

**THE  
IRAQ  
BRIEFING  
BOOK**

Executive Summary



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# INTRODUCTION

This Briefing Book has been produced by international partners in Iraq on the occasion of the formation of a new government, and it is intended to inform forthcoming discussions between Iraqi authorities and international partners on key areas of mutual interest. The brief is comprised of two parts.

- » Part I addresses key policy issues, including: macroeconomic challenges; development planning and prioritization; governance and public sector reform; anti-corruption; private sector development; social protection; and the challenges of regional cooperation and internal disputed territories.
- » Part II focuses on sectoral and cross-cutting issues, including: human rights protection, civil society and the media; gender mainstreaming; basic social services; water resources management; agriculture; environment; energy; transport and telecommunications; and cultural heritage.

A common briefing book was prepared for the government's convenience rather than separate briefs from the various partners. It is important to note that partners cannot take responsibility for the content beyond their respective mandates or scope of activities, and that the briefing book does not necessarily reflect each partner's view. The book aims to suggest government priorities while serving as a platform to discuss ways in which international partners might support efforts towards reconstruction and development in Iraq.

The briefing book was prepared by members of the Iraq Partners Forum. It benefited from inputs and contributions from officials from Canada, Denmark, the European Union, Japan, Italy, Poland, United Kingdom, United States, FAO<sup>1</sup>, ILO, IOM, OHCHR, UNDP, UNESCO, UNFPA, UN-HABITAT, UNHCR, UNICEF, UNIDO, UNIFEM, UNOPS, WFP, WHO, UNAMI, the World Bank and the OECD.

<sup>1</sup> See glossary on page 26 explanations of abbreviations and acronyms.

# IRAQ'S MAIN ECONOMIC DEVELOPMENT CHALLENGES

Despite being a middle-income country, Iraq faces challenges commonly found in countries at lower income levels. These include: (i) excessive dependence on one primary commodity, namely, crude oil; (ii) significant infrastructure reconstruction and rehabilitation needs; and (iii) declining absolute standards of living. That said, Iraq's success in stabilizing the macro economy has been an important step towards reversing this situation. Yet much more progress is needed to diversify the economy and generate sustainable livelihoods for the majority of the population.

**RECOMMENDATIONS:** *continue to adhere to a sound monetary and exchange-rate policy framework; contain current fiscal expenditures while protecting priority spending categories; adopt an integrated approach to fiscal policy, foster private sector-led growth by improving security and implementing the structural reform agenda.*

## 1. KEY POLICY ISSUES<sup>2</sup>

### CHAPTER 1: Implementing Iraq's Long Term Development Agenda

Iraq faces tremendous socio-economic challenges atypical of its per capita income level. The quality and delivery of essential services have deteriorated significantly since 1990. About 23 per cent of the Iraqi population is poor; there is widespread malnutrition among children (20 per cent of children under 5 are stunted) and growing gender inequality (especially since 2003). Iraq's current progress towards the Millennium Development Goals (MDGs) presents a mixed picture and Iraq remains a complex transition environment.

<sup>2</sup> Note that key policy issues are not listed in any priority order



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The development agenda has aimed to promote economic diversification while reducing oil dependence through fostering private sector-led growth, rebuilding infrastructure, and developing human capital. This approach is outlined in the National Development Plan (NDP) and the Poverty Reduction Strategy (PRS), and was laid out in the International Compact with Iraq (ICI)<sup>3</sup>.

**RECOMMENDATIONS:** *Strengthen the links between the elements of the strategic planning chain to ensure the implementation of government priorities by means of fiscally sustainable and accountable public policies. It is critical to achieve closer integration between government-wide priority setting, sector specific planning and the budget process, with overall quality improvement.*

<sup>3</sup> The ICI, announced in July 2006, was an initiative by Iraq for a new partnership with the international community, and promoted the vision that "five years from now, Iraq shall be a united, federal and democratic country, at peace with its neighbours and itself, well on its way to sustainable economic self-sufficiency and prosperity and well integrated in its region and the world."



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## CHAPTER 2: Governance and Public Sector Reform

### 2.1 Public Administration Reform and Modernization:

Prior to the 1991 war, Iraq was highly regarded within the Middle East for its superior public sector management capability. While substantial institutional capacity still exists in many areas, the impact of years of war and international isolation has led to: (i) underinvestment in core areas of public service management; (ii) reduced civil service management capacity; (iii) a doubling of public sector staffing due to insufficient alternative employment opportunities; (iv) constraints in the delivery of essential services; (v) overlapping and some obsolete functions; (vi) extremely low levels of "e-governance" and automation; (vii) low fiduciary standards and high levels of corruption; and (viii) weak public sector and economic governance in general. These factors reduce the effectiveness and efficiency of government and its ability to fulfil core service delivery and regulatory responsibilities.

**RECOMMENDATIONS:** *Launch a comprehensive national, regional and local modernisation programme; reform the civil service and address capacity gaps and staffing plans; develop public administration systems; prioritise reform by sector.*

**2.2 Decentralisation and Local Governance:** The Constitution lays the foundation for decentralized governance. The decentralization of political authority to governorates is under way but administrative structures reflect a strong centralist approach to governance while sub-national ministry structures continue as out-posted departments of various central ministries. Commitment to successful power-sharing necessitates the design and implementation of transparency and accountability. Central government can play an important role in policy formation, quality control, monitoring and evaluation, and oversight in the decentralization of functions and services.

**RECOMMENDATIONS:** *Address the difference between de jure and de facto realities in the design of a public sector restructuring programme; prepare a decentralisation policy paper; formalise new modalities and pilot decentralised service delivery; begin local planning and area-based development; strengthen local leadership and management structures.*

**2.3 Public Financial Management:** The challenge facing local authorities on Public Financial Management (PFM) in regions and governorates where most poor Iraqis live needs to be stressed. In the context of Iraq's fiscal decentralization - improving budget execution is one of the most effective instruments to lift people out of poverty. PFM reforms are laid out in the PFM action plan which was adopted by the Ministry of Finance (MoF) in 2008. The plan forms the blueprint for the coordination of international development cooperation in this area. Since the adoption of the PFM action plan in 2009, the government has made notable progress in almost all areas.



