

Operational Plan 2011-2012

DFID IRAQ

April 2011

Contents:

Section 1: Introduction	1
Section 2: Context	2
Section 3: Vision	3
Section 4: Results	4-5
Section 5: Delivery and Resources	6-7
Section 6: Delivering Value for Money	8
Section 7: Monitoring and Evaluation	9
Section 8: Transparency	10

1. Introduction

The UK Government is determined to help reduce the inequalities of opportunity we see around the world today. We believe that promoting global prosperity is both a moral duty and in the UK's national interest. Aid is only ever a means to an end, never an end in itself. It is wealth creation and sustainable growth that will help people to lift themselves out of poverty.

In May 2010, the International Development Secretary, Andrew Mitchell, commissioned the Bilateral Aid Review to take a comprehensive and ambitious look at the countries in which DFID works through our direct country and regional programmes. The review focussed on the best ways for the UK to tackle extreme poverty, ensuring that we make the greatest impact with every pound we spend. In parallel, through the Multilateral Aid Review, DFID assessed how effective the international organisations we fund are at tackling poverty.

On the 1st March 2011, the key outcomes of the reviews were announced, including the results that UK aid will deliver for the world's poorest people over the next four years. The Bilateral Aid Review has refocused the aid programme in fewer countries so that we can target our support where it will make the biggest difference and where the need is greatest. The Multilateral Aid Review findings enable us to put more money behind effective international organisations which are critical to delivering the UK's development priorities. In addition the independent Humanitarian Emergency Response Review looked at how the UK can build on its strengths in responding impartially to humanitarian needs and help ensure future disaster responses can be better prepared and coordinated.

DFID is committed to being a global leader on transparency. In the current financial climate, we have a particular duty to show that we are achieving value for every pound of UK taxpayers' money that we spend on development. Results, transparency and accountability are our watchwords and guide everything we do. DFID regards transparency as fundamental to improving its accountability to UK citizens and to improving accountability to citizens in the countries in which it works. Transparency will also help us achieve more value for money in the programmes we deliver and will improve the effectiveness of aid in reducing poverty.

The UK Aid Transparency Guarantee commits DFID to making our aid fully transparent to citizens in both the UK and developing countries. As part of this commitment we are publishing Operational Plans for country programmes. The Operational Plans set out the vision, priorities and results that will be delivered in each of our country programmes.

We will concentrate our efforts on supporting achievement of the Millennium Development Goals, creating wealth in poor countries, strengthening their governance and security and tackling climate change. The prize, in doing so, is huge: a better life for millions of people, and a safer, more prosperous world.

2. Context

Iraq is a middle income country with an estimated per capita income of \$2,210 (2009 Atlas Method, World Bank). It has the fourth largest proven oil and twelfth largest gas reserves in the world (BP Statistical Review 2010) and large-scale projects to increase production. Iraq's 2010 budget was \$72 billion – up 24% from 2009. Large scale debt relief has seen external debt fall from 352% of GDP in 2005 to a projected 39% in 2011 (IMF Standby Agreement Review (SBA) Sep 2010). Growth is expected to increase from about 4% in 2009 to 11% in 2011 (IMF SBA 2010). The security situation has, despite continuing attacks on Iraqi and international targets, greatly improved since 2007 when sectarian violence was at its height. Iraq now has its second democratically elected government, which represents a wide sweep of political constituencies in Iraq. All of this indicates that Iraq has huge potential to provide for its own development in the next decade.

However, Iraq still faces many development challenges. 23% of its population live on less than \$2 per day (Iraq Household Socio-economic Survey 2007). 28% of men aged 15-29 are unemployed (Iraq Labour Force Analysis 2003-8, IAU) and there is huge inequality between men and women. Cultural and social factors, limited teaching and training opportunities, low education levels and limited skills all restrict women's work opportunities. Only 17% of Iraqi women participate in the labour force (IAU). Iraq is ranked 166 out of 183 countries in the World Bank's Doing Business Survey 2011, in the bottom 20% for all six 2008 World Governance Indicators (World Bank 2008) and 175 out of 178 countries in the 2010 Transparency International Corruption Perception Index.

