

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT: IRAQ

INTERIM COUNTRY ASSISTANCE PLAN AND FIRST CONTRIBUTION TO THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

DFID's Interim Country Assistance Plan for Iraq was published on 19 February. It sets out how DFID aims to contribute to the reconstruction of Iraq in the period up to March 2006. DFID is making an initial UK contribution of £65 million (US\$120 million) to the International Reconstruction Fund Facility for Iraq, managed by the World Bank and United Nations.

Saddam Hussein's tyranny, wars and mismanagement, in defiance of the international community, led to a significant increase in poverty in Iraq. In many respects Iraq's social and economic indicators now resemble those of a low-income country rather than a major oil producer. Iraq was isolated from the rest of the world, including its own region, for much of Saddam's rule. But Iraq's abundant human and natural resources offer the potential for a rapid return to relative prosperity, if the right conditions are created in the short and medium term.

Against this background, DFID's objectives for the next two years are to support rapid, sustainable and equitable economic growth; effective and accountable governance; and social and political cohesion and stability.

To work towards these goals DFID will focus on three levels:

- Internationally: by supporting the United Nations and World Bank International Reconstruction Fund Facility for Iraq (IRFFI), assisting the Ministry of Planning and Development Cooperation, and continuing dialogue with other donors on the coordination and effectiveness of assistance to Iraq.
- Nationally: by funding projects which benefit the poor, promote an inclusive political process and economic reform, and strengthen public administration. Examples include: helping the growth of small and

medium-sized businesses; setting up a fund to support the participation of citizens, parties and interest groups in the political process; and technical assistance to Iraq's public administration system.

- In southern Iraq: by funding projects to reduce poverty and helping to restore the area's administrative and political links with Baghdad so that it can benefit from Iraq's national development efforts.

At the Madrid Donors' Conference in October 2003, the United Kingdom pledged a total of £544m for the period from April 2003 to March 2006, a significant proportion of which would be channelled through the International Reconstruction Fund Facility for Iraq (IRFFI). DFID's first contribution to IRFFI will be £65 million. The allocation of this tranche between the UN and the World Bank Trust Funds will be decided shortly. Any further DFID contributions to the Funds will be considered in view of the effectiveness of their operations and their need for additional funding.

At the Madrid Conference, a total of over \$32 billion was pledged to Iraq. These pledges, together with a substantial reduction in Iraq's debt which should be negotiated this year, will provide a sound platform for the country's initial reconstruction. If the right measures are taken now, and the political situation in the country is stabilised, much of Iraq's longer term investment needs should be met by commercial loans, foreign direct investment and its own resources. Iraq's human capital, and its oil reserves of about \$2,500bn at current prices, should enable it to meet its future needs without significant external grant assistance.

A summary of DFID's assistance to Iraq in 2003 is annexed. More information on DFID's assistance to Iraq, including weekly updates, can be found at www.dfid.gov.uk.

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)
- NGOs (£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
- 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 of power, water and sanitation
- Recovery of healthcare and education
- Developing the capacity of the emerging Iraqi administration to manage the country effectively.