**RECOMMENDATIONS:** Restore core MoF functions and ensure business continuity; implement the Chart of Accounts (COA) and Integrated Financial Information Management System (IFMIS); finalise and adopt the new accounting manual; maintain momentum on budget strategy and preparation; continue with public procurement system reform; develop a transition policy for intergovernmental fiscal relations; strengthen capacity for budget planning, execution and monitoring; develop a successor mechanism to the Development Fund for Iraq.

**2.4 Aid Management:** Planning, monitoring, coordination, tracking and reporting on international aid flows are all key components of an aid management system that is at the very heart of sustainable reconstruction and development. The government has improved its capacity to manage development cooperation and signed the Paris Declaration on Aid Effectiveness in May 2008. The Ministry of Planning (MoP) in Baghdad and the Kurdistan Regional Government (KRG) have developed institutionally through restructuring relevant units; training on project screening and appraisal, management, monitoring and evaluation; and through modernization of information technology including establishment of the Iraq Development Management System (IDMS).

**RECOMMENDATIONS:** Ensure implementation of the IDMS; organise a high-level conference on Implementation of the Paris Declaration; review existing donor coordination mechanisms; and promote Iraq's full participation in international aid effectiveness fora.

**2.5 Enhanced Judiciary Capacity:** A strong and impartial judiciary is critical to the stability of the Iraqi legal system, just as a safe and secure judiciary is of paramount importance for rule of law. The judiciary in Iraq has established itself as an institution of integrity, with Iraqi judges conducting their work courageously despite significant threats to their personal safety. While Iraq has a significant number of lawyers and a well-established legal education and training system,

improvements in training are needed to enhance the professionalism of legal actors.

**RECOMMENDATIONS:** Strengthen judicial independence; improve judicial capacity; enhance judicial security.

**2.6 Access to Justice:** Iraq's Constitution guarantees the right to counsel in all stages of a criminal investigation and trial but the quality of the services provided by attorneys varies greatly. Counsel is usually appointed well after arrest leaving defendants without representation at the crucial investigative phase, and police often restrict access to pre-trial detainees, case documents, and files. The quality of representation can vary greatly as the compensation system offers little incentive to provide a zealous defence. In civil litigation, Iraqi law does not provide for free legal representation, and as such, access to justice is limited for the poor. Legal awareness is low. Young people face particular obstacles in obtaining access to justice, as do those living in rural and peri-urban communities, who often rely on traditional justice mechanisms. Access to justice for women remains a serious challenge, especially with regard to impunity for perpetrators of violence against women.

**RECOMMENDATIONS:** More government-sponsored mechanisms to inform the public about their legal rights, on how the justice system functions, and on how to access legal assistance; formalise official responsibility for access to justice; improve compensation for court-appointed lawyers; enforce civil judgments.

**2.7 Justice for Children:** The Iraqi juvenile justice system requires reform. The UN Convention on the Rights of the Child (CRC) and other human rights instruments emphasize that children in conflict with the law are entitled to treatment that takes into account the child's age, the desirability of the child's reintegration and ability to play a constructive role in society.

**RECOMMENDATIONS:** Review the Juvenile Care Law of 1983; define which ministry is responsible for juvenile

*correction facilities; introduce restorative justice; capacity building; improved services for children in conflict with the law; develop a comprehensive and holistic reintegration mechanism; improve the detention and correction facilities; guarantee treatment standards.*

### **2.8 Law Enforcement and the Civilian Security Sector:**

Many improvements in law enforcement and the civilian security sector (police and corrections) have taken place over the past few years. The Ministry of Interior (MoI) has increased the number of police from 60,000 to 560,000<sup>4</sup> while construction programmes at several prisons have somewhat eased prison overcrowding.

**RECOMMENDATIONS:** *Professionalize the security sector; prosecute officials for corruption and misconduct; enhance capacity to counter terror financing; respect rule of law; cooperate broadly against terrorism; reform police to serve communities.*

**2.9 Prison, Detention and Security Facilities:** Iraq has a patchwork of detention facilities: the MoI is responsible for managing some detention facilities for pre-trial detainees, the Ministry of Justice (MoJ) manages pre and post-trial facilities, and the Ministry of Defence (MoD) maintains some small detention facilities that house suspects before they are transferred to MoI detention centres. In the Kurdistan region, KRG Ministry of Labour and Social Affairs (MoLSA) and the MoI operate pre- and post-trial facilities. Several prisons in the KRG operate well and meet international standards. Furthermore, MoJ correction services meet international standards for the treatment of prisoners, yet improvements in the physical structure and maintenance of detention and prison facilities is required. While female prisoners in MoJ facilities are allowed to have their children (4 years and under) with them, women's facilities meet only minimal standards.

**RECOMMENDATIONS:** *Enforce the Prime Ministers Order 207; train prison officers on procedures and human rights*



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*standards; establish a monitoring system under MoI; upgrade facilities.*

**2.10 Commercial and Property Law Reform:** The number of businesses and the pace of investment are likely to increase to support Iraq's reconstruction and development programmes. The implementation of laws to govern these enterprises and their labour practices will be important for development, prosperity and for the promotion of equitable employment practices. Laws in all areas of the economy, from commercial law, to tax law, to laws governing foreign investment should be reviewed and revised to meet the country's needs and international standards.

**RECOMMENDATIONS:** *Coordinate customs and border enforcement; ensure timely resolution of commercial disputes; improve property registration and dispute resolution; modernize commercial laws.*

<sup>4</sup> This figure does not include KRG's Ministry of Interior forces.



