

Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

WHAT ARE COUNTRY ASSISTANCE PLANS?

Country Assistance Plans set out how we aim to contribute to the achievement of the Millennium Development Goals in various countries. Country Assistance Plans start from the basis of our partner country's poverty reduction strategy and set out in detail how we will work as part of the international development effort to support a country's strategy for reducing poverty. They include a framework for annual assessment of our performance in implementing the plan. Major reviews of Country Assistance Plans are expected to be undertaken every three to four years.

Iraq: Interim Country Assistance Plan

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SUMMARY

1. Saddam Hussein's tyrannical regime, his conflicts and sanctions that followed the 1991 war, have led to rapidly increasing poverty. Iraq's human capital and oil reserves mean that its economy should recover quickly. The social and institutional damage will take longer to repair. We expect that Iraq will want to reintegrate within the region and the wider international community, particularly through the international financial institutions (IFIs) and the World Trade Organisation (WTO). Iraq will need better security and an inclusive political process to reduce poverty.
2. The United Nations and World Bank Needs Assessments endorsed by the Iraqi Governing Council at the Madrid Donors' Conference provide a good framework for donors. Conference participants pledged over \$32 billion. The UK pledged £544 million for the period from April 2003 to March 2006. The Madrid pledges and a substantial reduction of Iraq debt will provide a good start for reconstruction.
3. DFID will work to promote rapid, sustainable and equitable economic growth; encourage effective and accountable governance; and promote social and political cohesion and stability. To help to achieve this we will work at three levels:
 - Internationally to improve aid effectiveness through membership of the Donor Core Group, support for the International Reconstruction Fund Facility for Iraq and help to the Ministry of Planning and Development Cooperation.
 - Nationally to support policies and reforms which benefit the poor, promote an inclusive political process and economic reform, and strengthen public administration capacity.
 - In southern Iraq we will help to reduce poverty and restore its links with the Centre to help it benefit from national programmes.
4. This interim Country Assistance Plan (CAP) is written in a rapidly changing situation. It sets a direction for the next two years consistent with the UK pledge at Madrid, but it will need a substantial review after one year. After 2005 Iraq's own resources and foreign investment and commercial loans should have increased leaving much less need for donor grants. Further technical help is likely to be required but over time Iraq should be able to pay for much of this itself.
5. We will work closely with other UK government departments to deliver against this plan.

DFID assistance to Iraq so far

In 2003 DFID committed over £215 million towards the humanitarian and reconstruction effort in Iraq

Initial response to the crisis

Our initial objectives were to ensure:

- sufficient preparation to avert a major humanitarian crisis during and immediately after the conflict
- the rapid restoration of essential services.

Much of this support was channelled through:

- UN agencies (£113 million)
- the Red Cross and Red Crescent movement (£32 million)
- non-governmental organisations (£6 million).

These organisations moved back into Iraq quickly and set up effective humanitarian operations after the major conflict ended. They had experience of working in Iraq, well-established local networks and a capacity to deliver assistance on the ground. While several agencies withdrew expatriate personnel from Iraq for security reasons during the year, many of their programmes continued under the management of well-qualified Iraqi staff.

Developing a bilateral assistance programme

As the situation in Iraq began to stabilise, DFID identified priorities for direct bilateral assistance:

- In 2003 we committed £45 million to specific projects, mainly undertaken by commercial contractors
- £27 million of this was for restoration of essential infrastructure for the benefit of over 5 million people in southern Iraq
- Other projects include media development, macro-economic advice and support to the Coalition Provisional Authority (CPA)
- DFID has also deployed its own staff and consultants to support the work of the CPA and advise Iraqi Ministries.

Achievements

While the speed of reconstruction has inevitably been constrained by the difficult security situation in Iraq, DFID support has contributed significantly to the progress that has been made in a number of areas. These include:

- The rapid restoration of the Public Distribution System for food (providing rations to the entire population of Iraq)
- Rehabilitation in the power, water and sanitation sectors
- Recovery of healthcare and education provision
- Developing the capacity of the emerging Iraqi administration to manage the country effectively.

Part 1 – Context

The challenge

1. Three conflicts, 13 years of sanctions that followed the Gulf War, and almost three decades of a tyrannical regime have caused serious damage and suffering to the country and its people. Iraq's position on the Human Development Index dropped from 76 in 1990 to 126 in 2000. No other country has dropped so far so fast. Iraq has been isolated for much of Saddam Hussein's rule and needs to reintegrate into the region.

