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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
BUREAU FOR DEMOCRACY, CONFLICT, AND HUMANITARIAN ASSISTANCE
OFFICE OF TRANSITION INITIATIVES**

Country: Republic of Iraq
Program: Iraq Transition Initiative (ITI)
Funding: \$5,000,000 million in Transition Initiative (TI) Funds
Fiscal Year: 2018
Program Areas: PS.1 Counterterrorism
PS.6.1 Conflict-Mitigation and Reconciliation
PO.1.1 Program Design and Learning
PO.2.1 Administration and Oversight
PO3.1 Evaluation

The U.S. Agency for International Development (USAID) is submitting this report pursuant to the Transition Initiatives (TI) account heading of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (P.L. 115-141, Div. K). The provision directs USAID to “submit a report to the Committees on Appropriations at least five days prior to beginning a new program of assistance” with TI funds.

Accordingly, USAID is submitting this report in anticipation that its Office of Transition Initiatives (USAID/OTI) will begin a new assistance program in Iraq with TI funds. The USAID/OTI program seeks to bolster the efforts of the United States Government (USG) to ensure the lasting defeat of the Islamic State in Iraq and the Syria (ISIS) by promoting an inclusive and stable Iraq, including the preservation of religious, ethnic, and cultural pluralism. Specifically, the Iraq Transition Initiative (ITI) will assist in preventing the return of ISIS through the following:

- Engaging with civil society and governing bodies to address potentially destabilizing socio-cultural and sectarian tensions by working with historically marginalized and vulnerable communities.

USAID/OTI will use its flexible, innovative, and rapid-response mechanism to initially target areas of Iraq most affected by ISIS activity, such as Western Ninewa Province, the Ninewa Plains, and Sinjar.

USAID/OTI intends to obligate an initial amount of \$5 million in TI funding for the program, and anticipates the possible addition of TI funds for the program in the future.

Country Context and Background:

Although ISIS has suffered military defeat in Iraq, stabilizing liberated areas and reconciling historical tensions that allowed radicalism to take root in Iraq is paramount to ensuring a lasting victory. While Iraq suffered from sectarian violence, militia activity and inadequate governance for many years, the political instability in neighboring Syria allowed for the growth of one of the most prolific and ambitious terrorist organizations the region has ever seen, distinct in its brutality, effective recruitment of foreign fighters, and claims to statehood. Just as easily as the instability of Syria allowed ISIS to propagate in Iraq, not addressing the underlying tensions in Iraq will enable this transnational extremist effort to undermine the U.S. Government's current stabilization efforts in Syria. Additionally the presence of ISIS in Iraq led to increased violence, growing political fragmentation, the displacement of populations, and grave human-rights abuses, particularly towards ethnic and religious minority communities. In the near-term, key actors within Iraq's tribal, regional, and national institutions have an opportunity to address recovery priorities and social-cohesion challenges in conflict-affected communities, and to establish a basis for a new social contract between the state and citizens. Without policy change, backed by concrete measures that demonstrate the integrity of these overtures, unrest and violent extremism are likely to continue and intensify, even though ISIS has been driven from Mosul.

Iraq has witnessed an exodus of members of religious and ethnic minorities, and the increasing militarization of sectarian communities that are seeking protection and greater autonomy. Nearly 90 percent of Christians have fled in the past 15 years, which has emptied entire villages that had stood for more than a thousand years. The Yazidi population has been similarly decimated. The rich tapestry of religious diversity that has long characterized Iraq, and the wider Middle East, is now in danger of being irreparably torn.

Multiple ethnic and sectarian groups in the post-ISIS environment continue to contest historic flashpoints like Kirkuk and Tuz Kharmatu-- and the prospect of violence remains high. Cycles of blame and distrust have also led to revenge killings of Sunnis Arabs by Shia and Yazidi militias. In other areas, Kurdish militias stand accused of massacring and expelling Arab citizens under the pretext of security concerns. Without reconciliation and a working consensus among Iraq's constituent groups, the potential for peace in a post-ISIS Iraq stands in doubt.

Many Shia leaders of Popular Mobilization Forces (PMFs) formed to fight ISIS are connected to political parties. Emboldened by public gratitude for their contributions to defeating ISIS, they remain eager to translate this support into political power, and are unlikely to lay down their arms quietly.

There are also rifts within the Sunni community. Intra-Sunni confrontations and retributive violence within tribes and settlements has pitted families against each other in unprecedented ways. Moreover, armed social and political formations are competing to represent Sunni interests in a post-ISIS Iraq.

