



Working Paper

*UNITED NATIONS / WORLD BANK
JOINT IRAQ NEEDS ASSESSMENT*

Housing and Urban Management

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EXECUTIVE SUMMARY

1. HOUSING SECTOR

i. Providing equitable access to housing in Iraq entails promoting an enabling environment for the provision of affordable housing by the private sector while limiting public sector intervention to overall policy coordination with special focus on addressing the housing needs of the vulnerable groups in the country. Hence, the success of any future housing policy is closely linked to the degree to which Iraq will open its economy to markets and direct foreign investments. Housing is expected to emerge as an investment activity rather than solely as expenditure leading to a greater role for the financial service sector, the building and construction sector and individual private investors.

ii. Considerable attention will have to be devoted in the coming years to land delivery, property restitution, finance, building materials and construction technology, building codes and standards – as regards policy reform, institutional change, and capacity building.

iii. With 32% of people in cities living near the poverty line (UNDP, Human Development Report, 2000), Iraq will need to adopt housing strategies that reflect the needs of the urban poor. This may require the retention of direct subsidy provisions for the coming years, the involvement of the urban poor as genuine partners in the delivery process, and the development of flexible financial instruments. That is, generating employment while providing housing, sustaining high production levels in the construction sector, and where possible retaining labor-intensive building and construction practices.

iv. Housing finance in Iraq at present is significantly under-developed and handicapped despite being at the forefront in the region in the 1970s. The National Estate Bank is the sole service provider of mortgages and home loan products. It is limited in scope and, like many state-owned corporations in Iraq, has been subject to political control from central government. The country also lacks a well-developed financial service industry and systems for savings and loans. It lacks proper laws and procedures for private banks to operate mortgage finance instruments. Also absent until proposal were recently made by the Ministry of Construction and Housing, are special lending products for low-income populations that do not meet the conditions of conventional lending (collateral, credit history, tax payments, etc).

v. The reconstruction in the housing and urban management sectors will be tied closely to the policy positions of the new government of Iraq as regards decentralization, privatization and popular participation. While the form and scope of these policies may vary significantly, in all cases the result will be a need for training and capacity building. This entails upgrading the skill-base of officials and civil servants working in local, public administration, introducing practices of partnership and participation, and creating opportunities for exchange with Arab States and the international community.

Short-Term Strategic Objectives

- (A) Restore the Institutional Capacity to Manage the Sector and Implement Reforms
- Training, workshops and study tours for added exposure to best international practices.
 - Introduction of office information and communications technology to better manage sector data and information.
- (B) Address the Housing Needs of the Vulnerable Groups

- Initiate a 10-year program for the provision of housing to Internally Displaced Persons (IDPs) and families.
- Initiate a 2-year program for the rehabilitation and reconstruction of war-damaged houses.
- Initiate a 15-year urban upgrading program addressing the needs of low-income social groups living in sub-standard neighborhoods.

(C) Initiate a Housing and Land Supply Program

- Provide Technical assistance for policy and regulatory reforms focused on housing and land supply including property restitution, construction finance, building material, construction technology and building codes and standards.
- Initiate Pilot public/private partnership programs in housing and land supply in key cities of Iraq.

Medium- to Long-Term Strategic Objectives

(A) Initiate a Sector Reform Program with Focus on Housing Finance

- Technical assistance for policy and regulatory reforms to the Real Estate Bank and the de-regulation of mortgage financing in Iraq. This will have to be carried-out in tandem with the larger reforms in the financial sector.
- Scaling-up of public/private partnership programs in housing and land supply

(B) Address the Housing Needs of the Vulnerable Groups

- Pursue the 10-year program for the provision of housing to Internally Displaced Persons (IDPs) and families.
- Complete a 1-year program for the rehabilitation and reconstruction of war-damaged houses.
- Pursue the 10-year urban upgrading program addressing the needs of low-income social groups living in sub-standard neighborhoods.

2. URBAN MANAGEMENT SECTOR

vi. As Iraq emerges from the war, a client-oriented culture and a decentralized system of urban management is needed. A socially inclusive, economically viable, and environmentally sustainable model of urban management will be promoted. Partnerships between the community, local authorities and the private sector would have to be encouraged. The strategy will be to move progressively towards decentralization where cities could gradually assume authority and responsibility previously confined to central government and regional governorates. Reforms to the urban management sector in Iraq will attempt to re-define the role of municipal government at the local level vis-à-vis the private sector and civil society. It will determine how best to facilitate, and not necessarily provide infrastructure, collect taxes, and address the needs of all residents, including the urban poor. The realization of this strategic vision will require policy reform, new institutions, and concerted efforts to build capacity.

vii. It is important to initiate rapidly a 10-year municipal assets rehabilitation program that would reverse the deterioration process of the municipal infrastructure in Iraq. The program that will adopt labor intensive techniques and will generate employment and develop the small- and medium-size local contracting industry. It will be linked to wider policy changes that promote the gradual handing over of all assets to municipalities, where relevant ministries will retain competence in policy guidelines as municipalities build capacity to assume management of these assets.

viii. Through the elaboration of City Development Strategies and updating of City Master Plans, a 10-year citywide municipal infrastructure development program will have to be also initiated. This will be aimed at improving living standards within the city, increasing land supply for housing and improving access to marginalized neighborhoods. As with asset management, municipal authorities will be encouraged to take a leadership role such that municipal planning offices coordinate the development of city strategies and the updating of master plans.

Short-Term Strategic Objectives

(A) Restore Institutional Capacity to Manage the Sector and Implement Reforms

- Training, workshops and study tours for added exposure to best international practices.
- Introduction of office information and communications technology to better manage sector data and information and the design of an Urban Observatory for Iraq.

(B) Initiate the Debate on the Sector Reform Process that Focuses on Moving the Sector Progressively Towards Decentralization with the aim of Improving Sector Effectiveness and Sustainability

- Technical assistance for policy and regulatory reforms focused on improving accountability and financial sustainability through improved resource mobilization at the local level.
- Pilot public/private partnership programs in municipal service provision, building on the emerging experiences in Baghdad of garbage collection.

(C) Initiate a 10-year Municipal Assets Rehabilitation Program

- Rehabilitation of existing municipal buildings, roads, sidewalks and public parks using labor-intensive techniques and small and medium-size contractors, for a transitional period of 4 years, taking care also to introduce specific equipment/technology where labor-intensive production processes are inadequate and/or inappropriate.

Medium- to Long-Term Strategic Objectives

(A) Initiate the Implementation of the Sector Reform Action Plan that Focuses on Moving the Sector Progressively Towards Decentralization with the aim of Improving Sector Effectiveness and Sustainability

- Technical assistance for policy and regulatory reforms focused on decentralization
- Scaling-up of public/private partnership programs in municipal service provision

(B) Initiate a 10-year Citywide Capital Investment Program Aimed at Improving Living Standards and Integrating Marginalized Areas

- Citywide municipal infrastructure expansion

3. LAND MANAGEMENT SECTOR

ix. Systems of land management in Iraq are weak and in need of overhaul. There is a dearth of reliable information following three decades of shifting and incoherent land policy, internal conflict, and more recently the chaos of looting and destruction of public records. The qualified staff of the Land Administration Department of the Ministry of Justice has done its best against great odds to maintain records and uphold land and property law. However, generally weak national systems of land management make difficult their efforts to verify. Worse still, the judiciary in Iraq lacks the legislative capacity to respond to unlawful evictions and the rights of

the landless population. The lack of equipment and the general disruption of bureaucratic services have compounded the problem further.

x. A land management system that can address tenure issues and resolve disputes in Iraq must rely on internationally accepted human rights instruments and principles of due process and rule of law. Legitimacy can be fostered through policy reforms and systems of information management provided that the development of these is gradual, transparent and participatory. Elements of policy reform are land management & administration, land dispute resolution, land allocation, land tenure rules, land use regulations, and land inventory & registration. The modernization of information management systems requires improvement both of formal and informal systems. This will entail providing surveys, mapping, cadastre, real property registries, as well as sector monitoring (indicators database, support for policy formulation). The advent of decentralization, local self-governance, and participatory decision making in Iraq generally, will have direct implications for how land is managed and used. It will therefore be important to integrate the development of land management systems and requisite policies and legislation with concurrent efforts in housing delivery and urban management as outlined above.

Short-Term Strategic Objectives

- Initiate the debate on the legal basis for policy reforms and the introduction of a land management system for Iraq that can address land tenure issues and resolve land disputes. Elements of policy reforms should address land management & administration, land allocation, land tenure rules, land use regulations, and land inventory & registration.
- Assess and build consensus on the status of property disputes nationwide, identifying plausible mechanisms for property restitution and linking this exercise intentionally to larger efforts for peace and reconciliation.

Medium- to Long-Term Strategic Objectives

- Initiate the gradual and transparent introduction of policy reforms and implement the development of a land management information system.
- Integrate the development of land management systems and requisite policies and legislation with concurrent efforts in housing delivery and urban management.
- Introduce nationally acceptable institutional arrangements for property restitution with due regard for enforcement and in ways that are consistent with emerging systems of land management and land information.

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I. INTRODUCTION

Disclaimer: The needs assessment for the housing and urban management sectors in Iraq was conducted in the absence of a conventional national counterpart and under severe security conditions. The UNDG/WB team relied heavily on the local knowledge and expertise of Iraqi professionals that were consulted during this exercise. As a result, this report should be only regarded as a preliminary assessment for future work on the housing and urban management sectors in Iraq.

A. Overall Description

1.1 The Housing Sector Report is an assessment of the needs that the Iraqi population faces with regard to housing and urban development. The Sector Report has been prepared under the auspices of the United Nations Development Group and World Bank (UNDG/WB) Joint Needs Assessment, established on 25 June 2003 immediately following the Technical Consultative Meeting on the Reconstruction of Iraq held in New York at the same time. One of 14 sector reports, the Housing Sector Report has been compiled for the purpose of helping the Iraqi population, the Coalition Provisional Authority (CPA), the United Nations, the World Bank and interested Member States assess and prioritize needs with a view to contributing effectively to the reconstruction of Iraq. The key elements of this report along with those of other sector reports have been incorporated into a “Synthesis Report” of the UNDG/WB Joint Needs Assessment. Both the Synthesis Report and the Housing Sector Report serve as inputs to the “International Conference on the Reconstruction of Iraq,” 24 October 2003, in Madrid, Spain, and subsequent events associated with the reconstruction effort.