Economy

2. In the 1980's Iraq had per capita income levels comparable to South Korea, one of the best education systems in the Arab world and generally good standards of medical care. Per capita GDP for 2003 is likely to be around \$500, which means that Iraq is currently a low-income country. The economy shrank by an estimated 31% in 2003 and Iraq's current debt of about \$120 billion is unsustainable. Diversion of resources into unproductive military expenditure, under-investment and isolation, an ailing power sector, weak communications and infrastructure have all contributed to poor economic performance. Unemployment and underemployment are currently estimated at up to 50%, and most Iraqis earn their income in the informal economy. A major boost in investment is needed across a wide range of sectors to rehabilitate infrastructure and create employment.
3. Iraq's human capital and oil reserves of about \$2,500 billion at current prices mean that its economy should recover quickly. But the economy will require major reform. At present fuel is heavily subsidised, power bills and most water bills are unpaid, the producer price of wheat is half the international price, virtually all large scale enterprises are state owned, and 60% of the population is dependent on free food under the Public Distribution System. Reform has begun with the introduction of a single currency, the creation of an independent Central Bank and agreement on a budget. But the new Iraqi Transitional Government

will have to tackle energy pricing, commercialise the food distribution system, and reform the State Owned Enterprises sector if it wants to create a market economy. These reforms are politically sensitive. They will need to be carefully planned and staged to minimise adverse social and political consequences. Social safety nets will be needed for those who lose their jobs or cannot afford to purchase what has previously been free. The effects of all reforms will need to be monitored closely.

4. Iraq is currently excluded from most international economic organisations. It is being reintegrated into the Organisation of Petroleum-Exporting Countries (OPEC), but will want to pay off its arrears to the International Monetary Fund (IMF) and World Bank and to join the WTO.

Governance

5. In the 20th century Iraq was dominated by political turbulence between tribal sheikhs, communists, Arab nationalists and Kurds. For most of the last 50 years minority Sunni Arab dominated regimes have ruled. The Ba'ath party elite cornered oil revenues and ruled through an authoritarian, centralist, 'security' state. Tribal allegiance and ethnicity were used to maintain power through patronage and shadow networks, as well as dominance over the security forces. Traditional checks and balances on political power were weak: the media was heavily controlled; access to information limited and all aspects of the Iraqi justice system were degraded, politicised and corrupt. Torture and other abuses by law enforcement agencies were commonplace and access to justice was denied to most citizens. Transforming Iraq's governance will therefore take time and require considerable external support.
6. The Iraqi public administration contains many able and qualified people. However, under Saddam a command and control system operated, patronage was pervasive and there was blatant discrimination in service provision, to the particular disadvantage of the south. Modern governance concepts of accountability, transparency and responsiveness are therefore unfamiliar at central

and local government levels. Government is performing many functions that in a modern market economy would be undertaken by others. It will take time for the state to adjust to a role as regulator and facilitator, focused on the needs of its citizens. A comprehensive institutional reform programme is required. Strong Iraqi political leadership will be needed to achieve this. We and other donors will have to develop a deeper understanding of the political forces that can deliver change.

7. During and after the 2003 conflict key government institutions were damaged and looted. Many senior officials lost their jobs through deBaathification. Work is only now beginning to re-establish effective central government. More progress has been made at Governorate and local level, but questions of delegation of responsibilities from the centre will have to be resolved.
8. The shift to a more open, democratic and cohesive society will also require the development of a vibrant civil society, an effective media, and organisations that will secure grassroots involvement in the new governance structures. Since Saddam's fall there has been an explosion of non-governmental organisations (NGOs), newspapers and political parties.
9. The current political process offers an important opportunity to ensure the main interest groups are involved in shaping it, and to agree arrangements to uphold democratic rights and principles.

Society

10. Iraqi social structures are complex and have links across the Middle East region. A sense of Iraqi political identity has evolved but the country remains diverse.
11. 95% of the population is Muslim, the majority of whom are Shia; 35% are Sunni, both Arab and Kurdish. Islam is recognised as the state religion. Tribal identities remain important in modern Iraq. 75% of the population identify themselves with a specific tribe. 76% of the population are Arab, 17.5% Kurd and the remaining

6.5% Turkmen, Assyrian and Armenian. The Kurdish areas in the north are relatively cohesive and regional ties are strong. Local tribal and family allegiances form traditional power bases. Saddam Hussein promoted his own tribe and reimposed tribalism as a key aspect of Iraqi national identity. A key challenge will be to make these identities and allegiances into positive forces for stability and social order. Over the long term as Iraq recovers, allegiance to the tribes should fade.

12. Iraqi women have historically played an active role in society but have not been politically empowered. They have the potential to contribute much to the nation building process. Their rights should be enshrined in the new constitution, and other policies and practices from the outset.
13. The psycho-social impact of terror, repression, corruption and war, although not readily quantifiable will be significant. This is likely to produce an increase in clinical mental disorders, but more widely the psychological legacy of the previous regime will affect people's attitude to reform. A mature civil society could enable individuals and groups to counter these traumas, and to build new social relations for the future.