The Kurdish region is also fragmented. The historic struggle between the two principal Kurdish political dynasties— the Barzani-led Kurdish Democratic Party (KDP), which controls the city of Erbil, and the Talabani-led Patriotic Union of Kurdistan (PUK), based in Suleimaniya— is

giving way to feuds within the ruling families of both areas, and between them and other influential Kurdish officials. These low-level partisan tensions could spill over into renewed conflict between the KDP and PUK.

An additional variable contributing to instability in Iraq is the large number of forcibly displaced persons in the country. Nearly six million of the country's 34.5 million persons have left their homes since ISIS' takeover of Mosul in 2014; over 90 percent of these internally displaced persons (IDPs) come from Anbar, Ninewa, and Salah al-Din Provinces. Decisions by IDPs to their home areas typically depend on perceptions of security, the availability of shelter, transitional justice, livelihood opportunities, and access to basic health care and social services. Each of these is in short supply in areas cleared of ISIS influence. Without return, continued forced displacement will erode the finances of the Iraqi Government; undermine service-delivery in host communities, and for the displaced; create dependency among camp-based IDPs; reduce the availability of reasonably priced shelter; create fierce competition over livelihoods and employment; and complicate the inclusion of the displaced in political decision-making and elections.

Justification for a USAID TI-supported Iraq Transition Initiative:

Now that the Iraqi Armed Forces and the international coalition against ISIS, led by the United States, have destroyed ISIS through military action, the U.S. Government must address political and social issues critical to mitigating some of the conditions that allowed ISIS to grow as a movement, and replace services formerly delivered by the so-called Caliphate. ISIS's presence has largely decimated many traditional tribal structures, some of which will be impossible to re-establish, while others will require significant time and consistent community engagement to rebuild. Furthermore, a dearth of objective information regarding ISIS's on-the-ground support has resulted in increased tensions and mistrust between Sunni, Shia, Kurds, Christians, Yezidi, and other ethnic and religious minorities, particularly in previously contested areas and areas formerly under ISIS control. ISIS, Iran and other extremists continue to exploit this mistrust and tension, which impedes stabilization and community recovery across the region. Cross-cutting concerns about corruption, nepotism, and equitable access to justice continue to unite Iraqis; however, the current situation also presents an exciting window of opportunity for both a post-ISIS governing coalition and the reduction of the potential drivers of renewed sectarian violence.

Aligned with the Administration's policy priorities, USAID/OTI seeks to restore Iraqi civil authority by earning the trust and confidence of disaffected populations, especially ethnic and religious minorities in the northern Provinces. To do so requires immediate, tangible, and sustainable benefits to local communities exploited by, or previously sympathetic to, ISIS. To hold the military gains made by the coalition, these complementary efforts must visibly improve conditions on the ground in an inclusive and representative manner.

Based on over 20 years of transition expertise and relationship-building, USAID/OTI is positioned, structured, and staffed to provide a nuanced and flexible response in Iraq. By closely coordinating within the rest of the U.S. Government on an interagency basis and, as appropriate, with the international community, these activities will create or preserve stabilization and recovery efforts to set the stage for a more-profound, longer-term peace in Iraq and Syria.

Proposed Activities:

Recognizing the fluidity of Iraq's challenging, dynamic environment and security operations, and how intertwined these dynamics are with the situation in Syria, USAID/OTI will remain flexible to respond to U.S. policy priorities in the most-effective manner. However, the overriding priority for the proposed funding will be to underwrite activities aimed at improving stability in areas ravaged by ISIS and mitigating tensions created through misinformation and misperceptions.

USAID/OTI's initial activities designed to support U.S. foreign policy-objectives will include, but not be limited to, the following:

- Working with civil society and local governing bodies to address potentially destabilizing socio-cultural and sectarian tensions in traditionally contested areas (*e.g.*, Western Ninewa, the Ninewa Plains, and Sinjar) and help counter extremist messaging, by assessing and mapping community needs and sources of tension and assisting local leaders to identify and address sources of conflict and social grievances exploited by ISIS and other extremists. Illustrative sub-activities could include, but are not limited to, the following:
 - Using “ground-up,” process-oriented, participatory, community-based mapping and other methodologies to identify the local dynamics, resources, systems, and drivers of conflict and local priorities for recovery;
 - Delivering on a broad menu of these priorities, such as the rehabilitation of small-scale infrastructure, improvements in service-delivery, transitional justice, and livelihood assistance;
 - Identifying and addressing strategic community grievances (*e.g.*, by rehabilitating visible public spaces, expanding citizen services, and bridging sectarian gaps through unifying activities) inflamed by ISIS and other extremists;
 - Conducting engagement activities to increase opportunities and motivation for young people to be productive members of their communities; and
 - Training regional community-leaders on counter-radicalization and community-unification messaging.