



Australian Government  
AusAID



# Iraq Country Strategy 2008–2011

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# 1 Country context

## 1.1 Introduction

The goal of Australia's aid program is to improve the quality of life in Iraq by strengthening governance and building national capacity. The current three-year, \$165 million Iraq Country Strategy (July 2008 to June 2011) is delivered by the Australian Agency for International Development (AusAID), the Australian Federal Police (AFP) and the Department of Immigration and Citizenship (DIAC).

This document outlines the strategic approach for the Australian aid program in Iraq from 2008-2011. A new country strategy to guide Australia's development assistance and engagement with Iraq beyond June 2011 is being developed. This new strategy will support Iraq's progress towards stability and prosperity and broaden the bilateral relationship.

The aid program in Iraq focuses on niche areas where Australia has particular expertise and where progress can be made against the Millennium Development Goals (MDGs). Capacity building and training for key ministries through bilateral programs is the core element of Australia's assistance, augmented by support for rehabilitating essential services and humanitarian assistance through multilateral partners. In the first year of the current strategy, one third of the program's budget was directed to humanitarian assistance. This reflected the enormous needs of people displaced by years of conflict.

The strategy's four key pillars are:

- supporting agriculture
- supporting public sector governance
- improving basic service delivery
- supporting vulnerable populations.

The program is integral to the implementation of six Memoranda of Understanding (MoUs)—agriculture; resources and energy; trade cooperation; education; research and training; public health; and security and border control. An increasing number of Australian Government departments and Australian businesses are using these MoUs as a basis for engaging with Iraqi partners.

## 1.2 Country context

With the second largest oil reserves in the world, and a well-educated population, Iraq has enormous economic potential. However, oppressive state control over the economy under Saddam Hussein left a legacy of crumbling infrastructure, large and ineffectual state enterprises and a weak private sector. Political instability and insecurity continues to constrain Iraq's rapid recovery.

Iraq has made considerable progress since 2003 and is at a critical juncture in its development. Iraq will succeed in the transition to a stable, prosperous nation if it can:

- strengthen security
- meet its people's expectations for improved services and infrastructure
- improve governance
- diversify its economy to create jobs.

Iraq has recently made important political gains. The Sunni community overwhelmingly rejected terrorism and joined the political process in 2007. Iraq has held a number of provincial and national elections, the latest being the national election in March 2010.

Security has improved in the last two years. Violent deaths are at their lowest levels since 2004. However, Iraq is still a dangerous place. Terrorist groups are exploiting political instability and the cessation of United States combat operations at the end of August 2010. Insurgents continue to target the Iraqi people, the army, police and government employees in an attempt to destabilise the country. The ability of the Iraqi Security Forces has improved, but the police force requires more training. Around 50 000 United States troops will remain in the country until the end of 2011 to support the Iraqi Security Forces.

The legitimacy of the state continues to be undermined through poor capacity (partly due to the mass exodus of the educated middle class and the previous government's policy of isolationism) and weak governance in some sectors. Governance remains a serious challenge and Iraq ranked 176 out of 180 countries on Transparency International's 2009 corruption index. Iraq has declared a war on corruption, but institutions are struggling to implement the modern financial management systems needed to deliver quality services to its people.

While some human development indicators have improved—such as food security, school enrolment and antenatal care—life expectancy decreased from 65 to 58 years of age over the past 30 years, access to drinking water declined (from 83% to 77% over two decades) and maternal mortality rates remain the highest in the region. Under-five mortality is twice that of neighbouring countries.

Poverty in Iraq is widespread. The 2009 National Strategy for Poverty Reduction, published by the Iraqi Government and World Bank, reports that 22.9% of Iraqis (6.9 million people) live below the national poverty line of US\$2.20 per day. Poverty in Iraq is disproportionately rural (39% compared to 16% in urban areas) and the majority who live outside of urban areas are self employed in subsistence agriculture.

Service delivery in Iraq remains strained. The Iraqi Government, the nascent private sector and civil society are working hard to improve service delivery, but it will be some time before Iraq has the ability and financial reserves to manage this on its own. Classroom shortages necessitate schooling in shifts which precludes many pupils from teacher contact. Health care suffers from a lack of infrastructure, equipment and trained staff.

The Iraqi Government recognises it must develop the private sector to increase employment and ensure that the country's oil revenues are generated through sustainable and transparent practices. The economy relies heavily on oil production which provides two-thirds of gross domestic product and 95% of revenue, although only a small amount of employment (less than 1%). This over-reliance on oil leaves the economy vulnerable to price fluctuations. Other sectors are sluggish. National unemployment sits at 15%, and 27% of the labour force work less than 35 hours per week. Up to 57% of 15 to 29 year olds are unemployed.