The extent of poverty

14. Social statistics are limited and unreliable. Life expectancy now is estimated at 63 years compared to 69 for the Middle East. Infant and child mortality rates more than doubled between 1990 and 1996. Primary education attendance was universal but is now 73% overall and 49% for rural girls. According to the UN, adult literacy rates in 1987 were 80% but are now estimated to have dropped to 40%. Access to potable water fell from 95% in urban areas and 75% in rural areas in 1990 to 60% and 30% respectively in 2003.
15. Nearly half the population is under 15 years old and men were disproportionately victims of Saddam's repression and policy of militarisation. Young men who grew up under the former regime have been left with low education levels and low employability.

16. Over 12% of women were economically active in 1977. This dropped to 9.7% by 1997. A number of studies have identified increased numbers of poor female-headed households.
17. A recent World Food Programme study identified the following vulnerable groups: young children prone to malnutrition, internally displaced people, pregnant and lactating women, the "poorest of the poor" who may be forced to sell food rations to meet other basic needs, those seriously affected by the fighting, and hospitals, orphanages and similar institutions with inadequate access to food.
18. Poverty in southern Iraq is particularly serious. The main vulnerable groups have little capacity to cope with further shocks. A recent World Food Programme study on chronic poverty concluded that approximately 21% of Iraq's centre/south population were chronically poor or unable to meet their basic needs over long periods of time, even after assistance provided through the Public Distribution System. Within southern Iraq all districts of the Basra Governorate and most of southern Maysan have high or very high chronic poverty rates.

Security

19. The most serious challenge to the reconstruction effort is the volatile security situation, particularly in central Iraq, though there are some signs that this is improving and crime is reducing compared to 2003. The UN and other organisations have withdrawn international staff, reducing their ability to respond to humanitarian and development challenges, and placing a greater burden on those organisations that remain. Security is a major concern for most Iraqi citizens and the current situation is hampering their ability to lead normal daily lives. Instability has constrained DFID's ability to establish regular and effective working relations with Iraqis and key institutions.

Post 2003 conflict: opportunities

20. Following the overthrow of Saddam Hussein, the Coalition Provisional Authority (CPA) was established and UN Security Council Resolution (UNSCR) 1483 recognised the responsibilities of the US and UK as occupying powers. UNSCR 1483 also supported the formation of an Iraqi interim administration pending democratic elections. An Iraqi Governing Council was appointed in July and interim Ministers in September.
21. UNSCR 1511 (October 2003) set the goal of transferring legal and executive authority to the Iraqis as soon as possible. It called on the Interim Governing Council to produce a new timetable for the political process.
22. The IGC and the Coalition Provisional Authority (CPA) have since agreed a timetable for transfer of authority to a Transitional Government by 30 June 2004. A law to govern the transitional period is due to be agreed by the end of February, a plan for security after 30 June by the end of March, a Transitional Assembly should be elected by the end of May. A new constitution will be agreed during the transitional period and full democratic elections for a new government will be held in 2005. For this to succeed, the main ethnic and religious groups will have to accept that none will dominate the others and that minority rights should be protected.
23. These plans provide a clear timetable for the reconstruction effort and will also help prioritise Iraq's needs. During 2004 priorities will include:
 - ensuring the maximum possible representation and participation in the process of selecting the Transitional Assembly. This is needed to strengthen the legitimacy of the new Transitional Government within Iraq and internationally, and help to ensure a peaceful handover.
 - ensuring that the transitional government is equipped to carry out its main functions nationally and locally and can manage reconstruction activities effectively over the longer term. Priorities include improving service delivery particularly

for the poor and vulnerable, management of the economy and public financial management;

- ensuring that federalism and decentralisation issues are handled sensitively. The constitutional process must be supportive and inclusive;
- promoting government accountability, including clarifying roles and encouraging effective engagement between government, citizens, civil society and the private sector; and ensuring that new institutional arrangements prevent political capture and patronage;
- establishing transparent systems to ensure that oil revenues are spent for the benefit of all Iraqi people;
- promoting safety and security in the new political situation;
- timely and effective spending of budget and donor funds, in ways which maximise the number of Iraqi jobs created and achieves value for money;
- decreasing Iraq's isolation by supporting links in the region;
- deepening our and other donors' understanding of the social and political structures needed to underpin economic and social regeneration.

Madrid Donors' Conference and Multi Donor Trust Fund

24. The Madrid Donors' Conference in October 2003 was a major step towards Iraq's recovery. The presence of 73 countries and 20 international organisations, including the UN, World Bank and IMF, and the US\$32 billion pledged, gave a clear sign that the international community is committed to the reconstruction of Iraq.
25. Donors have the choice to disburse bilaterally or through the International Reconstruction Fund Facility for Iraq (IRFFI). The US pledge of \$18.6bn will be spent bilaterally, focussing mainly on infrastructure and security. The US will contribute to the IRFFI from outside their supplemental budget. The IRFFI will

comprise separate funds managed by the UN and the World Bank, with Iraqi Transitional Government and donor oversight. The UN fund will allow donors to earmark funds to particular sectors. Ensuring that these funds are disbursed quickly and spent well will be a challenge. Some of those who pledged have limited or no representation in Iraq and may therefore need help to disburse their funds.