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## **CHAPTER 3: Anti Corruption**

Iraq has an unprecedented opportunity to turn the tide on corruption by reinvigorating national trust and the social compact with citizens, and by addressing a complex set of issues including strengthening government institutions, erecting visible barriers to nepotism, exposing corrupt acts, adopting freedom of information, tightening procurement laws, and enforcing conflict of interest rules. Iraq's leaders have acknowledged the causes, impact and action needed to fight corruption, and there is now a momentum for such change. The government ratified the UN Convention against Corruption (UNCAC) in 2008, and Iraq is a member of Middle East and North Africa Financial Action Task Force (MENA-FATF). To develop UNCAC mandates further, the Council of Ministers (CoM) approved a five year (2010-2014) multi-faceted anti-corruption strategy in January 2010. In addition, the KRG began implementing a long-term anti-corruption strategy in July 2009.

Since 2003, the government has supported the capacity development of the lead enforcement agency on corruption, the Commission of Integrity (CoI), and has established a coordinating body within the Joint Anti-Corruption Council (JACC) and become a candidate member of the Extractive Industries Transparency Initiative (EITI). In this context, the government has expanded public disclosure of oil production and revenues. Legislative oversight has advanced, and the Council of Representatives (CoR) and governorate integrity committees are holding public reviews of executive authority in respective capitals. An integrity committee has been established in the Kurdistan Regional Parliament.

**RECOMMENDATIONS:** *Strengthen anti-corruption agencies; improve accountability; develop effective deterrents to high-level corruption; ensure that privatization and decentralisation promotes anti-corruption; implement international obligations; contain political influence.*

## **CHAPTER 4: Private Sector Led Economic Growth**

**4.1 Investment Climate Reform:** There is clear scope to improve Iraq's investment climate, as measured by the "Ease of Doing Business" global survey which ranks countries in terms of starting a business, hiring workers and paying taxes. Iraq ranks 153<sup>rd</sup> out of 183 countries (2010). Successful investment climate reform will result in a diverse, resilient, inclusive and growing private sector able to generate growth in employment, rising productivity and additional tax revenues, while freeing up budget funds to invest further in human and physical capital. A relatively stable macroeconomic environment has already allowed greater focus on private sector development.

**RECOMMENDATIONS:** *Formulate and adopt policies and legislation that promote rules-based market competition; improve access to finance; reorient the role of the state in the economy; build capacity for small and medium*



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*enterprise (SME) development; improve private sector development institutional arrangements.*

**4.2 State-Owned Enterprise (SOE) Reform:** The Iraqi SOE sector is a major impediment to economic growth and improved productivity. Comprising around 180 entities, the SOE sector is a significant drain on the budget – in amounts exceeding 3 trillion Iraqi dinars (equal to 3 per cent to 5 per cent of the total budget). SOEs generate costs that are met from the national budget through salary payments for excess workers. Subsidies for SOEs that are not commercially viable or have been permanently damaged by conflict and mismanagement are a drain on the budget.

*RECOMMENDATIONS: Short term – convert state companies into corporations, establish a commercial board of directors for each SOE, reform laws governing SOEs; Medium term – develop SOE policy, convert SOEs into joint-stock corporate entities, prepare for establishing a state-assets holding company, develop the regulatory framework, management reform, social mitigation schemes, public awareness.*

**4.3 Public-Private Partnership (PPP):** Given the current level of demand for investment in infrastructure against a backdrop of low levels of capital and damages endured during the sanctions, war, and post-conflict period, there is much potential in Iraq for PPPs. Well-structured PPPs can inject private capital and expertise to expand and/or improve services to the public. PPPs can also introduce new skills and know-how to help reform inefficient state provision of goods and services. The government has devolved responsibility for PPPs to each ministry and many PPPs are under consideration. The National Investment Commission gives some support.

*RECOMMENDATIONS: Capacity development of relevant authorities to manage PPP transactions; develop a broad policy framework; establish guidelines, legislation and strengthen capacity for dispute resolutions and*

*contract enforcement; greater transparency; establish a coordination and oversight mechanism; prepare a comprehensive investment plan for each sector.*

**4.4 Micro, Small and Medium-Sized Enterprise (MSMEs) Development:** Developing MSMEs will be crucial in Iraq given that the main industrial activity will gravitate around petro and petro-chemical industries which do not generate much employment and given that large numbers of young people are entering the labour market. The total number of MSMEs in Iraq is unknown, in part because most operate in the informal economy (and are not registered as businesses). There may be around 1 million informal businesses in Iraq, most of which employ only a handful of people. It is also estimated that MSMEs operating in Iraq contribute almost two thirds of private sector employment. The MSME sector has demonstrated an ability to thrive and provide a basis for the expansion and diversification of the economy.

*RECOMMENDATIONS: Design and implement a broad and well-coordinated MSME Strategy; revise the legal, policy and institutional frameworks.*

**4.5 Employment and Labour Policies:** With its very high rates of unemployment and high levels of under-employment, the development of a flexible and better regulated labour market is of vital importance to Iraq. A range of policies can underpin the development of labour markets that provide rapid growth in employment, real wages and the skills needed for businesses to grow and become more productive.

*RECOMMENDATIONS: Develop labour policies that provide opportunities for employment and skills development; support the development of better managerial skills; ensure that labour-based programmes include training programmes; encourage the use of local labour for local projects; respect decent work conditions; support small contractors tendering for public contracts; support MSMEs.*

**4.6 Financial and Banking Sector Restructuring:** The Iraqi financial sector is dominated by a banking system which accounts for over 90 per cent of financial assets. As of June 2008, the banking system comprised of 29 banks. Non-bank financial markets are underdeveloped. Besides government debt instruments, capital markets are practically nonexistent. Iraq had a nascent stock exchange but trading is thin. State-owned insurance companies inactive during the previous regime, are small compared to the size of the economy. The banks hold significant debt, much acquired pre-2003.

