

## **Recent support related to Iraqi Food Subsidy Reform**

The PDS is the large-scale food ration system that was introduced during UN sanctions and was later supplemented under the Oil for Food Program. The PDS, while effective in reaching the poor and maintaining a minimum standard of living, does so in a very costly and inefficient way. The three most noteworthy aspects of inefficiency include (i) lack of targeting, (ii) over-reliance on state-owned enterprises and (iii) weaknesses in procurement and financial management which leave the system vulnerable to waste, theft and corruption. It is also widely accepted that the PDS will continue to function at some level in the short to medium term – at least until the targeted cash-based safety net under Ministry of Social Affairs is sufficiently expanded.

Over the past year, the World Bank has provided technical assistance to the Ministry of Trade as it undertakes improvements in its procurement and financial management systems. Two workshops (funded through IRFFI) have been held with staff of the Ministry of Trade. The main findings and recommendations of these workshops are:

- Procurement practices have contributed to delays and high prices. Recently revised procurement instructions need to be further developed and enforced.
- Congestion and aging facilities at the port cause delays in unloading and large penalty fees. Reopening land borders is crucial as the security situation permits.
- Food testing is compromised by inadequate equipment and pressures to accept urgently needed products before testing is complete. New equipment and greater autonomy for the testing laboratory are recommended.
- Central control over products is effectively lost when trucks leave the port. Documentation of transport and warehousing is extensive but inappropriately designed and implemented.
- The beneficiary registration system is unable to prevent duplicate and fictitious registrations, partly due to obsolete computer systems. In addition to improved software and hardware, increased liaison with other Government databases is essential.

The next stage of the World Bank's work on the PDS is a review of the role of the PDS in poverty reduction. This work will include analysis of the likely impacts of the phasing out of the PDS, and lessons learned from other countries' experience with subsidy reform.