What we have learnt so far

26. DFID was one of the bigger donors to Iraq following the 1991 conflict but our knowledge particularly of central and southern Iraq is limited. We have already learnt valuable lessons both from Iraq itself and from other post conflict situations. For example:
 - more resources need to be provided in the first few years to reduce the risk of conflict resurfacing;
 - transparency in the use of oil revenues is critical;
 - it will take time for Iraqis to recover from the traumas of the last quarter century and to build their own social system, whether regenerating traditional structures or creating new institutions for a modernised state;
 - we need to get the sequencing of our programme right and ensure a good match between economic, social and governance components;
 - we need to manage expectations of what we can actually deliver in a difficult operating environment;
 - we must be flexible and quick in the rapidly changing political context. We need to be innovative, while still applying proper standards of accountability and value for money;
 - Afghanistan shows that a multi donor trust fund can be a particularly effective aid instrument post conflict. The IRFFI should, as far as possible, be locally owned and managed;

- we must be joined up with other UK government departments. The UK reconstruction effort, while DFID led, must be based on close working relations with the Foreign and Commonwealth Office (FCO), the Department of Trade and Industry (DTI), the Treasury and the Ministry of Defence (MoD) in particular;
- the Emergency Infrastructure Programme in southern Iraq has shown how a relatively small contribution to a wider, CPA led programme can kick start the reconstruction process. Secondments to the CPA in Baghdad and to CPA South have made a real impact. These secondments have also enabled us to deepen our understanding of Iraq and build relationships with Iraqis.
- the scaling back of the UN and IFI operations in Iraq has been a setback. This means we need to do some programmes bilaterally in the short term but be ready to hand them on. We also need to make more use of local and regional resources;
- managing and delivering a programme in Iraq uses a lot of resources and staffing the programme in-country has been problematic.

Assumptions

27. This will be a high risk programme, with many of the risks interlinked: progress on security, the political process and reconstruction are all critical. A detailed risk analysis is attached at Annex 1. The assumptions for the success of the programme are that:
- the security situation will steadily improve and that the Iraqis will take more responsibility, with some underpinning from multi national forces;
 - the political process is sustained with a successful, peaceful handover in the middle of 2004, a new constitution agreed, and democratic elections for a new government in 2005;
 - the International Financial Institutions and UN will be able to operate in Iraq from mid 2004 and the IRFFI will become fully operational before then;
 - Iraqi public administration capacity will steadily improve, including better financial management, so that donors have confidence to spend their money through Iraq's budget;
 - transparent arrangements are made to manage Iraq's oil revenues;
 - data collection improves so that the Iraqi government and donors can monitor progress better.

Part 2: The response

UK development partnership

28. The United Nations/World Bank Needs Assessments were endorsed by the Iraqi Governing Council and presented by them to the Madrid Conference. These Assessments provide the starting point for an Iraqi owned reconstruction process. The UN and World Bank have consulted the Iraqi Ministries on programmes to begin addressing these needs. Proposals should be finalised by the end of February 2004. The Needs Assessments and follow up will guide us through this interim Country Assistance Plan (CAP). We expect the CAP to last two years with a substantive review after one year.
29. The UK strategy for Iraq is "to support and encourage a stable, united and law abiding state that provides effective and representative government, sustainable economic growth and rising living standards for all Iraqi citizens." Our development goal will be: an **inclusive, Iraqi-led reconstruction process that brings sustained benefits to all citizens, particularly the poor and vulnerable.**
30. This interim CAP sets some strategic objectives. These are as follows:
- to promote rapid, sustainable and equitable economic growth;
 - to encourage effective and accountable governance;
 - to promote social and political cohesion and stability.
31. These objectives will determine what we do. We envisage working at three levels:
- at the international level to improve aid effectiveness;
 - at the national level, supporting policies and reforms which benefit the poor and strengthen public administration capacity;
 - and in southern Iraq helping to reduce poverty and restore its links with the centre.

32. The UK's Madrid pledge commits resources to Iraq up to the end of the 2005/06 financial year. Large amounts of donor assistance, initially grant, and debt rescheduling will be needed over the next two years. Iraq's oil and human capital should mean that it recovers relatively quickly. As Iraq's own resources grow and investment and commercial loans resume, they should replace donor grants. But Iraq's institutions and social fabric will take much longer to rebuild requiring continued technical help from outside. Over time Iraq should be able to pay for much of this itself.
33. As Iraq recovers from the 2003 conflict and establishes its own sovereign structures, we will help it to reintegrate into the region. Many of its neighbours face similar challenges (if not on the same scale) in public sector reform, and in stimulating growth and investment and a vibrant civil society. We will encourage lesson learning between Iraq and others in the region consistent with DFID's Regional Assistance Plan for the Middle East and North Africa.