**RECOMMENDATIONS:** *Proceed with implementing the Banking Sector Reform Programme; encourage banks to organize and reconcile asset and liability accounts; build capacity.*

**4.7 Micro-Finance and Finance for Small and Medium Enterprises:** Microfinance and SME finance can contribute to the promotion of non-oil private sector growth and employment while simultaneously improving access to services. Lack of formal job opportunities, unmet financial service needs, limited banking services, and an entrepreneurial culture creates an intense demand for microfinance services. Women are only a small proportion of microfinance clients in Iraq at 16 per cent. For widows who head households, micro-enterprises are a means of livelihood. Approaches to microfinance range from direct subsidized lending by government ministries to more sustainable lending by specialized microfinance providers. Microfinance has achieved more rapid growth in outreach than the banking sector but still only reaches a fraction of demand. Six Iraqi banks have initiated SME lending programmes, very limited in scale. State banks and private banks have low capacity overall and barely lend to the local private sector. Total bank lending to the private sector is equivalent to only 3.6 per cent of Gross Domestic Product (GDP) in 2008.

**RECOMMENDATIONS:** *Establish a micro-and-SME-finance support facility; build capacity; provide an enabling legal*



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*framework and financial infrastructure; enable growth of e-banking; prepare a financial inclusion strategy.*

## CHAPTER 5: Social Protection

**5.1 Public Distribution System:** The Public Distribution System (PDS) is by far the largest safety net in Iraq and has a major poverty reduction impact. It reaches the vast majority of poor Iraqis with goods providing over half the dietary energy consumed by Iraqi households. This ratio increases up to two thirds among poor households. PDS reform has enormous potential to contribute to reducing poverty in Iraq through two channels. First, PDS reform can allow the reallocation of budget resources toward programmes that can have a larger poverty reduction impact through increasing the capacity of the poor to earn income through work. Secondly, by improving efficiency in management and targeting, PDS can be a more effective safety net.

**RECOMMENDATIONS:** *Gradually target the PDS;*



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*improve its efficiency; increase private sector capacity to provide food; improve ministry capacity to manage social protection nets; monitor the impact of the reform.*

**5.2 Public Pension System:** Pension payments account for the largest share of social protection spending other than the PDS and there are two schemes which together cover around 25 per cent of the labour force, mostly public sector workers. The Unified Pension Law (UPL) of 2007 covers civil servants and employees in SOEs while military and security forces are covered by Pension Law No. 3 (2010). The much smaller social security system covers workers in the private sector. In 2005, pension payments amounted to 5.6 per cent of GDP. Expenditure increased significantly in 2006 with pension payments made to approximately 350,000 demobilized military personnel.

**RECOMMENDATIONS:** *Implement the UPL Law of 2007; focus on unifying the rules of the private and public sector pension schemes.*

**5.3 Social Safety Nets:** For families without adequate support, the blind and disabled, single-parent families and the elderly, the MoLSA provides a modest monthly cash transfer, less than 10 per cent of the median income of the lowest quintile which reaches approximately 112,000 families. Small cash transfers are also provided to demobilized military personnel covered under the government demobilization and reintegration programme. Neither of these transfers is based on a consistent definition of need, nor do they take adequate account of family size. The ministry maintains approximately 130 facilities, including kindergartens, orphanages, institutes for the disabled, elderly homes, and cooperative society workshops. Many of these have been severely damaged and have inadequate supplies. The facilities and in-kind services offered are not designed to promote independent living or integration into society.

**RECOMMENDATIONS:** *Improve efficiency through improve targeting; develop new targeting tools based on household survey data; assess the impact of Law Number 18; develop a long term comprehensive social protection and labour strategy.*

**5.4 Internally Displaced Persons:** At present approximately 1.75 million Iraqis are estimated to be either internally displaced<sup>5</sup> or refugees<sup>6</sup> in neighbouring countries. Many internally displaced persons (IDPs) live in squalid settlements with limited access to basic services and extreme vulnerability. Those displaced outside Iraq (refugees) include many highly educated and qualified professionals with skills sorely lacking inside Iraq. Some 420,000 IDPs and nearly 80,000 refugees returned spontaneously between 2008 and 2010, however, some 1.5 million IDPs have not found a solution to their plight. There is very limited new displacement. Within Iraq there are some 40,000 refugees, including some

<sup>5</sup> 1,552,003 persons – source: Ministry of Displacement and Migration, July 2009, and KRG authorities, April 2009.

<sup>6</sup> 207,000 persons (active refugees) registered with UNHCR in neighbouring countries.



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16,000 of Turkish origin. More than 10,000 Palestinians in Iraq are in Baghdad, while 1,400 live in a camp near the border with the Syrian Arab Republic.

**RECOMMENDATIONS:** *Strengthen government ability to efficiently manage displacement issues and protect IDPs; develop durable solutions; continue building the conditions which encourage voluntary return and reintegration; prepare for the repatriation of Iraqi refugees from neighbouring countries; establish the legal and institutional framework for refugees including the stateless.*

## CHAPTER 6: Regional Cooperation and Internal Disputed Areas

**6.1: Regional Cooperation:** Substantial progress has been made since 2005 towards the restoration of Iraqi cooperation within the region. The diplomatic apparatus has been reinforced with the consolidation of the Ministry of Foreign Affairs (MoFA) and the restoration of its diplomatic network. Relations with Iraq's neighbours and regional organizations (for example, the League of Arab States, the Gulf Cooperation Council, the Organization of the Islamic Conference and the Organization of the Petroleum Exporting Countries) have picked up politically with the opening or reopening of embassies, appointment of ambassadors, and development of bilateral ties. Bilateral trade, financial relations and investment have been expanding quickly.

**RECOMMENDATIONS:** *Develop a policy for regional cooperation; address relations with the State of Kuwait; consider a comprehensive programme for the consolidation of borders; consider further regional programmes.*

**6.2 Internal Disputed Territories:** The debate over the administrative status of Kirkuk and other disputed territories in Iraq has been a recurrent feature of the state's modern history since its inception in 1921. Addressing outstanding issues related to the status of

Kirkuk and other internal disputed territories could be an important mechanism for improving the political climate, enhancing the development of these areas, and increasing the stability of Iraq. Specific mechanisms to address the internal boundaries dimension were codified in the 2004 Transitional Administrative Law (Article 58), and were further described in the 2005 Constitution (Article 140), but remain without resolution. While Article 140 spells out concrete administrative steps, including normalization, a census and a referendum, to resolve the status of these areas, their incomplete implementation by the constitutional deadline of December 2007 illustrated the deep sensitivities that lie behind them.