The Government of Iraq (GoI) has set out its vision for economic and governance reforms to address these challenges in its National Development Plan 2010-14. To help it implement these reforms Iraq is still reliant on donors to provide it with international technical advice. The DFID Iraq programme has been designed to respond to this need. But increasingly the multilateral agencies and others are best placed to provide this advice. They have the networks and expertise in public financial management and private sector development that Iraq needs. For this reason we have taken the decision to complete existing initiatives over the UK 2011-12 financial year* and end our bilateral programme and close our operations in Iraq by March 2012. However, DFID funds will continue to be spent in Iraq until 2014, through bilateral funding redirected from previous years into initiatives with the IMF and IFC, plus work on demining funded by DFID's Conflict and Humanitarian Affairs and Security Department and our core contribution to multilateral institutions.

How the plan reflects UK Government priorities

The UK's main strategic interest in Iraq is as a stable and democratic partner in the Middle East with a positive impact on broader regional stability. This plan sets out how we will work with the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD) on conflict prevention activities funded by the tri-departmental Conflict Pool to support this. The UK's relationship over the medium term will be based on political, commercial, educational and cultural cooperation. Iraq has great potential for UK trade and investment although the security situation will need to improve before businesses outside the oil and gas sectors are prepared to undertake significant investments. This plan also sets out work with the World Bank, the IFC and the IMF to improve the investment climate and strengthen Iraq's links to the UK and global economy.

*The UK Government Financial Year runs from 1 April to 31 March

3. Vision

This Plan responds to the Government of Iraq's National Development Plan (NDP) objective to alleviate poverty in Iraq by implementing economic and governance reforms. Without progress in these areas the potential for the Government of Iraq to provide prosperity for its people and graduate from international aid will remain unfulfilled.

Alignment to DFID and wider UK government priorities

This Plan helps to achieve the priorities in the DFID Business Plan and the DFID Structural Reform Plan by:

- Boosting wealth creation and helping Iraq to manage the expected increase in oil and gas revenues by completing programmes with the World Bank, IMF and IFC to help the GoI promote investment climate reform, manage its public finances better, grow its non-oil and gas private sector, create jobs and raise incomes.
- Boosting wealth creation by helping to address Iraq's shortage of skilled labour and limited management and technical know-how by helping to build partnerships between Iraqi universities and universities elsewhere to support improved learning and research and ultimately equip young Iraqis with the professional skills they need to gain productive employment.
- Promoting economic empowerment of women and girls by identifying and addressing the constraints that female entrepreneurs face by increasing access to business management training, micro-finance and SME finance and supporting linkages between female Iraqi academics and academics in the UK and elsewhere to improve Iraq's higher education sector.
- Strengthening governance by responding to the GoI's request to DFID to assist it with centre of government reform, policy coordination and improved parliamentary oversight. Strengthening security through joint working with the FCO and MOD on projects to help conflict prevention through the Conflict Pool.
- Responding to the ongoing needs of the most vulnerable through the provision of humanitarian assistance to children and their families through UNICEF.
- Supporting FCO efforts on the Arab Human Development agenda in the areas of governance and economic growth.
- Incorporating lessons from DFID's peace building/state-building framework through focussing the Iraq governance programme (TSI 2) on strengthening core state functions, whilst also strengthening accountability. TSI 2 encourages and supports the demonstration by government and parliament of improved effectiveness and responsiveness to the concerns of citizens. This is crucial for building government legitimacy and public confidence in the new Iraq across all communities.
- In doing all the above, supporting the HMG Iraq Strategy, the FCO-led Iraq Country Business Plan for FY2011/12 and the National Security Council agenda.