Promoting effectiveness in the international aid effort

34. The Madrid Conference produced large pledges from a wide variety of donors, many of them not traditional partners for DFID. The \$18.6 billion US pledge is by far the largest. The Iraqi government is not familiar with development assistance processes. All of this presents particular challenges for donor coordination, ensuring focus on the priorities of the emerging Iraqi government and the Need Assessments, and in helping Iraq meet the Millennium Development Goals (MDGs).
35. Although most US money will be spent bilaterally, the new IRFFI provides a major opportunity for bilateral and multilateral donors to channel their contributions towards Iraq's priorities in an efficient and coordinated manner. The IGC and CPA have already established an aid coordination process, working primarily through the Ministry of Planning and Development Cooperation. These mechanisms provide further opportunities to

harmonise donor efforts and to simplify and speed up the reconstruction process.

36. We will therefore:

- provide support to the Ministry of Planning and Development Cooperation to help manage the IRFFI and donor coordination effectively;
- disburse a significant amount of DFID funds through the IRFFI, encourage other donors to do likewise, and play an active role on the Donor Committee, to help to ensure that the IRFFI disburses quickly. We will decide the amount of our initial contribution by the end of March 2004;
- work with multilateral organisations to support their presence in Iraq, including providing finance for additional security if required. We will help to keep the IMF and World Bank informed about progress in Iraq, to accelerate their engagement with Iraqi institutions and to maintain donor coordination;
- work with other donors in Iraq to encourage effective use of aid, and in due course more resources from those donors yet to make a significant contribution and those who pledged for one year only. This will include playing an active role in the "Core Group" on aid to Iraq, developing close working relations with other major donors such as the US, Japan, and the EC, and developing relations with donors from the Gulf States. We hope to work closely with Japan in southern Iraq.

Policy reforms and capacity building in government

37. The new Iraqi Transitional Government will face a considerable task, and decisions about what policies to adopt will be for it, and the Iraqi people, to take. We will support the development of government policies and reforms that bring particular benefits to the poor and vulnerable groups. Strengthening public administration capacity and performance will also be a priority.

Promoting economic growth

38. The private sector will provide the impetus for the return of prosperity in Iraq. This will require a different role for the new Iraqi government: managing a successful transition to a market economy by creating new partnerships between the public and private sectors, and putting in place policies, laws and regulations that encourage businesses to invest. Generating more open and competitive markets provides the key for growth. We will therefore:

- provide technical expertise to the Coalition Provisional Authority in these areas, and later to the Iraqi Transitional Government. This will include policy and planning advice on decisions that will have to be taken on public subsidies on food and fuel, and the reform of State Owned Enterprises. Our priority will be to ensure that economic policies take account of the needs of the poor and vulnerable and that appropriate social safety nets are put in place. We will offer help to the Central Statistics Office to provide reliable data as the basis for deciding policy, and monitoring impact;
- strengthen the Ministry of Planning and Development Cooperation's reconstruction management role and the Ministry of Finance's economic management capacity;
- support the development of small and medium enterprises (SMEs) to generate new jobs, lift household income and reduce vulnerability. Rebuilding a vibrant private sector is also important to reducing the chances of further conflict, and maintaining momentum behind the restructuring of the public sector. We will support work to analyse the barriers to SME development in Iraq, and will collaborate with the IFC to extend financial and other institutional support services to small business.

We will work closely with the Treasury and others on this agenda.

Encouraging effective and accountable governance

Public administration reform

39. DFID has been asked to support public administration reform. This will be a major challenge in Iraq and time is short.
40. We have agreed to provide emergency technical assistance to strengthen Iraq's public administration system, pending disbursement of the IRFFI and the start of World Bank lending operations. Initially we will provide a public service reform team and establish a fund for wide ranging capacity building in central ministries during 2004 and beyond. We will focus on the Ministries of Finance, Planning and Development Cooperation, and Municipalities and Public Works. Collectively these ministries are responsible for the budget process and other public financial management systems, the planning and coordination of international development assistance, and local government policies and service provision. All of these functions need to work together well to ensure a successful reconstruction effort and sufficient capacity to manage it. We will work to ensure that over time all of Iraq's recurrent and capital expenditure flows through the budget and is managed by the Ministry of Finance. Other service delivery ministries should benefit from our support over time.
41. At the same time as tackling these immediate needs, we will work to support the Iraqi administration on longer term institutional issues to lay the foundations for a professional and accountable public service. We will also seek to generate policy options for the new government on other reform issues (eg centre-regional-local government relations). Where feasible we will support the piloting of these and other administrative reforms in the south.