**RECOMMENDATIONS:** *Develop an inclusive process of dialogue; deploy the high level task force and continue confidence-building measures; engage in political dialogue; clarify security arrangements; support socio-economic development in the disputed territories.*

## 2. SECTORAL AND CROSS CUTTING ISSUES

### CHAPTER 7: Human Rights Protection, Civil Society and Media

**7.1 Human Rights Protection:** The strategic vision of the government in providing human rights assistance is two-fold, namely: (i) Iraq's legal, democratic, governmental and non-governmental institutions should support and protect human rights to foster national reconciliation and unity and enhance accountability for abuses; and (ii) a robust civil society and independent media should operate without fear of reprisal, while reinforcing institutional and legal mechanisms that afford human rights protection.

**RECOMMENDATIONS:** *Establish an Independent High Commission for Human Rights; harmonise, develop and implement human rights legislation and implement*

*a human rights strategy; reform the rule of law and justice sector; empower women; protect and promote the inclusion of minorities and other vulnerable groups including children and persons with disabilities.*

**7.2 Civil Society:** Since 2003, insecurity and conflict has impacted on the cohesiveness of communities which together with the weak capacity of civil society organizations (CSOs), trade unions, and employers' organizations, helps to explain the limited involvement and participation of Iraqi citizens in political and other spheres of public life. Iraqi "think tanks" are not fully developed as sources of independent and competent political and policy views. Socio-economic, political and cultural barriers act to preclude citizens from active participation – and particularly women, youth, and those that are less educated. Effective civil society participation towards peace building, reconstruction, reconciliation and development is essential for Iraq's longer-term development.

**RECOMMENDATIONS:** *Develop an enabling legal and institutional framework to ensure the independence of civil society and equal participation of men, women and youth; promote civil society engagement with government on policy questions; support the development of a robust civil society including participation in human rights protection, humanitarian assistance, elections and advocacy.*

**7.3 Independent Media and Freedom of Information:** The Iraqi media sector is dynamic, complex and volatile. Since 2003, the Iraqi media sector has expanded dramatically in all areas of news and information delivery, from traditional outlets to technologies such as the internet and mobile phones. The national media sector is dominated by the Iraqi Media Network (IMN), established by the Coalition Provisional Authority (CPA) under Order 66 as the national public service broadcaster consisting of radio, terrestrial and satellite TV, and a newspaper. Al Iraqiya TV (satellite and terrestrial) is popular but its impartiality and equitable access has been questioned. The legal and regulatory framework



for Iraqi media and telecommunications is complicated: the Communications and Media Commission (CMC), established by the CPA in 2004 was assigned some of the regulatory functions of the former Ministry of Information. Institutional capacity building of the CMC has been weak.

**RECOMMENDATIONS:** *Support and facilitate dialogue on the right to access information; training for law and policy makers, regulatory agencies, and media professionals; strengthen CMC and IMN; upgrade media training facilities; build media capacity.*

## CHAPTER 8: Gender

Before the 1980s, women in Iraq enjoyed more basic rights than other women in the region. Today Iraqi women are struggling to regain their former status and rights, and on a daily basis face challenges in accessing basic services. In the case of widows there is the extra challenge of being the head of households. Such



burdens have been particularly severe among Iraqi women who are less educated and live in rural areas. Wars and violence have all but destroyed opportunities for a safe, stimulating and positive social life for women in Iraq, and this includes female children and youth. The problem is particularly acute for female IDPs, among whom one in ten families is headed by a woman.<sup>7</sup> Women from minority groups are particularly vulnerable.

Iraq has ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the CRC (which covers the girl child and adolescent women up to age 18) and other international human rights treaties, and is committed to the MDGs, including Goal 3 on gender equality. The State Ministry of Women's Affairs (SMWA), despite its limited human and financial capacities, has played a key role in promoting gender equality. In the KRG the Ministry of Women's Affairs has become a high committee for women under the chairmanship of the prime minister. Many NGOs are

<sup>7</sup> International Office for Migration data, 2009.

led by women. Recognition of the disproportional impact of conflict on women has been recognized by the government of Iraq, which has made a clear commitment to address issues of gender equality in a comprehensive manner through implementation of the NDP.

**RECOMMENDATIONS:** *Make gender equality a central goal of the national development agenda; adopt the NDP education and safe-motherhood strategy; improve the quality and availability of gender-related data; design and implement gender mainstreaming strategies in all institutions; ensure equal rights and access to economic resources; promote women in leadership positions; work to eliminate violence against women.*

## CHAPTER 9: Essential Social Services

**9.1 Education:** Over the last two decades, the education sector has suffered from underfunding, degradation of infrastructure and depreciation of human resources. Enrolment rates have decreased at both primary and secondary levels and there are substantial regional and gender disparities. According to a survey in 2003<sup>8</sup>, approximately 80 per cent of school buildings were in need of rehabilitation or major repair, and 12 universities were seriously damaged. Teaching and learning conditions have deteriorated with fewer textbooks and learning materials available; less teacher training and curriculum development taking place; and a reduced amount of learning hours for a significant number of students due to multiple shifting in schools. Despite these major constraints, the education system has continued to operate regularly since 2003. The principal challenge remains to modernize the system. Key reforms include curriculum development, teacher training and the capacity development of line ministries.

**RECOMMENDATIONS:** *Strengthen the institutions of education including the ministries; devise a comprehensive,*

<sup>8</sup> Iraq United Nations/World Bank Joint Needs Assessment – Education Sector, October 2003.