While Iraq's recent efforts to address human rights and gender equity are seen as progressive throughout the region, challenges remain in implementation. More than a million households are headed by widows, most of whom are unemployed and in desperate economic circumstances. Women's illiteracy rates are double those of men and family and gender-based violence is prevalent with perpetrators often not held accountable. A growing number of Iraqis live with a disability (estimated at more than 3 000 000). The country suffers one of the world's largest concentrations of landmines and explosive remnants of war which affect an estimated 1.6 million Iraqis.

Insecurity in Iraq has triggered a large, protracted displacement crisis. An estimated 1.55 million Iraqis are internally displaced and large numbers of refugees are scattered throughout the region. Providing sustainable conditions for returnees and internally displaced Iraqis, and ensuring that returnees do not fuel conflict, is a long-term challenge for the country.

### 1.3 Aid and Iraq

Iraq has received substantial aid since 2003. The United States has contributed more than US\$50 billion; Japan US\$5 billion; the United Kingdom £505 million; and the European Union (EU) €933 million to 2008. Australia has contributed A\$360 million.

Aid has had successes in Iraq, including by introducing macroeconomic stability, reining in inflation and delivering emergency humanitarian assistance. The international community established a successful multi-donor trust fund administered by the United Nations (UN) and World Bank which delivered US\$1.85 billion in reconstruction funding from 25 donor countries (including A\$63 million from Australia) and has inspired similar funds in Afghanistan and Indonesia. The Government of Iraq and the international community agreed the fund would wind down and it ceased accepting contributions in June 2009.

Security has made it difficult to deliver aid in some areas. Large areas of Iraq were off limits to the UN and international aid organisations throughout most of 2005 to 2008. As steadily increasing violence erupted into two years of sectarian war, following the bombing of the Holy Shrine of Samarra in February 2006, many UN agencies and international non-government organisations (NGOs) withdrew, remotely managing from Jordan or operating from heavily fortified compounds in Iraq. This increased the distance between aid agencies and beneficiaries.

Aid in Iraq is now in transition. With security improving since 2008, aid agencies have started to return. The Government of Iraq has called for continued support from the international community, highlighting capacity building as the key priority. In May 2010, the Government of Iraq and the UN launched the United Nations Development Assistance Framework (UNDAF) 2010–14. The Iraqi Government and the World Bank launched a joint poverty reduction strategy in November 2009 and the government worked cooperatively with NGOs to develop a progressive NGO law in early 2010.

Australia's assistance to Iraq is delivered in line with Iraq's National Development Strategy 2007–10 and the International Compact with Iraq released in 2007.

The National Development Strategy focuses on: strengthening the foundation for economic growth; revitalising the private sector; improving the quality of life for Iraqi people; and strengthening governance and security. The International Compact seeks to: establish a unified, federal, democratic state; establish a prosperous, diverse economy; make Iraq an active member of regional

organisations; allow the private sector to have a leading role in the economy; and protect poor and vulnerable groups.

Iraq released its new National Development Plan (2010–14) in early 2010. The plan seeks to achieve significant gross domestic product growth (10% to 11% a year) by:

- investing US\$200 to US\$250 billion in a broad range of sectors (50% to 60% funded by the Iraqi Government)
- increasing productivity, particularly in agriculture
- doubling oil production
- reducing unemployment by a third
- increasing participation by women in the public sector
- curbing underemployment in the public sector.

Future Australian assistance will be consistent with this new national development plan.

## **1.4 The bilateral relationship**

Iraq is of commercial and strategic interest to Australia. A secure and democratic Iraq will enhance stability in the Middle East and create new opportunities for both countries.

There is significant potential to increase trade, if Iraq can maintain security and meet its oil production targets. Current trade is modest but growing. In 2009, bilateral trade was worth \$289 million, consisting mainly of Australian wheat exports. This was a 90% increase on the previous year. Iraq is expected to make significant investments in infrastructure over the coming decades and is expressing interest in growing commercial ties with Australian companies, particularly in construction, education, resources and agriculture.

Australia and Iraq are committed to increasing engagement. In March 2009, the prime ministers of both countries agreed to deliver bilateral cooperation under six MoUs—agriculture; resources and energy; trade cooperation; education, training and research; public health; and security and border control. Led by Iraqi and Australian line agencies and coordinated by the Department of Foreign Affairs and Trade (DFAT), the MoUs set the agenda for building relations and broadening bilateral cooperation over the next five years.

Australia's aid program to Iraq is an important part of the bilateral relationship. It has totalled \$360 million since 2003, in addition to US\$850 million in debt relief.