Supporting the justice sector

42. The UN/World Bank Needs Assessments identified the justice sector as a priority area for support. Transitional

justice needs will also need to be dealt with sensitively, particularly in the aftermath of Saddam Hussein's capture. We have agreed short-term training and development support to the judiciary, the prosecution service and Bar Association through the International Legal Assistance Consortium (ILAC), pending the availability of support through the IRFFI. This support will also help all IRFFI partners gain a deeper understanding of the sector and inform decisions on how funds should be targeted over the longer term.

43. Any additional support for safety, security and accessible justice will be provided through the Global Conflict Prevention Pool (see below).

Promoting social and political cohesion and stability

44. We will focus on bringing improvements to the lives of ordinary Iraqis, reducing social and political exclusion and giving the poor and vulnerable opportunities to influence policies that will affect them and their families in future. Our work under this objective will comprise the following:
 - establishing a "political participation fund" to support initiatives that will aim to encourage maximum political representation and participation for all citizens, parties and interest groups in the build-up to the establishment of the Transitional Legislative Assembly and beyond. Women's rights and equality will be a priority area for support. The fund will initially be managed in-country by DFID to enable a rapid response to the evolving needs of the political process. The UK Special Representative to Iraq will be closely involved in project selection;
 - encouraging civil society development in Iraq by supporting existing local initiatives at the community level and promoting new ideas based on experience gained in the region and other conflict affected societies. Initially we will appoint an organisation to manage a package of small scale initiatives;

- ensuring that our media support is sensitive to the needs and interests of ordinary Iraqis. We will continue to support projects aimed at developing an effective media in Iraq. This work will be focussed largely in the south, but subject to progress may be expanded to other regions. The media will play an important role during the elections and in holding the government and private sector to account. We will work with the FCO and other donors to strengthen the institutional and legal framework for the media;
- promoting transparent management of the oil sector to ensure that the elite does not corner oil revenues. We will work with the United States and the IFIs;
- encouraging, over time, the integration of social and environmental impact assessments within the design, monitoring and evaluation of all major reconstruction projects;
- making gender equity an integral part of our programme. We are already providing policy support to the CPA in Baghdad and Basra. We have agreed to support UNIFEM's Strategy for Empowering Women in Iraq. This will focus on strengthening capacity of women's groups at governorate level and encouraging government to take proper account of the needs of women. We will explore options to support the establishment of a new Iraqi Women's Higher Council, and encourage local political pressure for gender equity in education.

Global conflict prevention pool

45. Activities funded through the joint DFID-MoD-FCO Global Conflict Prevention Pool will help to promote social and political cohesion, as well as encourage effective and accountable governance.
46. Considerable work is already underway through the Pool on security sector reform, with a particular emphasis on police training. Programmes are being established to support civic education and to encourage

the involvement of women and young people in local administration and civil society. Another possibility is to work with the CPA and the Iraqi Governing Council to establish a new Ministry of Defence in Iraq.

Working with NGO partners

47. DFID has previously provided considerable funding to NGOs for the humanitarian response, and we will continue to work with them where they are the most appropriate partners to help deliver our objectives. While these opportunities will be limited overall, because DFID's main focus will be on working directly with the Iraqi authorities, they are most likely to arise in the areas of encouraging political participation, the development of independent media and civil society, and women's rights and gender equality. We are also funding some mine action work in southern Iraq.

Reducing poverty in the South

48. In view of the high level of poverty in the south and DFID's experience so far we will make a particular effort there by:
 - promoting economic recovery, through improving infrastructure and job creation, with funds delegated to a DFID office in Basra. These programmes will be designed to complement other donors' programmes and Iraqi efforts. Where they will deliver quickly in the south we will work through national programmes;
 - building links between the south and the centre both politically and to encourage the flow of other donor funds to the area. In the short term we will encourage the flow of US and Japanese funds to the south;
 - developing an effective media in the south through the BBC World Service Trust;
 - using the funds for political participation and NGO work in the south;

We are currently funding the development staff based in CPA South and will assess with others the requirements after the CPA ceases to exist.

Support for other regions

49. Other regions will be able to benefit from DFID funds provided through the IRFFI, as well as the political process and NGO funds described in paragraph 44 above. Northern Iraq was a particular focus for DFID funding prior to the fall of Saddam Hussein's regime and some of this work is continuing through NGOs and the UN. The political participation fund will be open to bids from across the country, including the north.