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*multi-year investment plan; review governance in the sector; assess needs in order to deliver quality services; develop adequate local level operation and maintenance systems and budgets.*

**9.2 Health and Nutrition:** The healthcare system in Iraq has historically been based on a centralized, hospital-oriented and capital-intensive model, while, an attempt has been made during the past few years to move to a decentralized model based on a primary healthcare approach. The emerging private sector provides curative services to a limited portion of the population. Damage sustained by the health infrastructure has had enormous impact on health services, as has the decreasing number of health professionals. Furthermore, the provision of safe water, sewage disposal and electricity remains inadequate, directly affecting the health status of the population. Despite the constraints, steady progress has been made in key components of the health system, as indicated by the third Multiple Indicator Cluster Survey 2006/7, showing marked improvements regarding infant mortality, under-five mortality and maternal mortality ratios. The improvements are attributed to achievements in the field of obstetric care, communicable diseases and outbreak control, and the expansion of the Integrated Management of Childhood Illness approach at primary healthcare level. Routine immunization services were revived in 2008-2009. However, there is still severe malnutrition ranging by district from 1 per cent to 13.5 per cent, an estimated 14 per cent of infants have low birth weights, and there is evidence of micronutrient deficiencies: this includes iodine deficiency and anaemia (including 38 per cent of pregnant women).

*RECOMMENDATIONS: Promote national dialogue and consensus on a health care vision; prepare a medium term national health plan and implementation strategy; focus investment towards restructuring the system; allow greater engagement of local-level stake-holders.*

**9.3 Housing and Construction:** Population growth, high unemployment and low household incomes, slum housing and the unresolved issue of returnees and IDPs have all contributed to poor housing conditions and a growing demand for housing in Iraq. More than 70 per cent of Iraqis live in urban areas<sup>9</sup> where more than 13 per cent of houses have over ten occupants and 37 per cent accommodate three or more people per room. Some 57 per cent of the urban population currently lives in slum-like conditions.<sup>10</sup> Without action, overcrowding will increase due to high fertility rates and a growing youth population placing a high demand on serviced land.

Urban planning and management systems are unable to cope with the challenges. The physical master plans of cities do not provide an effective framework for rehabilitation priorities, infrastructure investment or future development. Most of the municipal staff involved in planning and development control have little or no background in city planning. Division of responsibilities between ministries, municipalities and governorates is unclear. Finally, while local governments have received funding under the Regional Development Fund, their ability to programme and deliver projects to meet local demand is constrained.

*RECOMMENDATIONS: Focus the government's role on policy reform; support urbanization policy with spatial development policies; consider housing strategies that reflect the needs of the urban poor; adopt the new Iraqi National Housing Policy; provide equitable access to housing; pay attention to land issues, leverage private investments and a responsive supply side.*

**9.4 Water, Sanitation and Municipal Services:** Years of conflict, misdirected resources and the effects of centralized command have curtailed investment in new infrastructure and maintenance of existing civic

<sup>9</sup> State of Iraq Cities report 2007, MMPW/UN-HABITAT; Iraq Household Socioeconomic Survey (2007), World Bank, Central Organization for Statistics and Information Technology (COSIT).

<sup>10</sup> National Development Plan (2010-2014); Sectoral Strategies for Housing, Water, Sanitation and other Municipal Services (2009).

infrastructure. This problem is acute in the water supply, sanitation and irrigation services due to a lack of preventive maintenance and inadequate public budgetary support. The effectiveness of service organizations to meet daily requirements for water has greatly diminished. As a result, most Iraqis now have limited access to a clean water supply, or to sanitation and refuse collection. Serious environmental and health risks associated with contaminated water supplies and inappropriate handling of solid waste and sewage disposal are a public health threat. Furthermore, the concentration of economic and social activities in the main urban centres of Iraq has also led to a proliferation of under-serviced neighbourhoods.

**RECOMMENDATIONS:** *Increase connectivity to water and sanitation services; rehabilitate and modernize the infrastructure; reform the utility companies; reform the water governance system; establish a water tariff policy; build capacity; advance regional water dialogue.*

## CHAPTER 10: Water Resource Management

Over the past 30 years, Iraq has shifted from being a water-secure to a water-stressed country. Just in the past decade, the amount of water in its rivers has declined as a result of various upstream activities and as a consequence of longer periods of drought. Increasing salinity, mainly in the southern governorates, limits the availability of fresh water resources for primary users. In addition, the contamination of the river waters in Iraq and from upstream countries due to untreated domestic and industrial wastewater discharge, causes extensive sedimentation in the reservoirs of dams. Improper water treatment and high temperatures has led to eutrophication<sup>11</sup> and increased water pollution, which has further contributed to water scarcity by reducing water usability downstream.

<sup>11</sup> Eutrophication is the process by which a body of water acquires a high concentration of nutrients, especially phosphates and nitrates. (Source: U.S. Geological Survey, <http://toxics.usgs.gov/definitions/eutrophication.html>.)



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**RECOMMENDATIONS:** *Manage trans-boundary water resources by a combination of technical and political initiatives; develop policy, legislative and institutional frameworks; develop a water strategy for integrated water resource management; repair the water infrastructure; address biodiversity and environmental protection; upgrade agriculture and irrigation; launch cooperation programmes between Iraq and foreign universities; build capacity in water management, desalination and crop water management.*

## CHAPTER 11: Environment

Iraq's natural environment is seriously degraded, and this poses a threat to the economic and social stability of the country: the country's environment is likely to undergo an irreversible process of degradation if reconstruction efforts and economic development are undertaken without due environmental and social consideration. Despite efforts to strengthen institutional response to environmental issues and to provide adequate

## CHAPTER 12: Agriculture

Iraq was once almost self-sufficient in many agricultural commodities, but years of war and sanctions followed by political instability have led to serious deterioration of agriculture, which has seen productivity, food security, and the livelihoods of the rural population decline. One third of the population resides in rural areas, is dependent upon agriculture as a livelihood and suffers disproportionately from poverty and food insecurity. According to the most recent poverty assessment, poverty rates are much higher in rural areas (39 per cent) than urban areas (16 per cent), with the poorest of the poor living in rural areas.<sup>13</sup>

The sector remains depressed and under-productive; its share of GNP is declining in both real and relative terms. Production agriculture's contribution to overall employment is overstated and will continue to decline. If unemployment and chronic underemployment is to be addressed, a comprehensive rural development strategy must be developed. The important role women and families play in Iraqi agriculture should be recognized. After the public service, the agriculture sector is the second largest employer in Iraq, and the second largest contributor to GDP after the oil sector. Performance of the agricultural sector during the past three decades was disappointing not only as a result of exogenous constraints, e.g., wars, sanctions, and drought, but also due to: (i) poor management; (ii) inadequate planning and insufficiently trained human resources; (iii) land degradation and increased soil salinity; and (iv) declining crop yields due in part to out-dated technology. To deal with the multiple challenges imposed by internal and external factors, the agricultural sector in Iraq needs to be adjusted structurally to address these challenges.