1.2 The Report has been prepared by UN-HABITAT in close collaboration with the World Bank Group, Iraqi officials, Iraqi consultants, other United Nations Organizations and selected Non-governmental Organizations. On 25 June 2003, the UNDG/WB Iraq Working Group requested UN-HABITAT to serve as the Task Manager for the Housing Sector as part of the overall Iraq UNDG/WB Joint Needs Assessment. Based in Nairobi, Kenya with its sister organization UNEP, UN-HABITAT is the specialized agency of the United Nations charged with promoting adequate shelter and sustainable urban development. Since 1997, UN-HABITAT has executed the third largest activity under the Oil For Food Programme, with concerted work in the three Northern Governorates that now constitute the Iraqi Kurdistan Regional Authority. UN-HABITAT has also served as Observer in South and Central Iraq of the Housing Sector and implemented in Baghdad since 2000, the highly innovative Neighborhood Rehabilitation Programme.

1.3 The Task Manager together with the above partners carried out the Needs Assessment of the Housing Sector over a 8 week period between 25 June 2003 and 25 August 2003. This included a pragmatic strategy to consolidate available secondary data, collect where possible primary data, and hold consultations with appropriate stakeholders in the sector. In late July, the UN-HABITAT and the World Bank jointly undertook a seven-day mission in Baghdad and a subsequent three-day mission to Erbil. In parallel, the Task Manager held consultations with UN, World Bank, and US organizations presently working in Iraq. Both UN and World Bank staff prepared a draft Sector Report that was subsequently shared with key stakeholders in Baghdad giving rise to the present text.

1.4 The Housing Sector Report considers three separate but related sub-sectors. These are: urban development broadly defined as planning, management and governance practices that contribute to sustainable urban development; housing policy, including shelter and related services, delivery mechanisms and housing finance; and land, including land management, land

use management, tenure and property rights with specific focus on the pressing issue of property restitution.

1.5 The Report is organized into four sections: introduction, current status, priority needs, and cross cutting issues. The introduction provides a brief social, political, and economic snap shot of present day Iraq and outlines in broad terms the implications for urban management, housing policy and land. The second section considers the current status of these sub-sectors, while the third section outlines priority needs, actions and financial requirements that the Iraqi population and the international community can collectively address in the short term (2004) and longer term (2004-2007). The Report concludes with an analysis of the sector from the perspective of select cross cutting issues including geographical variation, gender, environment, employment, human rights, and capacity building.

B. Brief trend analysis over the past 15-20 years

(a)- General Socio-Economic and Political Trends in Iraq

1.6 Contrary to many developing countries, Iraq's challenge of reconstruction is not so much a matter of starting from scratch to achieve a new goal. Rather, recovery in Iraq is first about returning to levels of economic prosperity and political stability that the majority of the Iraqi population enjoyed in the late 1970s. While the loss of human life and socio-economic decay associated with two wars, sanctions and over-centralization is devastating, one should not underestimate the importance of an Iraqi population that, through its previous record and level of education, has demonstrated its capacity to sustain an advanced economic standard of living.

1.7 This said, the early 21st Century is not the 1970s. The Iraqi population faces serious challenges re-working fundamental aspects of its governance, political decision making and economic development. Subsequent to establishing an autonomous, sovereign Government of Iraq, the Iraqi population will likely have to consider ways to shed its state-centered, command economy and make sense of its options in engaging with what is predominantly a market-driven global economy. The central government has over the past 30 years increasingly controlled all aspects of planning and administration. The Ministry of the Interior, for example, has previously enjoyed enormous decision making power in areas of public administration that in other countries are assumed or, at least, shared by municipalities and local governments.

1.8 The previous regime further consolidated decision-making authority in the central government, more specifically the Office of the President. The state at that time not only failed to decentralize government administration but also persecuted regions of the country that sought in any way to pursue local self- government. The Ba'athist persecution of the Kurds, its overall policy of "Arabization," and its repression of the Shi'a uprising in Basra following the 1991/2 Gulf War are just some examples.

1.9 Popular participation outside of the machinery of the state was significantly curtailed under conditions of intense centralization. "Local councils" and other administrative structures operating at the sub-national level were controlled "from above" rather than being popularly elected or derived from grassroots movements. Where forms of social organization did occur independent of the state, these tended to be proscribed to opposition parties, religious organizations, and/or hybrids of the two. Civic engagement associated with self-help improvement and collective action was constrained largely to ad hoc initiatives in selected cities and towns.

1.10 Among many other manifestations, two results of a heavily centralized public administration have been the bloating of the civil service to the detriment of the private sector, and the use of basic services as a tool for political control and manipulation. The private sector is largely underdeveloped, especially in South and Central Iraq while a significantly high proportion of the wage-earning population derive income from public sector jobs and contracts. Land, housing, credit, trading licenses, etc. have been furnished or restricted by the state in order to reward or punish. And within such systems of control and patronage grew increasing numbers of gatekeepers that generated wealth through extraction of rents.

1.11 A further feature of Iraq is the complex nature of its pursuit of what is arguably the world's second largest deposit of crude oil. Part of the relative gains of the Iraq economy in the 1970s was its successful use of oil revenues to fund investments in the social sector (housing, health, and education) and in physical infrastructure (roads and communication networks). Cheap immigrant labor lowered production costs as well as the cost of service provision. War with

neighboring Iran and the increasing control of the previous administration changed this. Immigrant labor left Iraq, investment declined significantly in the social sector and in public infrastructure, and systems of oil extraction, production and distribution rapidly fell into disrepair. The attempts of the previous administration to nationalize the oil industry combined with the international sanctions placed on Iraq resulted in further deterioration of what was the nation's primary source of foreign exchange.

1.12 About half of the Iraqi population today is underemployed or unemployed and this proportion may rise further in the short run should the CPA and the Iraqi Governing Council elect to streamline the public sector and to privatize parastatal industries. Severe unemployment lowers morale, increases domestic and public violence, breeds distrust and insecurity, and undermines the stability of the fragile political economy that constitutes present day Iraq.

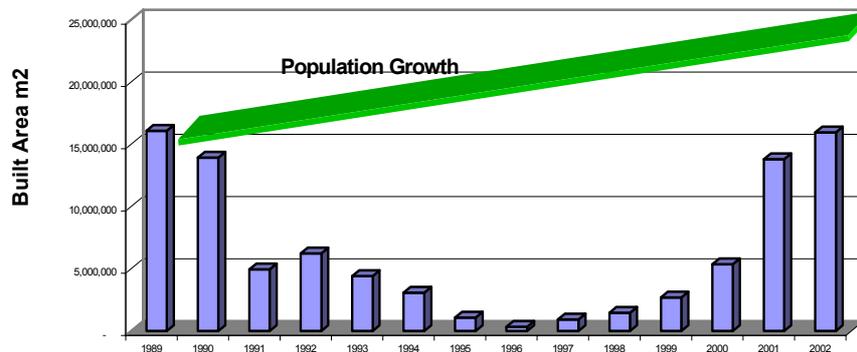
(b)- Implications for Urban Management, Housing and Land

1.13 The deterioration of the economy, centralization of public administration, the absence of popular participation, state patronage, the complexities of the oil industry, and unemployment have greatly impacted upon urban development, housing and land management.

1.14 The way people and officials in the 290 urban areas of Iraq govern, plan and manage their cities has over the past 20 years been very much a function of decisions made in Baghdad. The Office of the President and the Ministry of the Interior have historically dominated decision-making. Officials that govern the cities and towns, with the recent exception of the Mayoralty of Baghdad, have been state appointments. Public officials have not been elected through popular processes, and sub-municipal formations have been largely state-formed and controlled. Urban planners, while competent in preparing spatial plans, were not allowed to interact with society and had no means of controlling the implementation. Urban planning, therefore has been confined to technical aspects of spatial planning, lacks social and economic elements, and, until quite recently, has not drawn upon the contributions of professional associations and citizen groups. Similarly, urban managers working in Iraq have not been allowed to engage the private sector and popular organizations. Budgeting and auditing have not been transparent and citizens lack mechanisms to hold public officials accountable.

1.15 Two wars, sanctions and over-centralization of public administration have created a backlog of an estimated 1.4 million housing units. The quality of the existing housing stock has fallen dramatically due to lack of investment, overcrowding, and inadequate basic services such as water, sanitation, electricity and road infrastructure. The result is deterioration in middle-class housing (in which Iraq had enjoyed conditions comparable to Western standards) on the one hand, and the rise of substandard neighborhoods and unplanned settlements occupied by people living at the poverty line on the other. The de-facto housing policy¹ has promoted uneven state-provision of public housing and subsidy, replete with abuse and patronage as described above. The country lacks enabling legislation to facilitate private sector investment in housing and basic service provision. The financial services industry is only partially developed and does not provide housing finance, other than through one national housing bank. Housing and planning functions in municipal authorities are not integrated and there are few provisions for community-based initiatives and self-help housing. While human capital in the form of trained experts and professionals far exceeds that of many developing countries, the institutional framework is quite weak and not well oriented for addressing the housing shortfall and improving the quality of the existing housing stock.

¹ The latest official "Housing Policy of Iraq" is based on the 1986 Report, the 1979 Report, and the 1974 Report, and is influenced by a 1989 Report on "Development Planning for Iraqi Governorates" and includes a chapter on housing policy.



1.16 These shortcomings aside, Iraq maintains a nascent private construction and building sector. This is especially so in the Northern Governorates but it is also true, though to a lesser extent in South and Central Iraq. The experience of UN-HABITAT in Northern Iraq working with over 800 local contractors indicates that there is an entrepreneurial class of architects, quantity surveyors, engineers, and building contractors. The construction industry, however, is dependent upon imports from neighboring countries as the local production of building materials is only partially developed and lacks incentives for investment.

1.17 The legacy of the ills of the past 20 years in Iraq is perhaps most evident in the land sector. Throughout the 1970s, Iraq nationalized land ownership. The attempt at redistribution of wealth was short lived however. Land became a commodity of Ba'ath party politics, confiscated from opposition members, and then bought and sold in an increasingly lucrative black market. Despite tight restrictions on non-residents to own land, state ownership of land did not effectively counter rural-urban migration, spontaneous unplanned settlements, and the private sale of “unofficial” land and property in these settlements. Land registration in cities in Iraq is necessarily an incomplete estimate of actual ownership but it is nonetheless a serious business intent on capturing the reality on the ground. This said, few cities in Iraq have adopted modern systems of land management.