What we will stop doing

- We will not make any new investments beyond those already planned for the bilateral programme budget for FY2011/12.
- We will close our office in Baghdad in March 2012 and oversee continuing interventions through to FY13/14 from London.
- We will cease membership of three of the five donor working groups (WG) of which we are members. We will no longer be a member of the Gender WG as this will be covered by our FCO colleagues. We will no longer be a member of the Public Financial Management WG as this will be covered by the DFID-funded IMF Technical Adviser. We will no longer be a member of the Private Sector Development (PSD) WG as this will be covered by the DFID-funded World Bank PSD Adviser. We will continue to be a member of the Public Sector Modernisation and Council of Representatives WGs.

4. Results

Headline results for programmes funded from the FY2011/12 aid budget.

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Expected Results (including year)
Governance & Security: Effective States	Number and effectiveness of central government institutions established to support coordination and policy development at the Centre of Government (CoG)	End 2010: No Public Policy Bureau (PPB)	End 2011: Two new institutions (Public Policy Bureau and Policy Analyst Network) and positive feedback from Gol.
Governance & Security: Effective States	Percentage of Finance Committee (FC) members completing core training courses.	End 2010: new Finance Committee in the CoR. All new members to the FC.	End 2011: 90% of FC members complete training.
Governance & Security: Effective States	Permanent technical support staff unit ('Fiscal Analysis Unit'-FAU) established to support FC members in scrutiny role.	End 2010: No FAU	End 2011: FAU set up with posts filled and training started.
Wealth Creation: Investment and Entrepreneurship	Percentage of agreed regulatory reforms in the Private Sector Reform Plan being implemented	Reform Plan to be agreed in 2011	Dec 2011: 100%
Wealth Creation: Investment and Entrepreneurship	Cost of starting a business as a % of GNI per capita	2009:151%	Dec 2011:135%
Wealth Creation: Investment and Entrepreneurship	Number of Development Partnerships in Higher Education (DeLPHE) academic partnerships operational	2009: 0	March 2012: 29
Wealth Creation: Investment and Entrepreneurship	Proportion of women taking part in DeLPHE academic partnerships	2009:0	March 12 : 20%

4. Results

Evidence supporting results

Governance & Security: There is good evidence to suggest that targeting technical assistance at the centre of government operations is both necessary and a key step in improving the functioning of the state [1]. The recent DFID Practice Paper on ‘An integrated approach to building peaceful states and societies’ (DFID 2010) highlights that the development of core state functions relating to financial and macroeconomic management is essential for the state to function effectively. As the paper notes, “choosing which core functions of the state should be prioritised for international assistance will depend on the outcome of robust political economy analysis”. In the context of Iraq, both Gol [2] and donor assessments highlight the centre of government operations and the legislature as key areas for improvement.

[1] Assessing the evidence of the impact of Governance on development outcomes, Earle, Scott, Owen, Jan. 2010.

[2] Letter from Secretary-General of Council of Ministers Secretariat to DFID, May 2010.

Wealth Creation: There is a considerable evidence base for the importance of private sector development for growth and poverty reduction [3]. The World Bank’s 1999 Voices of the Poor Report surveyed around 60,000 poor people and asked them what they saw as their best escape route from poverty. The answer was unequivocal: wages or self-employment. The contribution of a sound investment climate for creating opportunities for firms to invest productively, create jobs and therefore play a central role in growth and poverty was the theme of the World Development Report (WDR) 2005. The WDR also highlighted that investment climate improvements can deliver many tangible benefits for women. For example, removing barriers to competition expands opportunities for women and other groups that have traditionally suffered from discrimination. The report drew on research and country case studies, including surveys of nearly 30,000 firms in 53 developing countries. Ease of Doing Business surveys have provided a litmus test for the regulatory environment for domestic business and have been found useful for benchmarking and stimulating debate about policy. OECD’s indicators of product markets and the World Economic Forum’s Global Competitiveness Index are strongly correlated with Doing Business findings. On higher education, the availability of good evidence is somewhat weaker, perhaps overshadowed by the MDG focus on primary education. However research such as the World Bank’s “Constructing Knowledge Societies: New Challenges for Tertiary Education” concluded that tertiary education institutions have a critical role in supporting knowledge-driven economic growth strategies. DFID research has concluded that the more educated and skilled a workforce, the greater its ability to create and absorb new technologies, the greater its productivity and hence its capacity to produce more than it consumes.