**RECOMMENDATIONS:** *Develop a cohesive agricultural policy supported by agricultural sector policy reform; create an enabling environment for a market-oriented, private sector-driven agricultural sector backed by government*



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expertise through the Ministry of Environment<sup>12</sup>, serious legislative gaps, poor investment in the sector, and poor or nonexistent monitoring and enforcement systems, keep the environment in a critical state, thus perpetuating problems facing the economy and livelihoods. This further contributes to the vulnerability of the population while increasing the risks of social exclusion and environment-driven displacement. Much of Iraqi territory is vulnerable to desertification.

**RECOMMENDATIONS:** *Target action on basic functions such as monitoring and enforcement, and address issues such as air and water pollution and hazardous waste; develop a national strategic policy framework for environmental sustainability; continue to build capacity of the ministry; assess the cost of environmental degradation; manage hazardous materials and waste; manage fragile ecosystems; prevent/reverse pollution of water, air and soil resources.*

<sup>12</sup> Established in 2003.

<sup>13</sup> World Bank (2009). Iraq Poverty Assessment, Volume I.



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*policies; facilitate private sector and public sector investment opportunities; rehabilitate soils, irrigation and drainage systems and address salinity problems; reform the existing agriculture credit/subsidy system; support vocational training.*

## CHAPTER 13: Mine Action

Iraq is massively affected by explosive remnants of war (ERW) and other improvised explosive devices that target civilians, the military and the police. These are a direct consequence of the 1980-1988 war with Iran, the 1991 Gulf War and the conflict since the 2003 invasion by the US led coalition. In addition to the presence of landmines and ERW there is a problem with cluster munitions and the indiscriminate ownership of small arms and light weapons within the population. Iraq signed the Anti-Personnel Mine Ban Convention in 2008 and is committed to destroy or ensure the destruction of all anti-personnel mines in mined affected areas under its jurisdiction no later than February 2018.

In April 2008, the Ministry of Environment (MoEn) assumed responsibility for mine action and established the Directorate of Mine Action and Regional Mine Action Centre South to coordinate mine action in central and southern Iraq. Although a draft decree has been discussed at the MoEnv it remains pending with the CoM - thus affecting the structure, legalized oversight and the regulatory framework.

*RECOMMENDATIONS: Establish the legal framework for mine action; review and re-stimulate the draft decree; establish a government oversight authority; empower a regulatory authority and build capacity of staff to international standards; increased cost-sharing and level of financial support; review and update the National Mine Action Strategy; expand support to landmine victims; encourage the registration of small arms and light weapons; ensure that the obligations of the Anti-Personnel Mine Ban Treaty are met.*

## CHAPTER 14: Energy

**14.1 Petroleum sector:** Accounting for over 65 per cent of GDP, nearly 91 per cent of annual federal budget revenue and nearly all foreign exchange, the oil sector is the backbone of Iraq's economy. The government has opened the oil sector to foreign participation. New service contracts are expected to generate additional investment in the oil infrastructure to increase production and offset natural field declines. In addition to Iraq's upstream oil sector, its downstream sector is also opening to new investment. However, the current shortfall in the domestic supply of fuel results in a wide gap between the supply and demand of petroleum products for civilian use, and forces Iraq to import petroleum products from other countries, thus triggering an outflow of capital. Direct budgetary fuel subsidies were eliminated in 2008 except for a small subsidy on kerosene. A draft hydrocarbon law is under discussion and the government has also taken steps to advance its candidature to the Extractive Industries Transparency Initiative.<sup>14</sup>

*RECOMMENDATIONS: Ensure that policy, legal and institutional development reflects the sector's main priorities; establish legal frameworks for the oil industry; develop downstream industries.*

**14.2 Electricity sector:** Electricity demand has increased by approximately 6 per cent per year over the last three years.<sup>15</sup> Electricity supply in 2009 was at about 67 per cent of peak demand, with periods of blackout averaging nationally more than 9 hours a day.<sup>16</sup> The situation is exacerbated by deteriorated network conditions brought on by years without appropriate new investment in generation, transmission, and

<sup>14</sup> The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies, civil society groups and international organizations which supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. (Source: <http://eiti.org/eiti>.)

<sup>15</sup> Reliable statistics are difficult to obtain.

<sup>16</sup> Reliable statistics are difficult to obtain.

distribution, all in a significantly degraded condition. Starting in September 2007, a major push to expand generation and improve the transmission system led to significant gains in electricity supply but inadequate and poor electricity services and infrastructure impede private sector development and negatively affect employment and economic growth.

The Ministry of Electricity (MoEI) is currently working on ambitious plans to develop 15,000MW of new generation capacity by the end of 2014. The ministry has also embarked upon an ambitious programme to attract private investment through Independent Power Producer projects for almost 4,000MW of new power stations. However, these plans have not yet been completed or developed into a project-specific implementation strategy for the electricity sector. In the long term there is good potential for hydro and for other renewable sources of energy – particularly solar.

