdad to address the issue but it went almost unnoticed. The result is that so far the major reconstruction initiatives, excluding bilateral aid, are minimal.

At the state level, article 28 of the 2015 Iraqi Federal Budget Law created the Reconstruction Fund for Areas Affected by Terroristic Operations ([REFAATO](#)). With an initial allocation of 500 billion Iraqi Dinar (ID) (approximately, \$384 million) from the Government, the Fund is in charge of coordination between international organisations and Iraqi ministries. However, its fate is not clear as the 2016 Federal Budget Law does not explicitly mention it, but [allocates around 1 trillion, 200 billion ID](#) (approximately, \$957 million) for the “Reconstruction and Development Projects of Region and Provinces, including Kurdistan”.

At the international level, the World Bank created a [\\$350 million financial assistance package](#) for the reconstruction of seven conflict-affected cities in Diyala and Salah-al-Din governorates: Tikrit, Dour, Al Dalooeyya, Al-Alam, Jalula, As-Sadiya and Al-Aazeeam. The package covers electricity infrastructure; waste, water and sanitation services; transport infrastructure; restoring health services; and technical assistance to identify future potential investment. Although the Bank recognises that [“Iraq has enormous development needs”](#), its financial commitment to jumpstart the economic recovery is arguably far from meeting the actual needs of the country.

Again at the international level, the UNDP created the [Funding Facility for Immediate Stabilization](#) (FFIS) in June 2015, through which it has promoted public work and light infrastructure rehabilitation; livelihoods; capacity support; and community reconciliation. As of 30 September 2016, FFIS has received [\\$95 million for 16 areas](#) (in al-Anbar governorate, Fallujah, Ramadi, Heet, Karma, Haditha; al-Ritbah; in Salah-al-Din governorate, al-Shirqat, Baiji, Tikirt, al-Dour, Mkeishifa; in Nineveh governorate, Rabia, Sinuni, Sinjar, al-Qayarah and in Diyala governorate, Sa’adiyah) – an amount far lower than the estimated needs.

Having a precise figure of the volume of financial assistance is arduous due to multiple disbursement channels (bilateral and multilateral), types of financial flows (private or public), and discrepancies between pledges and allocations. However, the volume of financial assistance is often a telling proxy of international political engagement. Compared to previous trends in Iraq, the current status of international aid for the reconstruction of IS-liberated areas suggests a scarce commitment by international actors to remain politically engaged in the country once IS is eventually defeated.

From financial assistance to a shared political plan

While Iraq needs the injection of more financial assistance, the reconstruction of IS-liberated areas is dependent on two further conditions.

International responsibility in exchange for local commitment: international reluctance to get engaged (again) in a large long-term process of reconstruction in Iraq has many explanations. Foremost, committing financial resources to the reconstruction of IS-liberated areas means taking responsibility for donors’ taxpayers and the Iraqi population. Before seriously committing to a development-based vision, international actors and donors need to receive positive signals from Iraqi politicians demonstrating that they are prepared to overcome particularistic agendas and work for the future of the country and *all* of its population.

Planning, execution and disbursement modalities: the reconstruction process following the invasion and occupation of Iraq in 2003 never fully translated into a shared political plan between international and local actors. An overly exogenously-determined *theory of change* coupled with the mismanagement of resources and limited tangible results for the population left many to wonder what the reconstruction process achieved in Iraq. The recent history of Iraq, if anything, teaches that the volume of financial assistance alone does not

determine the success of a development intervention. Not only should the planning and execution of the reconstruction process reflect a shared political plan, but also the modalities of its financing.

A shared political plan for reconstruction: two pillars

Pillar 1: *an active role of the international community in managing financial resources, particularly in ensuring the transparency of the process.*

International management of financial resources should be welcomed. This is not based upon a presumed lack of internal capacity (an argument that is rarely grounded in evidence), but rather to guarantee neutrality and an additional layer of accountability in the distribution of resources. Channelling resources through international mechanisms also has the additional advantage of overcoming the low degree of budget execution at both the federal and provincial levels. Prior to 2014, [capital budget execution](#) stood at an average of 57 percent of the planned budget and in 2015 it was [lower than 10 percent](#). [Budget execution rates at the provincial levels](#) were in some cases even lower: in 2011 Nineveh spent only 24 percent of its budget, Diyala 34 percent, and Kirkuk 37 percent.

Pillar 2: *an active role of the Iraqi political leadership in policy-making aimed at restoring their legitimacy among the population.*

The Iraqi political leadership needs to reaffirm itself in policy-making, as it holds ultimate responsibility for the country. As the past Iraqi experience shows, international mechanisms for reconstruction assistance run the risk of creating a [“fragmented development strategy”](#): they can lead to [limited ownership](#) of the government and a prevalence of donors’ prerogatives, as indicated by the fact that most of the [donors’ allocations were earmarked](#) for a sector (e.g. governance or protection) and an agency (e.g. UN agencies or NGOs). Although channelling resources outside of the state is often justified on accounts of widespread corruption, this option should not undermine the capacity of the government and its legitimacy, an issue that is pivotal for the future of Iraq. The reconstruction of IS-liberated areas is an opportunity that the Iraqi political leadership cannot miss and, this time, they need to deliver what the population has been expecting for over a decade.

Conclusion

Current financial allocations for the reconstruction of liberated areas do not match the needs that Iraq faces: “aid scarcity” is a reaction to past trajectories of reconstruction and reflects the reluctance of international actors to remain politically engaged in Iraq once IS is defeated. The volume of financial assistance notwithstanding, the reconstruction of liberated areas is dependent on two further conditions: first, international actors won’t take (financial) responsibility for the reconstruction as long as the Iraqi political leadership doesn’t commit to a comprehensive plan for the country. Second, the planning, execution and modalities through which the reconstruction is financed will be equally relevant in determining its outcomes. The way forward is to create the conditions for the establishment of a shared political plan based on the international community ensuring that the reconstruction process has an additional layer of accountability. Moreover, the Iraqi political leadership needs to restore its legitimacy by guiding the country out of the crisis.

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