[3] DFID Wealth Creation Submission: Annex A: Wealth Creation Fundamentals: Evidence & DFID’s current approach.

[4] Youth, Jobs & Inclusive Growth: What does the economic literature tell us? Rachel Phillipson, DFID Economics Consultant May 2009.

Value for Money (VfM) rationale

Governance & Security: For a country like Iraq, emerging from conflict and a dictatorship, the development of basic state functions is key in order for the Government to be able to perform its core function effectively - the provision of essential public services. The establishment of better governance structures is highly likely to notably outweigh the costs involved.

Wealth Creation: Investing in technical assistance to support private sector development in Iraq represents good value for money because it will provide for a better investment climate, leading to higher investment, growth, employment generation and an increase in household incomes. Investing in tertiary education represents good value for money because it will help Iraq’s higher education sector to generate improvements in the country’s human capital and successfully equip graduates for the marketplace— an important determinant of long term growth.

5. Delivery and Resources

Aid instruments

Activities funded from the FY2010/11 Iraq programme budget and ending in FY2011/12

- Humanitarian assistance: we contributed £1.8 million to the UNICEF 2010 humanitarian appeal to help vulnerable children and their families.

Activities funded from the FY2011/12 Iraq programme budget and ending in FY2011/12

- Governance: The budget in FY2011/12 is £1 million. The programme will provide technical assistance to the Iraqi Cabinet Office and the Finance Committee of the Iraqi Parliament. Adam Smith International is the consultancy firm contracted by DFID to provide this assistance. The Swedish International Development Agency is also contributing £1.47 million to the programme.
- Private Sector Development (PSD): The budget in FY2011/12 is £1.2 million to a World Bank Trust Fund to support state-owned enterprise reform and improvements to the business environment.
- Development Partnerships in Higher Education (DeLPHE) - The budget in FY2011/12 is just over £0.95 million. The British Council is contracted to establish partnerships between university faculties in Iraq and elsewhere to improve higher education teaching and research.
- We have set aside just over £237,000 for life support costs (security and accommodation) for the First Secretary Development in Baghdad

Activities funded from prior year Iraq programme budgets and continuing until FY2013/14

- International Monetary Fund (IMF) support: we are funding the post of an IMF technical adviser for 3 years from March 2011 to March 2014. £1m was allocated from the FY2010/11 budget to the multilateral IMF Fragile States Trust Fund as a contribution to IMF advisory costs in six countries, including Iraq.
- International Finance Corporation (IFC) investment: we have an investment of £3.6m in the IFC's Iraq Business Assistance Facility (IBAF) to help improve the competitiveness of small and medium-sized enterprises. This will be spent over 3 years from March 2011 to March 2014. This money was allocated from the 2005/6 programme budget but the IFC was unable to use it due to the security situation.

Activities funded from DFID central budgets

- Land mine clearance: DFID's Conflict and Humanitarian Assistance and Security Department is supporting a multi-country, mine action programme. This includes £3 million for a 2.5 year programme in Iraq starting March 2011.
- Conflict Pool: the UK's tri-departmental (DFID, FCO, MOD) Conflict Pool funds conflict prevention projects. The Iraq allocation for FY2011/12 is yet to be confirmed.