**RECOMMENDATIONS:** *Form public-private partnerships to support accelerated infrastructure development; initiate sector wider reform; strengthen policy making, regulation and pricing; reform electricity tariffs; devolve responsibility for policy and operations; encourage private sector participation.*

**14.3 Natural gas:** Proven reserves of natural gas in Iraq total 112 trillion cubic feet. While 70 per cent of the reserve is associated gas, it has rarely been utilized. Natural gas is produced mainly in oil fields at Kirkuk, Ainzala, Butma, and Bi Hassan in the north, and Rumaila and Zubair in the south. Large quantities of associated natural gas are being flared because gas treatment plants and the pipeline infrastructure to transport gas for domestic use or export are not functional. In addition, gas turbine power plants are run inefficiently by an alternative liquid fuel. Development contracts for oil fields awarded in 2009-2010 require companies to eliminate almost all flaring of natural gas. At the same time, talks continue for a major integrated natural gas project throughout the southern fields, while the gas



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projects in the Kurdistan Region are increasingly geared toward electricity generation.

**RECOMMENDATIONS:** *as for petroleum sector.*

## CHAPTER 15: Transport and Telecommunications

**15.1 Transport:** Iraq has suffered from more than two decades of neglect and under-investment in all modes of transport including road, rail, air and maritime. Between 1980 and 2003, regional conflict, the utilisation of public resources to support military initiatives, an extended period of economic sanctions, and deferred maintenance all contributed towards a general decline in the quality of transport facilities and services, and to huge losses in rolling stock. With the onset of the 2003 military intervention, many assets were damaged or looted. As a result, the country still faces enormous challenges in reconstructing its transportation networks, facilities, strategic planning and institutional capacities,

## CHAPTER 16: Cultural Heritage

As one of the ancient “cradles of civilization”, Iraq has a rich cultural heritage. The country possesses an abundance of archaeological sites (12,000 documented sites, with thousands more that remain undocumented), as well as religious buildings, several of which are considered the heritage of all mankind. Besides ancient history, Iraq in modern times has produced many prominent artists – painters, sculptors, writers, and poets well known in the Middle East region and internationally. While preserving Iraq’s cultural heritage is important for its own sake, that heritage should become a platform for the growth of the tourist sector and towards the development of related private and public sector activities, while contributing to the needed diversification of the economy. However, the sector is facing serious challenges such as damage to archaeological sites, smuggling of artefacts, outdated legal and institutional frameworks, and limited livelihood opportunities for artists.

**RECOMMENDATIONS:** *Restore and modernize museums; protect archaeological sites; recover missing artefacts; promote fine art, literature and protection of artists; build capacity; reform legislation to optimize the institutional framework.*



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as well as in re-establishing key transport services.

**RECOMMENDATIONS:** *Rehabilitate the roads; revitalise the railways; reorganize public transport; regain control of air transport; prepare a master plan for ports; facilitate regional trade.*

**15.2 Telecommunications:** The government owns and operates two SOEs, namely the Iraqi Telecommunications and Post Company (ITPC) and the State Committee for Internet Services (SCIS). National communications policy is set through the Ministry of Communications (MoC), which also owns all Iraqi telecommunications infrastructure.

**RECOMMENDATIONS:** *Create a steering committee and a working committee for telecom sector reform; update sector policy; enact telecommunications legislation; prepare accounts for the responsible institutions and corporatize the ITPC; promote private participation; build capacity.*

# LIST OF ACRONYMS

**CEDAW:** Convention on the Elimination of All Forms of Discrimination against Women

**COA:** Chart of Accounts

**CMC:** Communications and Media Commission

**CoI:** Commission of Integrity

**CoM:** Council of Ministers

**CoR:** Council of Representatives

**CPA:** Coalition Provisional Authority

**CRC:** Convention on the Rights of the Child

**CSO(s):** Civil society organization(s)

**EITI:** Extractive Industries Transparency Initiative

**ERW:** Explosive remnants of war

**FAO:** Food and Agriculture Organization (UN)

**GDP:** Gross domestic product

**ICI:** International Compact Iraq

**IDMS:** Iraq Development Management System

**IDP(s):** Internally displaced person(s)

**ILO:** International Labour Organization (UN)

**IMN:** Iraqi Media Network

**ITPC:** Iraq Telecommunications and Post Company

**JACC:** Joint Anti-Corruption Council

**KRG:** Kurdistan Regional Government

**MDGs:** Millennium Development Goals

**MENA-FATF:** Middle East and North Africa - Financial Action Task Force

**MoC:** Ministry of Communications

**MoD:** Ministry of Defence

**MoEl:** Ministry of Electricity

**MoEn:** Ministry of Environment

**MoF:** Ministry of Finance

**MoFA:** Ministry of Foreign Affairs

**MoI:** Ministry of Interior

**MoJ:** Ministry of Justice

**MoLSA:** Ministry of Labour and Social Affairs

**MoP:** Ministry of Planning

**MSE(s):** Micro and small enterprise(s)

**MSME(s):** Micro, small and medium-sized enterprise(s)

**NDP:** National Development Plan

**NGO(s):** Non-governmental organization(s)

**OECD:** Organisation for Economic Co-operation and Development

**OHCHR:** Office of the High Commissioner for Human Rights (UN)

**PDS:** Public Distribution System

**PFM:** Public financial management

**PPP(s):** Public-private partnership(s)

**PRS:** Poverty Reduction Strategy

**SCIS:** State Committee for Internet Services

**SME(s):** Small and medium enterprise(s)

**SMWA:** State Ministry of Women's Affairs

**SOE(s):** State-owned enterprise(s)

**UNAMI:** United Nations Assistance Mission for Iraq

**UNCAC:** UN Convention Against Corruption

**UNDP:** United Nations Development Programme

**UNESCO:** United Nations Educational, Scientific and Cultural Organization

**UNFPA:** United Nations Population Fund

**UN-HABITAT:** United Nations Human Settlements Programme

**UNHCR:** Office of the United Nations High Commissioner for Refugees

**UNICEF:** United Nations Children's Fund

**UNIFEM:** United Nations Development Fund for Women

**UNOPS:** United Nations Office for Project Services

**UPL:** Unified Pension Law

**WHO:** World Health Organization

**WFP:** World Food Programme (UN)

**WTO:** World Trade Organization