Australia's current three-year, \$165 million program (June 2008 to June 2011) is being delivered by AusAID (\$140 million), the AFP (\$15 million) and DIAC (\$10 million). It has achieved a high profile with the Government of Iraq and is well respected. This has resulted from Australia working in close partnership with Iraqi Government ministries, using a flexible approach and responding quickly to emerging priorities. AusAID has had a First Secretary in Baghdad to plan and monitor aid assistance since March 2009.

Australia's development activities are integrated with whole-of-government priorities and contribute to the six MoUs signed in June 2009. Australian line agencies have contributed to training and study tours sponsored by the aid program. These have been valuable for sharing ideas and experience between Iraqi and Australian policy makers.

## 2 Strategic framework

### 2.1 The goal of Australia's assistance

The goal of Australia's aid program is to improve the quality of life in Iraq by strengthening governance and building national capacity. Australia's aid program is delivered in line with Iraq's national development strategy and UN appeals for humanitarian assistance.

The strategy's four key pillars are:

- supporting agriculture
- supporting public sector governance
- improving basic service delivery
- supporting vulnerable populations.

The strategic framework is at Attachment 1.

In addition to AusAID's work, activities funded by the AFP and DIAC also support the implementation of the Iraq Country Strategy 2008–11. The AFP is training 244 Iraqi officers in forensic methods and management. DIAC is helping Iraqis in the region through its Displaced Persons Program, and other activities which improve migration management and border security.

### 2.2 Four pillars of assistance

#### a) Supporting agriculture

##### **Development context**

The Iraqi economy is heavily dependent on oil and energy revenues which provide some 95% of the country's revenue, although only a small amount of total employment (less than 1%).

The agriculture sector provides a large employment base and has great potential to contribute to stability through private sector development, poverty reduction and enhanced food security. Australia has a comparative advantage in assisting with the development and strengthening of Iraq's agricultural sector, given its similar arid climates and limited arable areas. Australian academics, scientists and farmers are internationally recognised as experts in related areas such as dry land farming and salinity management. This expertise is lacking in Iraq.

## **Approach**

The rehabilitation of the agriculture sector is being delivered through:

- Training and capacity building:
  - provision of 100 post graduate scholarships in Australia
  - provision of short-term technical agricultural training in Australia and Syria for up to 100 specialists a year.
- Research and extension:
  - enhancement of food security through agricultural research delivered through the Australian Centre for International Research (ACIAR)
  - identification of specific agricultural projects delivered in Iraq in partnership with the Government of Iraq and partner organisations.

## **Outcomes**

- improve productivity and yield by identifying and developing suitable crops and better farming techniques
- improve capacity and effectiveness of the sector by training specialists (through scholarships and short-term technical courses) to better use land
- improve food security and community resilience by increasing household incomes
- increase land available for agriculture through mine clearance.

## **b) Supporting public sector governance**

### **Development context**

Years of conflict have eroded the Iraqi public service which under the Saddam Hussein regime had become severely corrupted. As a result of this legacy, Iraq's ability to progress rapidly is constrained by a complex political environment and limited experience in modern public sector management. Strengthening capacity, transparency and accountability in the post-war Iraqi Government, at central and provincial levels, is essential for Iraq's development as a modern nation.

### **Key sectors**

- financial management
- human rights
- agriculture

## **Approach**

Improved public sector governance is being delivered through training, either in Australia or in a third country. To ensure training programs are targeted, the Australian Government consults extensively with



ministries in Iraq on design and content. Australia also sponsors scoping tours, bringing Iraqis to Australia to discuss training possibilities.

## **Outcomes**

Improve:

- governance in central, provincial and local governments
- the effectiveness of Government of Iraq institutions through building the capacity, efficiency and accountability of financial management in Ministry of Finance central and regional offices
- human rights practices and policy making in the ministries of Human Rights, Defence, Interior and Justice (among others)
- trade policy and trade negotiation practices in the Ministry of Trade.

## **c) Improving basic service delivery**

### **Development context**

Years of conflict and deferred maintenance have degraded Iraq's social infrastructure, leaving many Iraqis with little or no access to essential basic services. Levels of poverty are high and many Iraqis, particularly women and children, are vulnerable. Development indicators, such as the under-five mortality rate, adult literacy rate and levels of access to improved drinking water, suggest that Iraq is in a worse position today than it was in 1970.

### **Key sectors**

- health
- education
- water and sanitation

### **Approach**

Development opportunities are identified in partnership with the Government of Iraq and delivered through multilateral partners, international NGOs and coalition partners.

### **Outcomes**

- increase access to safe water and sanitation to benefit people living in selected rural and urban communities
- increase access to emergency health services within the Iraqi health sector by expanding the Iraq-Emergency Medicine Care Development Program in partnership with the Ministry of Health and International Medical Corps
- target education projects, at the local and national level, to be delivered through trusted partners in collaboration with the Government of Iraq.