Partnerships

Our key focus with the Government of Iraq (GoI) will be to influence policy reform through the interventions above so as to improve economic opportunities, raise living standards and support a more secure and peaceful Iraq. For example, technical assistance to the Iraqi Cabinet Office and the Iraqi Parliamentary Committee on Finance will help the GoI to develop more effective policies to deliver public services at the level, and of the quality, that Iraqis expect. We will continue to be an active member of the Iraq Partners' Forum (IPF). This is the main forum for donors in Iraq and is co-chaired by the World Bank and UN. We will work with other members of the IPF to support the GoI to design a new framework for GoI-donor engagement. This will increase the ownership that the GoI has over donor aid flows and encourage improved coordination between donors. The Swedish government will jointly fund our governance work, thus broadening the field of donors supporting Iraq's development in this area. We will continue at high levels to urge the multilaterals to strengthen their presence in Iraq.

Two of our World Bank Group partners, the IFC and IBRD scored lowly in the DFID-led Multilateral Aid Review (MAR) on addressing gender. However, the MAR noted that the IFC has introduced a range of gender-related programmes and produced a range of gender-sensitive guidance. We have already taken steps to ensure our results frameworks are disaggregated by sex and will monitor to ensure that IFC and IBRD are making progress towards these targets.

5. Delivery and Resources

Programme spend

The table below shows our programme budget of £3.39 million for FY2011/12 compared with £10 million in FY2010/11. In FY2011/12 the wealth creation line includes funding for PSD and Development Partnerships in Higher Education (DeLPHE). The governance and security line includes funding for TSI 2 and life support costs for the First Secretary Development in Baghdad.

Pillar/Strategic priority	2010/11	2011/12	2012/13	2013/14	2014/15
	Resource £'000	Resource £'000	Resource £'000	Resource £'000	Resource £'000
Wealth Creation	5,010	2,174			
Governance and Security	1,772	1,216			
Water and Sanitation	610				
Humanitarian	2,608				
TOTAL	10,000	3,390	0	0	0

Operating Costs and Efficiency savings

FY2011/12 sees a 61% reduction in operating costs compared to FY2010/11. From 2012/13 onwards, no operating costs will be incurred. Our narrative in this Operational Plan sets out our plan for slimming down and then closing the programme and office in Iraq by March 2012, with residual ongoing programmes managed remotely. This has been possible without having to stop any ongoing programmes.

6. Delivering Value for Money (VfM)

Key action points of a VfM Strategy

- The DFID Iraq programme has demonstrated that it is possible to deliver Value for Money in a difficult and hostile environment by adopting a flexible approach to our programmes. This is despite costs being high relative to countries with more benign conditions and despite using a more limited range of instruments than elsewhere. For example, as of January 2011, of the 13 projects in the DFID Iraq portfolio over £1 million, 12 were assessed as either having or being on track to completely/largely deliver their intended purpose. [1]. We will not be designing any new programmes and so our focus in FY2011/12 will be on ensuring VfM from our existing investments. The Iraq programme would of course be part of any future MENAD VfM strategy.
- We will improve VfM from existing investments by regular meetings with project implementers and partners, quarterly risk management reporting, annual reporting against logframes and project completion reporting which give an opportunity to learn lessons of use to continuing programmes. We will also report quarterly against our full Results Framework for FY2010/11 which contains more detail than the summary in this Operational Plan.
- We will focus on the sustainability of programme outcomes, for example through handing over work on public financial management from TSI 2 to the World Bank by April 2011 and bringing on board donors such as Sida. This further supports efforts to deliver VfM.
- We will regularly review whether there are opportunities for reductions in unit costs, e.g. consultancy days and contractors' budgets.
- Staff working on the Iraq programme will have a VfM objective in their performance management forms. Where appropriate staff will receive training on financial management, results and VfM.
- We will also work through our bilateral relationships and through the Iraq Partners' Forum to assist the GoI to develop robust assessment and action plans to improve delivery of the National Development Plan.

[1] DFID Portfolio Quality Report January 2011. The calculation is carried out on the most recent Project Purpose scores over the last 24 months, at the time of the Annual or Summary Review, or Project Completion Report.