Part 3: Implementing the Country Assistance Plan

50. The UK pledged £544 million for Iraq for the period from April 2003 to March 2006, including its contribution towards EC development assistance for Iraq. Using the IRFFI should reduce administrative costs and promote good donor co-ordination and harmonised procedures.
51. The remainder of our funds will be used to develop a bilateral programme as described above. We will also implement the programme through the Global Conflict Prevention Pool. We will ensure that economic, governance, social and environmental sustainability issues are integrated into the design and implementation of our programme as appropriate.
52. The north apart, Iraq is relatively new for DFID. We will continue to manage the programme through the Iraq Directorate with small teams in Baghdad and Basra. Security permitting we will increase the frequency of DFID missions to Iraq, and begin making greater use of Staff Appointed in Country. Where appropriate we will contract out project and programme implementation. We will also make use of Iraqi and regional expertise wherever possible, and use these contacts to deepen our knowledge of Iraq and to help in the design and monitoring of the programme. We will review the need for a separate Directorate for Iraq towards the end of 2004.
53. A table setting out how we will assess the impact of our programme on poverty and the Millennium Development Goals is attached at Annex 2. Support to the Central Statistics Office will help us and other donors to do this.

Annex 1

Iraq risk analysis and mitigation measures

Potential Risk	Impact (if it happens)	Current likelihood	Mitigation Measures
Security deteriorates	<p>Reconstruction slows.</p> <p>Weak law and order, personal safety and security.</p> <p>Essential infrastructure and services not functioning effectively.</p> <p>Limited international organisation role.</p> <p>Affects access and travel for DFID staff.</p>	<p>Terrorist groups and Former Regime Loyalists still active. The number of attacks on Coalition forces is down, but major attacks against softer targets continue. Iraqis taking more responsibility for their own security and Coalition operations more effective since Saddam's capture.</p> <p>Demonstrations continue linked to the political process and lack of jobs. Tensions tend to increase during the hot summer months.</p>	<p>Satisfactory security agreement on future international role.</p> <p>Clear security sector reform strategy, including establishment of civilian oversight, increasing Iraqi responsibility for their own defence.</p> <p>Continued improvements in provision of essential services especially power. Employment creation programmes and wider economic reforms to promote growth.</p>
Delayed political process	<p>Delays with constitutional process.</p> <p>Delays with key economic reforms.</p> <p>Delays with IFI and UN engagement in-country.</p>	<p>Handover on 30 June imposes a timetable for agreement on a Transitional Law and the creation of a Transitional Assembly. This is forcing discussion of difficult political issues in a country where Saddam suppressed these issues.</p> <p>Civil society groups are forming but lack experience of advocacy work.</p> <p>Citizens' access to information limited but growing fast.</p>	<p>Sustained political dialogue with UN advice.</p> <p>Encourage public demand for an inclusive political process.</p> <p>Strengthen civil society and media effectiveness.</p>
Delays with Reconstruction	<p>Delays with reconstruction could jeopardise security and the political process through increased civil disorder. Power supplies and jobs particularly important.</p>	<p>Steady progress is being made on reconstruction and large amounts of donor money are available following Madrid. The UN and World Bank are gearing up support but are still based outside Iraq, pending improvements in the security situation. The Trust Funds are just beginning to operate. Iraqi public administration needs strengthening to administer donor funds.</p>	<p>Capacity building support to Iraqi Ministry of Planning and Development Cooperation and other key ministries.</p> <p>Promote effective donor coordination. through support to Ministry of Planning and Development Cooperation.</p> <p>Work closely with key multilaterals and major bilateral donors to ensure a coordinated approach</p>

Potential Risk	Impact (if it happens)	Current likelihood	Mitigation Measures
Weak Iraqi public administration capacity to manage reconstruction process successfully	Public dissatisfaction with government leading to political instability and civil unrest. Increased donor dependency. Increased fiduciary risk.	Although Iraq has many well-educated public servants they are unaccustomed to working with the international development community, and Iraqi public administration requires reform to overcome the damage done by Saddam. Existing political and legal institutions lack transparency and independence.	Provide long term, targeted capacity building support to public administration. Assist Iraqi government to manage internal and external expectations of reconstruction process.
Iraq government does not realise economic and social benefits of oil revenues	Economic growth targets not met. Inequitable and unsustainable growth Increased risk of corruption. Public dissatisfaction, political instability and civil unrest.	Transparency in the use of oil revenues will be critical to ensuring that the Iraqi elite does not spend oil revenues for its own benefit. The best ways of ensuring good governance of the oil sector are being discussed with the IGC. There are still stories of corruption in the sector.	Provision of economic policy and planning support to ensure sound public expenditure priorities, and help with financial management to reduce fiduciary risk. Advise the IGC and Transitional Government on oil governance.
Lack of reliable data for policy and planning, reconstruction impact monitoring and progress towards MDGs.	More difficult to measure social and economic improvements. Less informed economic and social policies, plans and priorities. Progress cannot be demonstrated (to public as well) and analysed. Lessons not learned.	Historical lack of international access to Iraq. Existing data patchy and unreliable, though efforts are beginning to restart important indicators such as inflation, and the UN has conducted valuable surveys in the social sectors. Security situation makes data collection challenging. Plans for full census still tentative. Many donors aware of issue and keen to address.	Central Statistics Office needs to develop comprehensive statistical management strategy with donor assistance. Strengthen policy and planning capacity in key ministries. Increase knowledge sharing with others working in Iraq (eg other Government Departments, donors, academics, civil society etc).