1.18 Land also served as a tool in the so-called “Arabization” policy of the previous regime. The previous administration punished Kurds by extracting their land and then making it available to party supporters in an effort to increase the Arab population. This resulted in a growing population of internally displaced people. In the aftermath of the March 2003 military invasion of Iraq, Kurds in select cities sought to re-claim property acquired illegally by the previous administration, giving rise to yet another population of displaced persons, this time of Arab rather than Kurdish origin. During the aftermath of the First Gulf War, Shi'a populations in Southern Iraq met similar punishment in the form of land extraction. In Northern Iraq today, an estimated 800,000 are internally displaced and many believe they are entitled to some form of compensation or re-appropriation of land and property.²

² The definition, number and needs of the IDP population in Iraq is a topic of debate. The figures for squatters in Baghdad, for example, are up to 60,000 to 70,000 persons but according to an independent NGO survey, genuine IDPs are not more than 1% (a survey conducted by IOM puts the figure at 10%). The figure of 800,000 IDPs in Northern Iraq is based on figures compiled as part of the “IDP Site and Family Survey” conducted by UN-HABITAT in 2001. The survey indicates that all IDPs do not necessarily seek claims on land and property. With regard to the national figure for IDPs, no data are available. Regardless of the total number, there will be many returnees and even other citizens of Iraq who have never been displaced and/or refugees who will claim confiscation of their land and property.

II. CURRENT STATUS AND ISSUES

A. Urban Management Sub-Sector

(a)- Status of Urban Governance and Administrative Functions:

2.1 Iraq at present maintains a dual institutional structure. There is the integrated structure for the capital Baghdad that reports directly to the Council of Ministers. The remaining 17 Governorates reported administratively via local municipal departments to the governor, but were technically and ultimately under the supervision of the Ministry of Interior, recently renamed the Ministry of Public Works. In theory, current expenditure is financed from municipal resources but often in practice, cities resort to calling upon the support of the Ministry of Finance. In all cases, new investment projects are centrally financed.

2.2 Law 159 for the year 1969 more or less retains the same administrative units that have been stipulated since 1927. It is generally true to say that all legal amendments since 1968 regarding local government and municipal authority are basically of a political nature tending to place security requirements above the provision of services on a local basis. Even the “Popular Councils” created at each administrative level to provide local support were, in effect, only instruments of the central government and Ba’ath party apparatus. After 1991, the autonomous region of Kurdistan was separated from the authority of central government. The governorates of Sulaymanyah, Arbil, and Dahuk were practically independent from the political, administrative and financial supervision of the central government. Even the implementation of Security Council resolutions pertaining to the Oil for Food Programme treated these governorates as independent.³

2.3 The previously established Ministry of Local Government never implemented its founding law; and in 1991, it was abolished and its activities were brought under the Ministry of Interior. Presently, the Ministry of Public Works nominates governors, while the president’s office appoints them. Invariably, they were previously army generals or chiefs of police appointed for security purposes. They were given wide authorities with direct access to the President with exceptional authority to bypass existing laws. The governor was, in effect, a military administrator working under emergency laws. Municipal departments in the governorates were working under the authority of the governor and security chiefs rather than their technical supervisors under the Deputy Minister of Interior for Technical Affairs. The Mayoralty of Baghdad was a special case. It comes under the Council of Ministers and the Mayor was very often reporting directly to the President.

2.4 In all cases, despite the claim for “self-financing,” the central budget was often providing the municipalities of Baghdad and the governorates with financial support and there was always full dependence on the central budget for capital projects. Before 1995 the municipality of Baghdad was completely financed from the central budget. After the promulgation of law No. 16 of 1995, nine municipal entities were created on a geographical division basis to administer services in their areas under the Mayoralty of Baghdad. A department for water and a separate department for sewage were also created within the Mayoralty framework. The water and sewage administrations were responsible for the main and secondary networks, while tertiary networks were brought under municipal units. In the governorates, the director of municipalities in each governorate and cities and towns come under a director general for the governorate, who is reporting to the governor administratively, but technically he comes under the supervision of the Ministry of Public Works. Water and sewerage come under a separate administration that reports

³ Officially speaking, the OFFP in northern Iraq depended on an Agreement with the Government of Iraq such that the OFFP was implemented “on behalf” of the Government of Iraq.

to central authorities in the Ministry of Public Works, which currently maintains two departments: one for Municipalities and one for Technical Services.

(b)- Status of Municipal Services:

2.5 Generally speaking, municipal services in the governorates were below the standards in the capital. During the past 10 years, the situation has been even further downgraded. Some improvement took place after the year 2000 with municipal equipment and vehicles allowed in as a result of the Oil for Food Program. Sewerage services were hardly existing in the governorates. Except in Baghdad (75% coverage), only 13% of the governorates maintained sewerage, namely Hilla and Najaf and some parts of other major cities. The improvements resulting from the Oil for Food Program did not spread to this sector in the provinces of Iraq, except in some parts of the Northern Governorates. Water treatment plants in the provinces did exist in the past but the processes were rudimentary and many of them do not function properly. Maintenance of roads and sidewalks in the centers of the governorates started in 1999 with the availability of some equipment but since secondary roads hardly existed, the situation could not be considered in any way adequate.

2.6 Apart from the Mayorality of Baghdad that was given special attention throughout the review period, the rest of Iraq had hardly any meaningful municipal services. Municipalities were mainly concerned with rudimentary planning functions, building licenses, basic solid waste management and a limited degree of street cleansing. These functions witnessed a great deal of downgrading during the embargo years since 1991. The lack of funding and the priority given to security issues led to a serious degradation of the services given on a local level. This is not only true for the governorates under central government in Baghdad, but also in the Northern Governorates. Baghdad always had some special attention. This was reflected in the significant allocations in the M.O.U. distribution plan to the city of Baghdad.⁴

(c)- State of the Cities:

2.7 Any attempt to identify the ‘most vulnerable’ would need a detailed survey. However a quick ranking starting from the least served areas to the best would probably always start with the city of Basra. With a population of 1.8 million, the province carried the brunt of the Iraq-Iran war and was further devastated by the first gulf war. The recent military operations also carried a toll on Basra. Municipal services, and particularly waste disposal, were downgraded. The cities of Nasiria, Amara, Samawa, Diwaniya, Kut, Hilla, would all count along with the most needy cities and their related subdivisions in this order. The municipalities and the governorates of Ramadi, Kirkuk, Mosul and Tikrit were better served than the municipalities of the south. In the autonomous region of Kurdistan, municipal services were not very much better served than the municipalities in the Sunni area of Iraq. As expected, Baghdad has enjoyed greater attention but the service needs remain acute.

(d)- Status of Municipal Infrastructure:

2.8 The provision of public infrastructure in Iraq has been the responsibility of the central government. Up to the early eighties, huge public investments were made to improve access to basic infrastructure. However, successive years of wars and sanctions have reduced the ability of the Government to invest in new infrastructure and maintain existing facilities. Non-reliable access to adequate water and sanitation, recurrent flooding and the disruption of solid waste management services created major public health hazards in major cities. Many new housing plots were distributed in recent years without basic infrastructure such as water, sewerage and electricity creating large numbers of substandard housing areas.

⁴ The assessment of the structure of municipalities and the implications for service delivery are derived from consultations held with the representatives of the Ministry of the Interior, Ministry of Public Works, Ministry of Housing and Construction, and the Mayorality of Baghdad. These consultations were conducted during the UN/WB joint mission, 21-28 July.

(e)- Status of Urban Policy:

2.9 Under the previous administration, Iraq did not have a formal policy for the development of its cities after the Housing Policy Reports of the 1980s. The more recent, “de-facto” policy reflected the heavy centralized character of government administration in which nearly all functions of urban development were controlled by the central government and to some extent, the governorates, though only through administrators appointed by the state. Urban development decisions from above often supported state political and security interests and rarely drew upon the views of non-state actors at the local level. In the absence of decentralization policies and the delegation of administrative authority, Iraq did not have legislation and procedural mechanisms to enable cities to advance participatory planning and management practices. As a result, there was limited involvement of urban populations in city development.

2.10 The “de-facto” policy has had implications for resource mobilization as well as urban planning and management. Presently the cities are 90% subsidized by the Governorate through a fee-for-service mechanism collected for service provision. Resources generated in this way not only exclude city authorities from key decision making functions, but also they are not sufficient to cover the basic operation and management cost of running the city. Iraq lacks mechanisms in cities for tax collection (especially property tax) and assessment of assets (public and private). Cities in Iraq lack strategies for cross-subsidizing the financing of municipal services to supply lower-income populations with basic services. They do not issue bonds nor leverage pension fund investments to mobilize resources further. Local authorities in the North have made some progress in administering cities, though there remain challenges ahead to establish smooth working relations between the governorates and the cities. The United Nations in the North from 1997 to the present under the Oil for Food Programme contributed to the development of local authorities, helping to strengthen their institutional capacity (see below).

(f)-Status of Urban Planning and Management:

2.11 It should be noted at the outset of this assessment of urban planning and management that there are already some encouraging signs since March 2003. Residents of many cities are forming grassroots organizations to articulate their needs and contribute to improving their living and working conditions.⁵ Also at the sub-municipal level, local governments and citizen groups are forming municipal councils that comprise representatives of the local population. These municipal councils are gradually taking over the responsibilities for municipal work and putting forward agendas involving them in education, health and other social issues. Discussions at the national level and within city governments are also positive with officials expressing interest in transforming the management practices necessary for more inclusive and participatory urban development.

2.12 While these are, indeed, encouraging signs, the recent history of urban planning and management in Iraq suggests the road to recovery will take considerable time and investment. Urban planners in Iraq rely almost entirely on Master Planning, a highly technical exercise confined to spatial planning by only a handful of architects and planners. They have not incorporated social, economic and ecological considerations when planning roads, infrastructure and basic land use. Many trunk infrastructure systems in cities in Iraq capture only a fraction of the actual population of the city, where entire spontaneous settlements are left out. The challenge for urban planners in Iraq is, therefore, a two-step process: (a) to apply new planning tools and embrace strategic (as opposed to Master Planning) approaches to city development, and (b) to incorporate in city development strategies unplanned, informal settlements.

⁵ Many grassroots organizations at present are religiously proscribed. Few as yet are constituted for the purposes of addressing issues of social and economic justice beyond the confines of religious membership.