## d) Supporting vulnerable populations

### **Development context**

Due to the difficult security environment, the associated displacement of people, widespread unemployment and poverty and the limited capacity of national and local governments, a significant proportion of Iraq's population is especially vulnerable and denied access to basic services.

Since 2003, the levels of conflict across Iraq have resulted in many Iraqis becoming refugees or internally displaced persons (IDPs). An estimated 1.55 million internally displaced Iraqis and large numbers of refugees live throughout the region. The bulk of Iraqi refugees reside in Syria and Jordan.

### **Key sectors**

- IDPs and refugees
- women and children
- people with disability

### **Approach**

Support is provided through multilateral organisations and international NGOs primarily in response to consolidated humanitarian appeals. This ensures a coordinated international response.

### **Outcomes**

- ongoing assistance to those most vulnerable
- build the capacity of local governments, through partnerships with NGOs, to provide essential services for vulnerable people in Iraq
- provide children with disability with increased access to health and education
- provide support services for victims of gender-based violence
- provide health and education for refugees in Syria, Jordan and Lebanon.

## **2.3 Principles**

Important principles guiding Australia's aid approach in Iraq include:

- maintaining program flexibility and responsiveness, while avoiding administratively burdensome ad hoc programming
- ensuring coordination and harmonisation of interventions with other donors—consistent with the Paris Declaration and Organisation for Economic Cooperation and Development (OECD) principles on aid effectiveness
- delegating authority to key multilateral and larger donors to implement priority programs, recognising their greater ability to engage with the Government of Iraq on identifying and implementing programs

- incorporating gender equality and anti-corruption elements into all programs that are sensitive to local needs
- ensuring close cooperation between aid program activities and those of other Australian Government agencies operating in Iraq
- ensuring that Australians are not deployed or Iraqis not directly contracted to implement AusAID-funded programs in insecure local environments
- moving towards multi-year development programs as the security environment permits
- simplifying and streamlining aid program management recognising the limited AusAID administrative and human resources available.

## 2.4 Implementation and delivery

All activities funded under the country strategy 2008–11 are being delivered in line with the Government of Iraq's national development strategy and support a number of key MDGs (see attached framework). Since mid 2009 the majority of programs have supported the implementation of the six MoUs.

The program is working at both national and sub-national levels. While there is no specific geographic focus, support in agriculture is primarily in the dry lands of northern Iraq. Assistance to vulnerable populations is provided both within Iraq and neighbouring countries, particularly Syria and Jordan.

Development and humanitarian funds are channelled through bilateral training agreements, multilateral organisations, international NGOs and larger donor agencies. Australia's aid programs are harmonised with the work of these bodies, where interests coincide. This increases the development impact of Australian aid expenditure and reduces security and administration costs. Flexible mechanisms managed or contracted by AusAID that provide targeted support are facilitating training, travel and other activities. Scholarships and in-Australia training continue to build the capacity of Iraqi officials.

## 2.5 Risk management

Iraq's security situation poses a high risk to aid delivery. This influences every decision Australia makes when selecting approaches for its aid program.

Risks outside of the direct control of the aid program dominate. These include continued sectarian violence and terrorism, political turmoil and social unrest in many parts of Iraq. These risks are being mitigated by maximising the personal safety of Australians working on strategy implementation and by remaining flexible in program design and delivery. Aid decisions will continue to be informed by rigorous assessments of the situation on-the-ground, in conjunction with multilateral partners.

Like all post-conflict societies, Iraq faces challenges in effectively managing and coordinating development cooperation and tackling corruption. This can limit program effectiveness and delay implementation. Working closely with multilateral partners and engaging with the Government of Iraq through the Australian Embassy in Baghdad ensures the program is targeted and able to respond to emerging issues.

Australian aid is delivered consistent with domestic counter-terrorism laws and Australia's international obligations.

## **2.6 Performance measurement**

Measuring the performance of Australia's aid in Iraq must be based on a realistic assessment of the risks and constraints of program implementation and evaluation, recognising that Australia is a relatively modest donor to Iraq.

Where programs are delivered through multilateral partners and other donor agencies Australia's contribution to the outcomes achieved is disaggregated in terms of the ratio of our contribution. Bilateral programs are designed to support the development goals of the Government of Iraq as outlined in this strategy. Initiatives are designed around performance indicators and are being measured against them. Multilateral partners are also being encouraged to undertake mid-term reviews.

The placement of an AusAID officer at the Baghdad Embassy from June 2009, and an improvement in the security environment, has enabled increased monitoring of AusAID-funded programs.