Annex 2

Monitoring the impact of DFID supported activities on the reconstruction effort in Iraq

Development Goal: an inclusive and Iraqi led reconstruction process that brings lasting benefits to all citizens, particularly the poor and vulnerable

Strategic Objective: to promote sustainable and equitable growth			
Planned change by March 2006	Annual change indicators (2004/05)	DFID activities (2004/05)	Annual assessment of progress (to be completed March 2005)
Private sector led growth and sustainable increase in trade and investment.	<p>Relevant enabling legislation agreed and approved by Transitional Assembly.</p> <p>Investment and trade development strategy agreed by Transitional Government.</p>	<p>Growth barriers study completed and being used by Transitional Government to inform policy thinking.</p> <p>Support to Ministries of Finance, Planning and Development Cooperation leading to improved reconstruction management.</p>	
Improved economic development in the south.	<p>Transitional Government agrees sound economic development strategies which include particular needs of south.</p> <p>Increasing public satisfaction with employment amongst poor and vulnerable groups in southern Iraq.</p>	<p>Southern Iraq support strategy leading to significant job creation and enterprise development opportunities.</p>	
Sustained Improvements in Iraqi infrastructure support and services.	<p>Power, fuel and water supplies exceed pre-conflict levels on sustained basis.</p>	<p>IRFFI support being disbursed effectively. Essential Infrastructure Project continues to impact positively on services and quality of life in south, particularly poor and vulnerable groups.</p>	

Strategic Objective: Supporting and encouraging effective and accountable governance

Planned change by March 2006	Annual change indicators (2004/05)	DFID activities (2004/05)	Annual assessment of progress (to be completed March 2005)
Representative and inclusive political institutions and mechanisms established.	Peaceful transition process. Transitional Assembly elected and Transitional Government operational on 1 July 2004. New constitution agreed by March 2005.	Political participation fund and media projects supporting open and inclusive democratic debate, and increasing public access to information on key electoral and constitutional issues.	
Improved public administration.	Public administration reform strategy agreed by Transitional Government and being implemented. Government carrying out its basic functions and ensuring provision of basic services for all. Increasing public satisfaction with government performance.	Public administration reform support team enjoys good working relations with key government personnel and contributing positively to major reform issues and policy decisions. Support to establish civilian oversight of military agreed and making positive impact on institutional development of Ministry of Defence.	
Improved independence, performance and reputation of judiciary and other key justice institutions.	Judiciary functioning satisfactorily and public confidence in system growing. Transitional Government and judiciary taking steps to introduce and enforce modern human rights legislation. Backlog of court casework steadily reducing.	Justice sector support is raising awareness of human rights issues, making a positive impact on ways of working and fostering a sound human rights dialogue in Iraq and with international community.	
Strengthened economic policies and public financial management systems.	Key economic restructuring policies agreed, take account of social dimensions (eg SOE, PDS) and have adequate poverty focus. Key financial management systems (budgeting, payroll, procurement, accounting) meeting priority needs of government. Improved technical and management capacity within Ministry of Finance.	Economic policy team working well with Transitional Government and advice is contributing to development of sound and pro-poor policies. Public administration reform team inputs leading to modernisation plan for core public financial management systems and statistics function.	
An effective media.	Appropriate media regulatory framework agreed and established. Media contributing actively and responsibly to constitutional debate. Freedom of speech and right to information issues being considered constructively by Transitional Government and media.	Media support making positive impact on quality of print journalism, on increasing media service provision in south, and government policy thinking on access to information issues.	

Strategic Objective: promoting social and political cohesion and stability

Planned change by March 2006	Annual change indicators (2004/05)	DFID activities (2004/05)	Annual assessment of progress (to be completed March 2005)
Maximum participation and representation in the political process.	<p>High level of citizen interest and voter turnout for all elections.</p> <p>Transitional Assembly representative and functioning responsibly.</p> <p>Inclusive constitutional process.</p>	Political participation fund and media projects supporting open and inclusive debate on key political and rights issues.	
Government policies and institutions support gender equality and rights issues.	<p>Transitional Administrative Law and new constitution enshrine women's rights.</p> <p>Inter-ministerial Government Committee takes forward gender issues.</p> <p>Iraqi Women's Higher Council established and active.</p>	<p>Policy support is raising awareness of gender issues widely and contributing to development and implementation of major policy reforms.</p> <p>Support to Iraqi Women's Higher Council agreed and making positive impact on its institutional development.</p>	
A vibrant civil society which is engaging effectively with government and communities.	<p>Appropriate NGO regulation policy agreed.</p> <p>Active NGO networks.</p> <p>Local level partnerships between civil society and government growing.</p>	Civil society strengthening project promoting new ideas and ways of working, particularly at community level.	