2.13 Urban management practices in Iraq are also inadequate, making the starting point for sustainable urban development highly problematic. Part of the problem has been the legacy in Iraq of the centralization of public administration. Local authorities were never empowered and could address only the immediate issues pertaining to engineering and technical tasks like water, sewerage and roads. Community concerns like recreation, education, health, and environmental issues were excluded. An additional problem was the lack of participatory decision making in the management of cities. Local officials have not yet had the opportunity to engage professional associations, women's groups, and grassroots organizations. Other than in select cities in Northern Iraq, municipal authorities lack experience subcontracting private firms. There are very few examples of public-private partnerships established to provide basic services through the tendering of contracts to private contractors.⁶

(g)- Status of Human Capital and Institutional Capacity:

2.14 During and before the seventies there existed in Iraq large numbers of highly skilled work force in all technical fields related to urban planning and management. The skill-base in Iraq was comparable to that of the labor force in Greece and most middle-income nations. After the 1970s, however, the work force in Iraq reduced in strength as many emigrated outside Iraq while at the same time, immigrant laborers moved to Iraq in large numbers. These were largely semi-skilled workers from neighboring countries. Many infrastructure and construction projects were implemented in Iraq during the mid-seventies and eighties relying largely on migrant construction labor. While not what it was in previous years, Iraq retains a significant number of skilled professionals that given the opportunity, would contribute greatly to the development of cities. Many of these professionals, however, would benefit from training and exposure to acquire knowledge about the state-of-the-art technologies and recent developments in their fields of expertise.

2.15 The problem Iraq faces in the urban management sector is not so much the absence of skills but rather, the quality, exposure and orientation of the work force. Many civil servants and professionals in Iraq have been denied the opportunity to practice contemporary approaches to urban planning and management. The intense isolation of Iraq from the international community has prevented them from engaging with their counterparts from other countries. And the autocratic and centralized character of public administration has given them little incentive to adopt inclusive practices and approaches.

2.16 The important exception in Iraq is the quality and orientation of the municipal work force in the Northern Governorates. Civil servants and professionals there have contracted private firms to deliver basic services and engaged grassroots organizations and professionals in participatory planning activities. The advance in urban planning and management in cities in the Northern Governorates is in part a result of the direct participation of local authorities in programmes of the United Nations under the Oil for Food Programme. UN-HABITAT, for example, has since 1997 implemented large-scale housing projects with complementary services and infrastructures targeted at Internally Displaced Persons and Vulnerable Groups. This has resulted in the construction of 21,750 houses, 575 km of water mains, 140 km of sewer lines, 738 primary schools, intermediate and secondary schools, 132 health centers, 115 buildings that serve socio-economic purposes, and over 2600 km of roads (including 24 bridges). Local authorities were instrumental in bringing about these improvements, working through 500 local programme staff, 800 private contractors, and giving rise to 80,000 jobs.⁷

⁶ The assessment of the current status of urban planning and management is based on a series of consultations with Iraqi professionals, largely in and around Baghdad, in late July and early August 2003.

⁷ Local Authorities and UN-HABITAT in collaboration with participating local contractors and persons employed through the OFFP activities have produced a number of assessments that were made available for this Report.

B. Housing policy Sub-Sector

(a)- Status of Housing Stock and Related Shelter Services:

2.17 Iraq presently is experiencing a housing sector shortage of between 1.0 to 1.5 million units, a magnitude that by international standards constitutes “Crisis Level.” The total housing stock of about 2.8 million units is well below the minimum requirement of housing stock necessary for the current population (estimated at 25 million for the purposes of this assessment). The quality of housing due to over-crowding and limited maintenance has decreased significantly over the past 10 years. Housing space per person declined to 10 square meters in 2000. About 30-35% of housing stock is below the standards set by the Ministry of Housing especially in the large urban centers.⁸

2.18 The damages associated to the recent military conflict and aftermath looting impacted on roughly 5,000 housing units, and accompanying support infrastructure (electricity, water supply and sewerage). War damaged housing & buildings need to be rehabilitated urgently based on the fair assessment and compensation mechanism. Supporting infrastructure for housing such as water supply, sewerage, electricity, garbage collection, road maintenance has deteriorated to levels well below the standards. An estimated 30%-40% of the population is not covered or under-served at present.

(b)- Policy Framework:

2.19 No contemporary and comprehensive housing policy in Iraq exists at this moment. The latest official “Housing Policy of Iraq” is the 1986 Report, the 1979 Report, and the 1974 Report, as well as the 1989 Report on “Development Planning for Iraqi Governorates” and includes a chapter on housing policy. The present “de-facto” housing policy for South and Central Iraq has been a state-driven approach, with very limited involvement of the private sector outside of the construction industry. The State has assumed the responsibility of housing provision, and has not adopted an enabling strategy for both the private sector and local communities and their organizations. This state-led approach to housing delivery has led to the following manifestations.

- ♦ Consolidation of all functions of site selection, infrastructure provision and housing delivery by central government and officials appointed in governorates.
- ♦ Establishment of large subsidy systems to individual households, also with strong central government control, in the form of plots of land, below-market loans, and subsidized building materials.
- ♦ Confinement of mechanisms of housing finance to one state-owned bank (see below).
- ♦ Perpetuation of an outdated legal and regulatory framework that limits housing delivery to the public sector.
- ♦ State enforcement of legal restrictions on rent.
- ♦ Select government built social housing projects that were few in number (less than 60,000 units) and designed to accommodate higher civil and military servants (85% of all housing projects were state-sponsored).
- ♦ Allocation of housing to special interest groups favored by the regime, and related political manipulation of subsidies and housing delivery systems.
- ♦ Necessity of majority of Iraqi population to undertake individual initiative to secure adequate housing.
- ♦ Vulnerability of large number of families that do not own land or cannot access any of the delivery programmes, and that have to fend for themselves.

⁸ Estimates presented here are based on a rapid assessment prepared by the World Bank, as well as on consultations with various Iraqi officials and professionals as part of the joint needs assessment, 21-28 July 2003. Many Iraqi professionals emphasised that while standards have fallen, the previous standards are comparable to western standards and are therefore very high for the housing context.

- ♦ Lack of detailed data on housing conditions and absence of reliable housing and physical surveys at national and municipal levels.
- ♦ Serious constraints to private sector participation in housing provision, including legal rent restrictions, weak financial services, and rising cost of construction.
- ♦ Government viewing housing as a social service expenditure and not also as an investment activity.⁹

(c)- Status of Building Materials and Construction Sector and Employment:

2.20 The building materials sector in Iraq produces cement, bricks, glass and tiles among other items necessary for the construction of houses and related services and infrastructure. Cement production is fully government owned but brick production is over 95% in private sector hands. Private companies and public parastatals share in the production of clay tiles and PVC pipes, with the private sector holding a majority. Both private companies and parastatal industries have suffered under centralized state influence where the output is not related to production costs. Managers have been hard pressed to meet costs due to the random, politically motivated introduction of subsidies on building materials. The construction industry is dominated primarily by the public sector. Parastatal companies over the past four decades have implemented contracts for government projects, mostly for the military and public infrastructure. Given the nature of government contracts under the previous regime, inefficiencies were many, especially as talented technical, professional staff left the country.

2.21 While inefficient and vulnerable to central government control, the building materials and construction industry provide a major source of employment. As with many socialist states, Iraq maintained near zero levels of unemployment, opting instead to over-staff companies. While estimates of unemployment vary widely (anywhere from 1997 census figure of 17% to internationally reported levels of 50%), Iraq faces a serious challenge to improve livelihoods and enable people to realize their productive potential. Many Iraqi officials and professionals keen to reform (possibly privatize) the building materials and construction industries, are conscious of its labor-intensive character and would like to maintain, if not increase production levels in order to preserve and expand employment.

(d)- Housing Finance¹⁰:

2.22 Housing finance in Iraq is significantly under-developed and handicapped. The National Estate Bank is the sole service provider of mortgages and home loan products. It is limited in scope and, like many state-owned corporations in Iraq, has been subject to political control from central government. This said, the National Estate Bank in the 1970s maintained a fairly well developed mortgage finance system that if revitalized and expanded today, could contribute significantly to the housing finance needs of the nation. In the past 20 years, however, the state imposed below interest-rate loans and longer-term amortization periods on the National Estate Bank as a form of subsidy to special groups. More generally speaking, Iraq lacks a modern financial service industry and systems for savings and loans. Iraq lacks proper laws and procedures such as foreclosure laws that are conducive to the private sector, especially to banks interested in operating mortgage finance instruments. Also absent in Iraq are specialized lending products for low-income populations that do not meet the conditions of conventional lending (collateral, credit history, tax payments, etc).

⁹ Assessment of housing policy consolidates observations by the World Bank and ongoing consultations with Iraqi professionals in late July and early August 2003.

¹⁰ The information obtained on housing finance for this Sector Report is admittedly thin. The Task Manager has maintained contact with the representative of the International Finance Corporation (IFC) of the World Bank Group with a view to exchange information. In its rapid assessment missions to Baghdad in mid July 2003, the IFC also found it difficult to obtain information on housing finance. While the observations made in this Sector Report reflect the views of Iraqi officials and professionals consulted, it will be useful in future to conduct a more exhaustive assessment of financial services for mortgages and home improvement.

(e)- Status of Human Capital and Institutional Capacity:

2.23 Human resources in the housing related agencies are generally well educated and highly qualified. While Iraq experienced a significant “brain-drain” over the past 15 years, it retains a serious cadre of qualified professionals. Generally, the problem of human capital is related to a lack of equipment, disruption of bureaucratic services associated with the recent conflict, and the appropriate quantity and skill-upgrading necessary to meet the present levels of required housing/services production. This is the case for the Ministry of Housing and Construction, the Ministry of Public Works (especially the Urban Planning & Design Department), the major municipalities, and the National Estate Bank. It is also true for employees of the building and construction industries where existing employees and additional skilled workers must be employed to make the housing sector effective and able to meet the challenging targets in future.

2.24 Concerning institutional capacity in Iraq, institutions related to the housing sector have over the past three decades been heavily hierarchical, with central government line ministries consolidating most decisions and administrative authority. The chain of command has been very much top-down beginning with line ministries, moving to Governorates, and down to municipalities. Private sector interests where these do exist have been significantly sidelined, other than the influence asserted by officials of parastatals and well-placed contractors. The same is true for professional associations (architects, planners, surveyors, builders, suppliers, etc.) and organized citizen groups, other than what has emerged in recent months subsequent to the military conflict. What is clear at present is that there is little institutional capacity to introduce systems of housing delivery that involve private, public and non-state actors.¹¹

C. Land Management Sub-Sector

(a)- Status of Land Ownership, Landless Population, Evictions, and Property Disputes:

2.25 Systems of land management in Iraq are weak and in need of overhaul. There is a dearth of reliable information following three decades of shifting and incoherent land policy, internal conflict, and more recently the chaos of looting and destruction of public records. The qualified staff of the Land Administration Department of the Ministry of Justice has done its best against great odds to maintain records and uphold land and property law. However, generally weak national systems of land management make their job difficult to verification property rights. Worse still, the judiciary in Iraq lacks the legislative capacity to respond to unlawful evictions and the rights of the landless population. The lack of equipment and the general disruption of bureaucratic services have compounded the problem further.