7. Monitoring and Evaluation

Monitoring

How – each programme has a monitoring and evaluation framework (a logframe) with robust quantifiable indicators and targets which are sex-disaggregated where appropriate and which are monitored annually. A score of 3 or below in an annual review will trigger a Performance Improvement Plan.

Who – primary responsibility for monitoring will fall to DFID staff and programme partners, for example IFC and World Bank.

When – Programme level monitoring will be continuous. Formal reporting will be done through annual reviews. Due to the high risk nature of programmes in Iraq we will also conduct quarterly monitoring of both country level and programme level risks. The country results framework will be reviewed annually. The Operational Plan will cover FY2011/12. Programmes continuing beyond March 2012 will not require an Operational Plan.

What – We will use a range of methodologies depending on the particular programme. The methodology and extent of monitoring will be proportionate.

Evaluation

Evaluation is a key component of each Programme. A lessons learned exercise conducted by May 2011 will cover the period 2003-2011. These lessons will be used to inform the management of ongoing programmes during FY2011/12 and to inform the design of programmes in other conflict-affected and security-challenged countries. The report by the independent Iraq Inquiry, to issue in the first quarter of 2011, will also present lessons learned that can be applied to the ongoing management of Iraq programmes. In addition, DFID's Internal Audit Department has conducted an audit of programme risk management in early 2011 and lessons are being drawn from this.

Given the small size of the programme in FY2011/12 and given that there is no new design work to inform, we do not plan nor have we budgeted for any independent evaluations of programmes in FY2011/12. However, we may invite a DFID member of staff to conduct an evaluation of TSI 2. We will look at existing evaluation arrangements in the projects we will continue to support and be ready to make improvements where possible. We will conduct an evaluation of this Operational Plan in the first quarter of 2012.

Building capacity of partners

The World Bank Statistics Capacity Building Indicator score for Iraq is just 34/100 compared with an average score of 58/100 for the Middle East and North Africa. This reflects the poor availability of data in Iraq and the fact that Iraq does not as yet use international statistical methodologies. DFID is supporting a regional statistical capacity building programme through the Islamic Development Bank (£2m over four years) which will provide support to the Iraqi Central Organisation for Statistics and Information Technology (COSIT) on key activities. The specific activities which will be supported are currently under discussion.

8. Transparency

Transparency is one of the top priorities for the UK Government. We will meet our commitments under the UK Aid Transparency Guarantee: we will publish detailed information about DFID projects, including programme documents and all spend above £500. Information will be accessible, comparable, accurate, timely and in a common standard with other donors. We will also provide opportunities for those directly affected by our projects to provide feedback.

Publication of information

- We will publish information about the DFID Iraq programme on the DFID website in the common agreed format and in plain English.
- We will publish all new annual reviews and project completion reports on the DFID projects database (on the DFID website) once a month.
- We will publish forward budgets, on a quarterly basis, for all committed projects on the projects database.
- We will publish all programme and admin spend over £500 on the DFID website at the end of the following calendar month.
- Information published will be comprehensive, accessible, comparable, accurate and timely.
- We will publish a summary of this Operational Plan in English and Arabic on the DFID website.
- We will put a link on the British Embassy Iraq website to the relevant pages of the DFID website.
- We will meet on a regular basis with representatives of UK-based NGOs working in Iraq as well as locally-based international and national media representatives.

Supporting transparency in our own work

- We will provide opportunities for those directly affected by our projects to provide feedback on the performance of those projects. We will do this through the project review process including at annual review and project completion stage.

Supporting transparency in others

- We will encourage the Government of Iraq (GoI) to become more transparent through our support to the Iraqi Parliament to enable it to scrutinise budgets more effectively.
- We will support the GoI's efforts to encourage greater transparency of donor aid flows through their work on the Iraq Development Management System.
- Through our membership of the Iraq Partners' Forum we will encourage multilateral and bilateral partners and NGOs working in Iraq to become more transparent.