2.26 Through a policy of nationalization,¹² the Ba’athist regime controlled land adjudication and doled out rights of use to political favorites who subsequently profited through unregistered ‘sales’ in an open ‘black market’. This marketing of state land initiated an inflationary curve that pushed prices outside the reach of many families particularly in the heavily urbanized centers throughout Iraq, leaving many landless. Further, through the 1990’s in particular, the supply rate of adequate housing fell far below demand¹³ leaving a deficit of some 1.4 million units; the consequent competition for access to shelter and resultant proliferation of informal settlements ensued.

2.27 Regarding the landless and evicted, it is not possible at present to quantify in specific terms the numbers of people in Iraq dispossessed of their land and property rights. This said,

¹¹ Iraqi officials and professionals as well as representatives of the CPA voiced their concerns about the limited institutional capacity in Iraq to bring about these kinds of changes in the housing sector.

¹² Note: The applicable law in Iraq does define private property rights which are guaranteed conditionally on national interests.

¹³ UN-HABITAT Reconstruction Plan: Housing and Urban Management Sector July 2003

however, one can construct a picture indicative of the plight of the dispossessed families. This can be done by piecing together the numbers of displaced people currently being assisted by international humanitarian aid, the security incidents addressing the forced removals of families who benefited from the previous regime's Arabisation programme, and the proliferation of informal settlements and illegal occupations of public buildings.

2.28 As in similar post-conflict situations (Kosovo, East Timor, etc.), forced evictions in Iraq continue with changes in power relations altered by the conflict. In the Northern areas, Kurds forced from their land during the Arabisation policy of the previous regime are now returning to claim those properties, and in the absence of any mechanism for restitution, have violently evicted the occupants. The central/southern areas have witnessed the evictions of Iranians who settled in Iraq following previous conflicts. In Baghdad, landlords exploiting the presence of a large international community and the defunct status of rent restrictions have increased rents far beyond the capacity of local populations to meet and subsequently evicted them whenever the opportunity arose, while mobs have illegally evicted former Ba'athists from their properties. The pressures on the existing residential property market will be further exacerbated by the expected returns of refugees from outside Iraq.

(b)- Status of Policy Framework:

2.29 The state of the land and property legal framework requires further investigation, particularly considering the new substantive legal obligations of the CPA as an occupying power. Notwithstanding this, Iraqi law must conform to the 1990 Interim Constitution under which all applicable law falls¹⁴. Given the situation described above, however, it is clear that the policy framework related to land and property is disjointed, incomplete, and ineffectual. Also apparent, is the absence of essential regulatory provisions on implementation of housing, land, and property law including local government related statutes and by-laws governing spatial and structural planning, building standards and regulations, cadastral and registration mechanisms, and dispute resolution functions.¹⁵

III. NEEDS AND PRIORITIES FOR THE SUB-SECTORS

A. Strategic Vision

(a)- Urban Management:

3.1 As Iraq emerges from the war, a client-oriented culture and decentralized system of urban management is needed. This will aim to become socially inclusive, economically viable, and environmentally sustainable and would promote partnerships between the community, local authorities and the private sector. The likely strategy will be to move gradually to decentralize public administration such that cities assume authority and responsibility previously confined to central government and regional governorates. City officials will need to define the role of municipal government vis-à-vis the private sector and popular, non-state actors at the local level, determining how best to facilitate, and not necessarily provide infrastructure, collect taxes, and address the needs of all residents, including the urban poor. The realization of this strategic vision will require policy reform, new institutions, and concerted efforts to build capacity.

(b)- Housing Policy:

3.2 The sector vision for Iraq aims at providing equitable access to affordable housing throughout the country. This will be achieved by promoting an enabling environment for the

¹⁴ Under CPA Regulation No. 1 (May 2003), The law in effect from April 2003 is the existing law of Iraq save those elements that prevent the CPA from exercising its rights and fulfilling its obligations.

¹⁵ This is recognised in principle by the CPA in its early efforts to devise the CPA Regulations 4 and 6 establishing a property reconciliation facility and preventing forced evictions respectively.

private sector to provide affordable housing to the public while limiting public sector intervention to overall coordination with focus on addressing the housing needs of the vulnerable groups in Iraq. The housing policy that Iraqis elect to promote will be tied closely to the degree to which they open their economy to markets and direct foreign investment. In all scenarios, housing will emerge as an investment activity rather than solely as expenditure. This will mean a greater role for the financial service sector, the building and construction sector and individual private investors. It will also require considerable attention to the attendant concerns about land delivery, property restitution, finance, building materials and construction technology, building codes and standards – as regards policy reform, institutional change, and capacity building. With nearly 30% of people in cities living near the poverty line, Iraq will need to adopt housing strategies that reflect the needs of the urban poor. These may include the retention over many years of direct subsidy provisions, the involvement of the urban poor as genuine partners in the delivery process, and the development of flexible financial instruments. The bitter experiences of the former Soviet Union of privatization should be avoided, with greater attention to the lessons learned from China/Vietnam. That is, generating employment while providing housing, sustaining high production levels in the construction sector, and where possible retaining labor-intensive building and construction practices.

(c)- Land, Tenure and Property Restitution:

3.3 A land management system that can address tenure issues and resolve disputes in Iraq must rely on internationally accepted human rights instruments and principles of due process and rule of law. Respect for and the effective implementation of new systems of land management also requires legitimacy and a degree of acceptance by the Iraqi population. Legitimacy can be fostered through policy reforms and systems of information management provided that the development of these is gradual, transparent and participatory. Elements of policy reform are land management & administration, land dispute resolution, land allocation, land tenure rules, land use regulations, and land inventory & registration. The modernization of information management systems requires improvement both of formal and informal systems. This will entail providing surveys, mapping, cadastre, real property registries, as well as sector monitoring (indicators database, support for policy formulation). The advent of decentralization, local self-governance, and participatory decision making in Iraq generally, will have direct implications for how land is managed and used. It will therefore be important to integrate the development of land management systems and requisite policies and legislation with concurrent efforts in housing delivery and urban management as outlined above.

B. Medium and Longer Term Priority Needs and Proposed Policy/Institutional Actions

(a)- Urban Management

3.4 The medium to longer term needs and related actions necessary to realize the strategic vision for urban management in Iraq can be presented in four areas. These are:

- Policy and legislative reform
- Training and institutional capacity building
- Development activities
- Assessment and research
- Information and data collection

3.5 *Policy and Legislative Reform*

- Implementation of a National Decentralization Programme with full application by municipal authorities.¹⁶
- Passage and introduction of relevant laws and procedures enabling municipal authorities to assume new found political, administrative and fiscal powers and responsibilities.
- Introduction of policies and strategies that facilitate public-private partnerships at municipal level, including tendering by local authorities of contracts for small-scale entrepreneurs for basic service delivery, with focus on low-income populations in unplanned settlements.
- Revitalization of the National Habitat Committee of Iraq, as a forum for interested stakeholders at all levels to elevate issues about shelter and urban development, as is done in 120 Member States.

3.6 *Training and Institutional Capacity Building*

- Creation of a Local Authority and Capacity Building Authority (e.g. Local Government Training Institute) to institutionalize training and capacity building of municipal officials and professionals nationwide.
- Launching of Training Modules in municipal authorities, sequenced in 30 cities per year over five years, strengthening capacities of officials and professionals in half of Iraq's 290 cities.
- Upgrading of city departments of planning, water/sanitation, road infrastructure, community relations, engineering, revenue collection, etc.
- Specialized training modules for sub-municipal "local councils" on conflict resolution, participatory planning and management skills, integrating these with peer exchange programs.

3.7 *Reconstruction Development Initiatives*

- Full capitalization of Fund for Small-Scale Public Works
- Full implementation of Small-Scale Public Works Programs, gradually increasing the size and scope of such projects, and expanding the program to include additional cities over time.
- Full implementation of Community Management Programs.
- Expansion of immediate programs for equitable supply of safe, potable water, to more comprehensive water development schemes with focus on water demand management and full cost recovery mechanisms.
- Expansion of immediate waste management and sewerage programs, mainstreaming best practices into relevant departments of municipal authorities.

3.8 *Academic and Research Institutions*

- Formalization of linkages between emerging training institutions and University departments of planning, architecture, engineering, and urban studies, designed to facilitate curriculum development and learning.
- Strengthening of Iraq institutions of higher learning, linking these to capacity building and development programs for the purposes of evaluation research.

¹⁶ The Task Manager recognises that improvements in urban management are closely tied to improvements in public administration and governance, specifically devolution of power to municipal authorities. This Sector Report, therefore, envisions that a prerequisite for policy change will be some large-scale initiative towards this end, hence the term "National Decentralisation Programme." It is understood that such policy options will be described in other Sector Reports.

3.9 *Information and Data Collection Systems*

- Reactivation of the Iraq Local Urban Observatory, anchoring more firmly in government and academic institutions to monitor urban development trends and strengthen systems of data gathering and analysis.

(b)- Housing

3.10 Addressing medium to long-term sector objectives will require the Government to confront the serious mismatch between housing supply and demand, and to focus on increasing land supply while developing market-based housing finance and better targeting of subsidies. Also, given its impact on job creation, construction financing will be addressed.

3.11 Stimulating housing supply and encouraging home ownership through effective partnerships with the private sector can introduce innovation, competition and reduce the cost of housing construction and management. Equally important also is the change in the role of the public sector from being the supplier of construction material to an enabling body that regulates the market and ensures quality material and high standard construction techniques.

3.12 *Key areas of intervention:*

- Continuation of replacement and improvement of housing damaged by the war.
- Sustained housing construction, with blend of subsidy and cost-sharing for low-income and displaced population.
- Comprehensive programs for improvement of inadequate housing & infrastructure in slum areas.
- Regularization of investments in physical infrastructure development for the medium income groups
- Upgrading and expansion of building material sectors by technical assistant and financial support (combining grants and loans).
- Continued upgrading of information technology for housing related institutions (Ministry of Housing and Construction, Ministry of Public Works).

Proposed Policy Changes

3.13 The priority objective in the longer term (2004-2007) will be to establish a national housing policy and ensure its effective implementation. This will entail demonstration projects, institutional arrangements, and legal and regulatory reforms that concern land delivery, housing finance, building materials, and construction industry. The guiding principles informing both the policy framework and its implementation will include:

- Government will facilitate the private and community sectors in the delivery of housing. The public sector has both the responsibility and the opportunity to make a major contribution to housing through its ability to facilitate actions by the private and popular sectors to play their respective roles in the overall shelter delivery system. It can do this by ensuring that there is an appropriate legislative base and effective government housing administrative system oriented to encourage the private sectors.
- The public sector's primary responsibility is to ensure that an adequate amount of urbanized land is available for housing development.
- The existing housing stock should be rehabilitated, and therefore settlement-upgrading projects should be given major emphasis on a citywide basis.
- The public sector has a major responsibility to ensure an adequate housing finance system is working throughout the country. The government should be encouraged to provide sufficient equity and "seed capital" to assist housing finance institutions, but the ultimate burden must be placed on mobilizing private savings.

- Decentralization of planning and implementation functions and strengthening local governance. Planning should become a bottom-up rather top-down process. This requires reorientation and capacity-building initiatives.
- Ensuring the participation of communities and empowerment of women in decisions affecting their well-being.
- Investment in housing development contributes to national economic development. The sector contributes to the Gross Domestic Product (GDP) through induced output in other sectors with which the sector has backward and forward linkages.
- While policies should consider the housing need of all income groups, they must underscore the needs of special groups including the most disadvantaged, women heads of household, the elderly and the physically challenged.

3.14 *Institutional, Legal, and Other Requirements*

- Legal changes will have to accommodate new forms of property such as condominium sharing and management of apartments.
- Legal restrictions on rent should be liberalized and taxes should be directed towards encouraging investment in housing activity.
- City planning has to move fast to accommodate new housing schemes in land lots.
- New associations for societies should be encouraged to represent communities and their involvements in all aspects of housing including land allocation, town planning and financing.
- In the context of housing finance and banking, structures of ministries such as of the Ministry of Housing and Reconstruction need to be re-examined.
- Possibly an apex level housing board could be set up—building on the work of the Task Force on Housing Policy--to bring together government, financial institutions, NGO's, and the municipal authorities.

(c)- Land, Tenure and Property Restitution

3.15 *Assessment, Consultation, Strategic Planning*

- A key first step will be to develop a Strategic Action Plan within a Medium Term Expenditure Framework envelope. Some of the priorities identified below are likely to feature in such a plan, but additional issues should be identified in-country with the stakeholders during the focused assessment.
- The mapping of the existing de facto technical processes, not just the de jure processes. This exercise should include the identification of concerned agencies and stakeholders, the tracking of the document flows etc.

3.16 *Policy and Procedural Reform*

- The development of new land related policies (land rights, land use planning, housing, valuation and compensation etc). Existing Best Practices from Arab States and other member states can be used to assist policy development for Iraq.
- For a range of reasons different adjudication procedures will be needed depending on the status of the land (e.g. for those occupying state land).

3.17 *Institutional Development*

- A democratization of the land related processes are likely to require large scale institutional restructuring (e.g. decentralization, transferring functions to the private sector) and this should be a priority area rather than first focusing on technical issues
- The modernization of the land registration system and the way land and land rights are allocated. While in most countries this raises the issues of affordability, it is likely that in Iraq

the key issue concerns the democratization of land-related processes rather than pro-poor issues. This is especially true because of the length of time taken to alter land registration systems.

- Another priority area is likely to be the restitution of land and property to those who have been evicted. Restitution processes should be put in place that run parallel to the institutional restructuring but are linked to it through sound land information flows from the outset. The development of institutionalized information flows should be a key focus.
- Enforcement mechanisms need to be developed to ensure that restitution actually takes place and these mechanisms need to be developed and adapted as the situation evolves.

3.18 *Capacity Building and Training*

- Early indications are that capacity will need to be built in relation to municipal finances. A fiscal cadastre may well need to be introduced at an early stage to address this issue, by comparison to a focus on a legal cadastre.
- Pilot projects that contribute to developing policy and strengthening local capacities and are not isolated.
- Exchange programs and study tours for professionals that expose technical and legal experts in Iraq to current thinking on policy and institutional arrangements for land management, land use management, tenure and property restitution.

C. 2004 Needs and Proposed Policy/Institutional Actions

(a)- Urban Management

3.19 The shorter term needs and related actions necessary to realize the strategic vision for urban management in Iraq can be presented in four areas. These are:

- Policy and legislative reform
- Training and institutional capacity building
- Development activities
- Assessment and research
- Information and data collection systems

3.20 *Policy and Legislative Reform*

- National decentralization program that provides a legal framework for the gradual increase of powers and responsibilities of municipal authorities, including functions of governance, planning and administration.
- Identification of immediate, requisite legislation that will accelerate the implementation of political, administrative and fiscal decentralization, therefore enabling local self-governance and administration of municipalities.
- Development of practical guidelines for privatization of municipal service delivery, with due consideration to affordability for urban poor, coverage, requisite legislation, tendering procedures, regulatory measures.
- Consultation mechanisms to review recommendations of needs assessments with a view to drafting policy and legislative frameworks for decentralization and local self-governance.
- Municipal Council elections that grant councils authority to levy “rates” and appoint administrators and municipal leaders, within the national decentralization program.
- Further policy guidelines and legislation for determining division of labor for administration of water, sewerage and roads (combined public and private sectors), and education, health and recreation (combined public and popular sectors).

3.21 *Training and Institutional Capacity Building*

- Training needs assessments for urban governance, planning and management
- National strategy for capacity building of local authorities
- Training applications on a pilot basis in selected municipalities on local leadership, participatory urban planning, demand-side infrastructure management, urban finance and management.
- Peer learning programs for municipal officials and professionals that involve exchanges between select municipalities throughout Iraq, promoting urban planning practices and national awareness.
- International exchanges that involve associations of municipal authorities from Arab States, and prospective donor countries, helping Iraq re-engage with international community.

3.22 *Reconstruction Development Initiatives*

- Established Fund for small-scale, municipal projects, managed locally by select municipal authorities with policy guidance from central government, possibly augmented by national transfers and block grants.
- Small-scale public works programs in select municipalities that at once provide immediate employment and make visible improvements in housing, roads, electricity, schools and clinics (thereby augmenting large scale, capital-intensive infrastructure projects).
- Rapid implementation of community management programmes in select municipalities for low-income households in unplanned settlements with focus on mobilization and management skills training with demonstration projects.
- Program for provision of safe, potable water in urban areas, building on temporary budget prepared for this purpose by CPA and Governing Council, with focus on needy areas of Basra and southern governorates, and promoting a demand water management approach.
- Program for safe waste management, replacing dangerous waste disposal techniques with safe landfills and related waste management practices, and supporting ongoing investments in sewerage treatment plants and networks.

3.23 *Academic and Research Institutions*

- Exchange programs between international and Iraqi institutions of higher learning, particularly departments of planning, architecture and urban studies.
- Direct involvement (possibly sub-contracting) of Iraqi academic and research institutions in above assessments for policy and legislative reform, and training and capacity building.

3.24 *Information and Data Collection Systems*

- National program for Geographical Information Systems (GIS) that integrates at national and municipal level, various sectors of infrastructure, land, water, roads, etc.
- Improvement in systems for data collection at municipal level in line with national census planned for 2004 by CPA and Governing Council.

(b)- Housing

3.25 *In the short-term*, sector policies and investments shall focus on the upgrading or replacement of substandard housing and the improvement of the living conditions of the poor and vulnerable families in Iraq. Addressing the short-term strategic objectives will require the Government to:

- Address the needs of vulnerable groups and mitigate the prevailing deplorable housing conditions, especially for the poor and destitute groups living in substandard neighborhood.

Urban upgrading programs, including social, economic and environmental improvements would then become an integral part of the housing strategy and would be based a partnership between the local authorities and the local community. Local residents of sub-standard neighborhoods would retain the economic benefits of the urban upgrading investments by engaging in the construction process.

- *Increase housing and land supply* through (i) improved supply of properly planned and serviced land by improving urban planning and land management systems in the country; (ii) the use of already developed areas in the most efficient way, including redevelopment of vacant land, whilst protecting urban quality and (iii) by increasing the availability of rented property through regulatory reforms

3.26 *Immediate actions:*

- Replacement and improvement for housing damaged by the war.
- Housing Construction for low-income and displaced population.
- Improvement of inadequate housing & infrastructure slum areas.
- Physical Infrastructure development for the medium income groups
- Upgrading and expansion of building material sectors with technical assistance and financial support.
- Upgrading of information technology for housing related institutions (Ministry of Housing and Construction and Ministry of Public Works)

Information and data gathering systems:

3.27 One of the immediate needs is the simultaneous initiation of the specific and detailed studies and surveys to help inform policy guidelines, prioritization and budgeting. This includes the implementation of a nationwide and integrated GIS system for the whole of Iraq. The scope of implementation should serve not only the municipal sector, but also many other sectors that urgently need such a survey and networks due to the lack or deficiency of information on the ground in the whole of Iraq. Software aspects of housing related areas studies should include:

- Housing and physical surveys.
- Housing policy studies.
- Housing loan system studies.
- Land ownership and taxation studies.

Training of technical professionals of the institutions related to Housing Sector.

- Ministry of Housing & Construction
- Ministry of Public Works (Master Plan & Urban Designating Division)
- Construction Companies
- Building Material companies
- Estate Banks
- Housing co-operative for housing maintenance & operation (especially multi-story condominium).

Proposed Policy Reforms

3.28 In the immediate period (2004), the Ministry of Housing and Construction should establish and lead a Task Force on Housing Policy with membership that includes municipal authorities, private contractors, parastatal agencies, the National Estate Bank and representatives of emerging professional associations and grassroots organizations. The Task Force should initiate consultations with all stakeholders, coordinate assessments, and build consensus with a view to achieve:

- Gradual shift for housing development from centralized public sector delivery to direct involvement of the private sector and a market-oriented system with requisite legal and institutional frameworks.
- Articulation of revised role of the public sector (central, governorate and municipal) in shelter provision, retaining basic infrastructure and complementary services, yet supporting enabling framework for private sector housing delivery.
- The basic infrastructure for housing will be based on the cost recovery mechanism in the future from the current heavy public subsidies, though such changes will be implemented gradually over time to avoid displacement of vulnerable groups.

3.29 *Institutional, Legal, and Other Requirements*

- Immediate drafting of laws and regulations for multistory housing ownership and regulations for common-ownership and maintenance.
- Establishment of Building Societies and Mortgage Finance Institutions
- Rapid assessment on housing finance sector, followed by drafting of new legal framework that can facilitate and encourage the future development of a viable housing financial services industry.
- Gradual privatization of building materials and construction industries, retaining (possibly increasing) levels of production to ensure (possibly increase) current levels of employment.

(c) - Land, Tenure and Property Restitution

3.30 The preliminary actions outlined below are intended to form a foundation for development of comprehensive land management policies currently considered inadequate in Iraq.

Operating Principles

- Assess, reflect, consult, act: The complexity and political sensitivity of land in Iraq necessitates a cautious and gradual approach in FY 2004, that begins with systematic assessment and continues with organized efforts to learn, engage diverse stakeholders, and develop strategic priorities and plan of action.
- Integrating land with urban management and housing policy: It is essential that the proposed actions for urban management and housing policy outlined above are integrated with efforts to improve systems of land management and property restitution. The latter two form a critical element in local governance, and are linked to housing, inclusive planning, principles of good governance, involvement of civil society, and equity and rule of law.
- Simultaneous introduction of complementary actions: There is need to combine assessment and strategic planning on multiple fronts addressing at once issues about land, tenure and property on the one hand, and questions about due process, dispute resolution, restitution and land registration on the other.
- Link property restitution to larger efforts for peace and reconciliation: Actions to resolve disputes over land and the protection of property rights should be a cornerstone of the peace process as it constitutes the necessary condition for the long-term social and economic stability of Iraq.

- Recognition of unique character of property rights in Iraq: While there are many aspects of land and tenure, property rights in Iraq are lost through usurpation, discriminatory legislation, disaster or war.¹⁷

3.31 *Immediate measures*

- Relevant civil authorities must support a mandate to assist them in developing both the technical and the procedural basis for resolution of property disputes, including commitments to rule of law, and enforcement of decisions made. This can be achieved through a process of supported consultation and constitution of a responsible interim body as ‘custodian’ of land and property restitution¹⁸ issues.
- A proper scoping mission must determine the exact nature and dimensions of property disputes in post-war Iraq. This can be achieved under the aegis of the responsible interim body informing the numbers, geographic distribution, and legal basis of potential disputes.
- Formal and traditional institutional capacities for conflict resolution must be assessed within which permanent and sustainable regulations can exist and be enforced – notwithstanding their need for initial support by international efforts. A substantive law review is required in the immediate term to identify the specific legal instruments within the applicable law, and what additional measures are required to ensure implementable resolution of disputes.
- An ‘organic’ solution needs to be developed that may draw lessons from both Bosnia Herzegovina and Kosovo¹⁹. Given the political sensitivities surrounding housing and property rights, and the current barriers inhibiting the courts from dealing efficiently and fairly with such disputes, an institutional solution may assist in restoring property rights, resolving long-standing claims and upholding the rule of law using as a first basis, international rights instruments²⁰. The CPA have formed the ‘Iraqi Property Reconciliation Facility’, but its operational functions and longer-term responsibilities remain unclear. Local and international experts could strengthen such facilities, helping to establish more permanent institutions.
- Implementation of an interim property registration mechanism that will provide a functional basis for longer-term reform in cadastral and real property rights registration. As above, the existing plethora of law and variable capacities of local and national authorities needs further review that can be undertaken by local and international experts with a view to determining starting points for interventions in support of legal and operational reform in the property/land administration in Iraq.

¹⁷ In Kosovo, for example, UN-HABITAT successfully built and implemented the mechanism for land and property restitution in the region; Housing and Property Directorate/Housing and Property Claims Commission.

¹⁸ It is expected that the capacity of local courts to adjudicate and resolve property disputes based on ethnic and political grounds may in the short term be compromised both by dis-function, and capacity to respond to potentially high numbers of disputes.

¹⁹ Addressing Housing, Land and Property Rights in Post-Conflict Settings, A Preliminary Framework for Post-Conflict Iraq (30 July 2003): The author describes clearly the legal environment required for addressing land and property issues in Iraq, and this provides a valuable platform for addressing operational challenges in both the short and longer term.

²⁰ Iraq is a signatory to several international rights instruments which in part address land and property issues, including: The Convention on the Elimination of All Forms of Racial Discrimination; The International Covenant on Economic, Social and Cultural Rights; The International Covenant on Civil and Political Rights; The Convention on the Elimination of All Forms of Discrimination Against Women; The Convention on the Rights of the Child.

IV. CROSS CUTTING ISSUES

A. Geographical Variation and Strategy

(a)- Baghdad and Non-Baghdad:

4.1 There will be in future a strong pull of available resources for reconstruction towards Baghdad. The seat of administrative power for decades, Baghdad presently hosts the headquarters of the Coalition Provisional Authority, the Governing Council, all ministerial offices, the United Nations, and various country missions and offices of non-governmental organizations. The needs in Baghdad are significant for urban planning, urban management, shelter, basic services, land management, and property restitution has been made clear. This said, however, Mosul, Kirkuk, Basra, and the other 290 municipal authorities in Iraq also require significant investment and capacity building. The future government of Iraq will need to adopt specific policies that reflect the needs of the various regions with a view to ensuring appropriate and equitable distribution of available resources, both human and financial.

(b)- South and Central Iraq:

4.2 The assessments, field missions and consultations that contributed to this Report make clear that the cities of South and Central Iraq were among the hardest hit by the military intervention in March 2003 and the sanctions regime that preceded it. This is especially so for Baghdad, Mosul and Basra and Al-Kut. Basra endured the reprisals of the Ba'ath Government in the aftermath of the 1991 Gulf War, as well as the hardships associated with what followed up to and including the present tensions. The urban planning and management needs in the South and Central are acute, and there are emergency interventions required in the cities in this region to address housing and basic services.

(c)- Iraqi Kurdistan Region²¹:

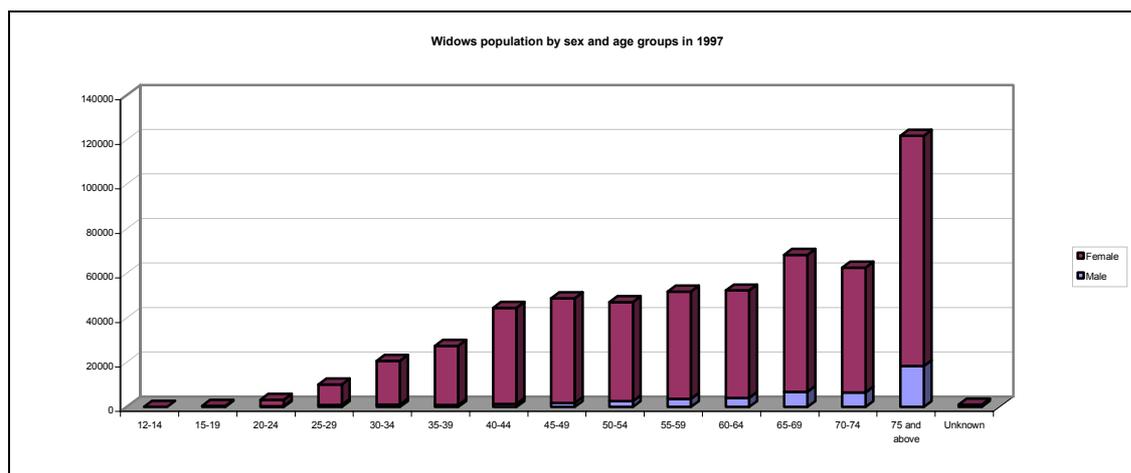
4.3 While less affected than the South and Central, the cities of the Iraqi Kurdistan Region face crucial challenges to sustain the relative advances made under the Oil for Food Programme (OFFP). As mentioned, municipal authorities engaged directly in, and benefited from large-scale electricity, agriculture, shelter and service projects administered by the United Nations. The pending closure of OFFP will result in new arrangements that are at the time of the preparation of the Report, still under negotiation. What is envisioned is a central role for municipal authorities in the continuation of activities started under the OFFP and efforts by the emerging Government of Iraq to ensure adequate resources are made available for such purposes. With much riding on the role of municipal authorities, it will be crucial in future to support advances made in the North with new investments, especially in training and capacity building.

B. Gender Issues

(a)- War widows:

4.4 Although no recent survey has been made to map the number of widows in Iraq, it is common knowledge that widows constitute a substantial number of the Iraqi population.

²¹ The "Three-Year Plan (2003-2005) for the Promotion of Shelter and Sustainable Human Settlements Development in Northern Iraq" prepared by UN-HABITAT in consultation with the three governorates, underscores the importance of capacity building for local authorities.



Source: *Annual abstract of statistics. 1997*

4.5 In 1997, the total officially registered widows population in the whole country amounted to over 560,000 corresponding to 1.2% of the total population. In 2001, UN-HABITAT estimated that, in Northern Iraq, war widows were heads of 22,485 families or 16% of 141,234 Internally Displaced Families (805,505 persons)²². In June 2003, the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHCI) Lower South estimated that the number of internally displaced Marsh Arabs range from 100,000 to 200,000. Up to 100,000 are believed to have left the country as refugees, of which 40,000 are currently in Iran and have been known to cross back and forth over the border²³. War widows and their children are estimated to constitute an important number of those people coming back.

4.6 In June 2003, UNHCR estimated that some 500,000 Iraqi refugee asylum seekers and persons in refugee-like situations might eventually repatriate to Iraq, as the situation in the country stabilizes and as security and essential public services improve²⁴. Many of the potential returnees are estimated to be war widows and their children.

(b)- Women in municipal management:

4.7 The official Iraqi law is “gender neutral” in that there is no discrimination against women regarding education, payment, and job opportunity. However, there is traditionally a kind of discrimination against women in getting leading posts. In municipalities, for example, women constitute roughly 20% of the civil service. Should Iraq in future adopt a national program to decentralize public administration and institute local elections, one may assume that women would comprise 20% of elected positions at best. This proportion may be high, however, given that in other countries the proportion of women that hold public office often falls far short of those that hold posts in the civil service. In order to ensure greater gender equality both in the civil service and in elected positions at the municipal level, Iraq may consider the adoption of a quota system as has been practiced in other nations seeking to avoid gender discrimination. There is insufficient data available at the sub-municipal level about the proportion of women that hold leadership positions in the emerging “local councils” and community-based organizations. The trend in many other nations is that women constitute the bulk of “rank and file” but do not feature prominently in leadership positions. Concerted efforts will be necessary in future to promote gender equality at all levels of decision making. This may entail international exchanges and study tours that provide Iraqi women opportunities to engage with their counterparts in other Arab countries, other transitional economies, Europe and the United States.

²² IDP Site and Family Survey: UN-HABITAT; January 2001

²³ UNOHCI: United nations Inter-Agency Assessment of Vulnerable groups. Part 1: Marsh Arabs

²⁴ UNHCR: Iraq revised appeal: ensuring Protection and Enabling Return. July – December 2003

(c)- Housing and Land:

4.8 Women's equal access to housing and land is a topic of great concern in most countries undergoing post-conflict reconstruction. Iraq is no exception. While there is limited data available on the status of women, cursory assessments reveal that women have been hard hit by the recent liberalization of rents. In Baghdad, women headed households have been disproportionately affected by rent hikes. Many have been displaced and are seeking alternative living conditions, often paying rent for dilapidated structures that lack basic services. The proportion of women headed households living in unplanned, informal settlements is also said to be high. These current trends suggest the need for shelter strategies that can address the different realities of women and men, and for maximizing the participation of women in decision-making processes and in systems of shelter delivery. In the coming years, it is likely that Iraq will institute new legislation pertaining to property rights. It will be important that women participate actively in the process of policy reform, and women and men ensure women's equal access to inherit, own and transact private property.

C. Environmental Issues

4.9 The urban environment in Iraq has suffered through decades of neglect as infrastructure deteriorated and standards for environmental protection and recovery in urban areas have dropped. It will be necessary for the new Government to harmonize its pertinent initiatives with the wider government policies to address the issue of health and urban environmental problems associated with deteriorated infrastructure, damaged and dangerous buildings and the plethora of weaponry and unexploded munitions.

4.10 The disposal of solid, wastewater and industrial waste constitutes a great challenge in future. There is need to identify landfills within a proper urban planning context, and to design these and supervise their use at all levels from the Capital Baghdad to the smallest village. One shortcut for all of this is utilization of waste disposal techniques related to co-energy plants alongside waste separation units. The disposal of toxic waste is an urgent matter for Iraq. Most toxic waste materials in Iraq are presently lumped together with other forms of waste, threatening the population at large. The international community has an important role to play in helping to identify practical solutions to the problem of toxic waste and should make available to Iraq the lessons learned of other countries.

4.11 There is also urgent need in Iraq for basic sewage treatment. The present situation in many cities of Iraq is the practice of dumping sewage in open trenches and waterways or ditches—resulting in serious health hazards and environmental deterioration. Investment in sewage treatment plants in the long run will address the problem but such investment is lacking at present. Central government and municipal authorities will need to identify interim solutions. These include chemical treatment, the introduction of systems of community-based waste management, and targeted municipal programs that foster public-private partnerships.

D. Employment***(a)- Employment Generation through Shelter/Service Provision:***

4.12 Reconstruction in Iraq must promote opportunities for income generation and employment, given the significant levels of unemployment and underemployment among the Iraqi people. This is especially so for the shelter sector. Urban development officials and practitioners can provide employment to hundreds of thousands of people through small-scale public works projects provided these are introduced gradually and scaled up over time. They can

also increase employment by tendering basic service delivery to local contractors as has been done quite successfully under the Oil for Food Program in the Northern Governorates. A further strategy to generate employment is for municipal authorities to stipulate labor-intensive building and construction practices in the public works projects and tendering procedures. The ideal scenario is one where government balances large-scale, capital intensive investments with small-scale, labor intensive projects.

(b)- Employment Considerations for Privatization of the Construction Sector:

4.13 As mentioned, Iraq must introduce privatization measures over a period of 5-10 years, rather than all at once through shock therapy as occurred in Russia in the 1990s. While significantly inefficient and public sector dominated, the construction industry at present provides jobs. The challenge in future will be to open up the industry to private sector competition in a manner that maintains present levels of productivity. Rapid privatization of the industry will result in unemployment precisely at the time jobs are desperately needed.

E. Internally Displaced Persons, Vulnerable Groups and Human Rights

4.14 Adequate shelter for all and sustainable urban development are very much human rights issues. This is especially so in present day Iraq where people seek to overcome religious, ethnic and ideological difference to secure political, social and economic stability. Adequate shelter for all is predicated upon the rights of people to not be forcefully evicted, to have a degree of tenure security, to have access to basic services such as safe drinking water, sanitation, roads, electricity and financial services. The challenge for Iraq is to ensure women as well as men have the means to realize these rights in practice on a day-to-day basis, as well as the internally displaced people and vulnerable groups in society.

4.15 Sustainable urban development is also oriented towards the fulfillment of a set of fundamental rights. These include the rights inherent in “good urban governance,” such as the right of all people living in cities, the urban poor as well as the affluent, to participate in decision making processes that impact directly on their lives. They also entail the rights of all people to associate in organizations and to make claims on and negotiate with municipal authorities. The rights that underlie inclusive urban governance likewise inform efforts by the people of Iraq to adopt participatory planning and urban management practices.

4.16 Property restitution presents a particularly difficult challenge for the people of Iraq as outlined above. The strength of efforts by the Iraqi people to address property disputes will depend largely on their ability to establish credible institutions. These include a strong housing property directorate and property and housing claims commission. Particularly important will be the composition and flexibility of such institutions and the political will of all Iraqis to right the wrongs of the past.

F. Institutional Capacity Gaps and Requirements

4.17 This Sector Report places strong emphasis on capacity building at all levels. It recognizes the relative strength of the human capital in Iraq in the housing and urban management sectors, and is attuned to the potential contribution of its professional cadre. It also recognizes that Iraqi institutions, while jaded by centralization, public sector dominance and autocracy, constitute an important point of departure for reconstruction. This is particularly so for the construction sector but is also true for municipal authorities and a growing number of local, private sector firms.

4.18 As mentioned, reconstruction in the housing and urban management sector will be tied closely to the policy positions of the new government of Iraq as regards decentralization, privatization and popular participation. While the form and scope of these policies may vary significantly, in all cases the result will be a need for training and capacity building. This entails upgrading the skill-base of officials and civil servants working in local, public administration, introducing practices of partnership and participation, and creating opportunities for exchange with Arab States and the international community.

List of Persons Met on Missions

- ♦ Mr. Riadh Al-Wazir (D.G., Regional Planning & Municipalities – Ministry of Public Works)
- ♦ Mr. Mahdi Sirhid – Deputy Governor of Mosul & ex-Dep.Gov. of Basra & Amara
- ♦ Mr. Saad Zubeidi, Ministry of Housing and Reconstruction
- ♦ Director Generals of the Baghdad Mayoralty
- ♦ Ms. Nada Al-Nashif, Country Director, UNDP
- ♦ Mr. Lee Walker Evey, CPA Senior Advisor, Ministry of Housing & Construction
- ♦ Mr. Ronald W. Johnson, Senior Vice President RTI, Iraq Local Government Project, USAID-funded.
- ♦ Dr. Charles E. Castello, Deputy Chief of Party, RTI, Iraq Local Government Project, USAID-funded.
- ♦ Kate Farnsworth, Office of Foreign Disaster Assistance (OFDA), USAID
- ♦ Robert Jenkins, (Iraq Team Leader) Office of Transitional Initiatives, USAID
- ♦ Michael Doyle, President, Cooperative Housing Foundation, cooperation agreement partner USAID.
- ♦ Robert Silverman, Near Eastern Affairs, North Gulf Affairs, State Department
- ♦ Thomas Warrick, Near Eastern Affairs, North Gulf Affairs, State Department

The UN-HABITAT Needs Assessment Team

- ♦ Chris Williams, Special Coordinator, OED, UN-HABITAT
- ♦ Rajendra Bhandari, Chief Technical Advisor, UN-HABITAT
- ♦ Mauro Bignoli, Human Settlement Advisor, UN-HABITAT
- ♦ Suheil Madanat, Senior Human Settlement Advisor, UN-HABITAT
- ♦ Angela Hakizimana, Programme Evaluation & Gender Main Streaming Officer, UN-HABITAT
- ♦ Usama Al-Qasir (Human Settlement Assistant/HABITAT)
- ♦ Lamia Dizaii (Senior Planning Advisor/HABITAT)
- ♦ Maria Keating, Senior Coordinator, Office of Programme Director, UN-HABITAT
- ♦ Suhair Al Sinawi, UN-HABITAT

The World Bank Needs Assessment Team

- ♦ Sateh El-Arnaout, Task Team Leader, The World Bank.
- ♦ Sahar Rassam, Consultant
- ♦ Shoichi Kobayashi, Consultant
- ♦ Laurie King-Irani, Consultant
- ♦ *mebex* Consultants, Consulting firm, Baghdad office

Calendar Year 2004 and 2005-2007 Budgets²⁵
(in US\$ millions)
Housing Sector

Gross Expenditure

| | 2004 | 2005-2007 | TOTAL |
|--|---------------|------------------|-----------------|
| Capital Investments | | | |
| Priority 1: Technical Assistance to Restore Institutional Capacity | | | |
| (a)- Training, workshops and study tours for added exposure to best practices | | | |
| Capital Costs | 2.00 | 3.00 | 5.00 |
| Recurrent Costs | | | |
| (b)- Office information and communications technology | | | |
| Capital Costs | 2.00 | 3.00 | 5.00 |
| Recurrent Costs | | | |
| Priority 2: Address the Housing Needs of the Vulnerable Groups | | | |
| (a)- Provision of housing for Internally Displaced Persons | | | |
| Capital Costs | 275.00 | 825.00 | 1,100.00 |
| Recurrent Costs | - | - | - |
| (b)- Repair & reconstruction of war-damaged houses | | | |
| Capital Costs | 100.00 | 25.00 | 125.00 |
| Recurrent Costs | - | - | - |
| (c)- Urban Upgrading Program of substandard neighborhoods | | | |
| Capital Costs | 30.00 | 90.00 | 120.00 |
| Recurrent Costs | - | - | - |
| Priority 3: Initiate a Housing and Land Supply Program | | | |
| (a)- Technical assistance for policy and regulatory reforms focused on both housing and land supply | | | |
| Capital Costs | 3.00 | 5.00 | 8.00 |
| Recurrent Costs | - | - | - |
| (b)- Initiate a pilot program of public/private partnership in housing and land supply in key cities | | | |
| Capital Costs | 10.00 | 40.00 | 50.00 |
| Recurrent Costs | - | - | - |
| Priority 4: Initiate a Sector Reform program that Focuses on Housing Finance | | | |
| (a)- Technical assistance for policy and regulatory reforms to the Real Estate Bank and the gradual de-regulation of the financial sector for mortgage finance | | | |
| Capital Costs | 3.00 | 2.00 | 5.00 |
| Recurrent Costs | - | - | - |
| Grand Total | 425.00 | 993.00 | 1,418.00 |

²⁵ Budgets provided should be viewed as “sector development budgets.” These differ from budgets that are currently being developed by the Governing Council sector Ministries and the CPA in two important respects: they do not include most recurrent expenditures and, as stated, they estimate expenditure requirements for the sector, rather than for a given Ministry.

**Calendar Year 2004 and 2005-2007 Budgets
(in US\$ millions)**

**Urban Management Sector
Baghdad Mayorality
Gross Expenditure**

| | 2004 | 2005-2007 | TOTAL |
|---|--------------|---------------|---------------------|
| I- Rehabilitation/Reconstruction | | | |
| Initiate a 20-year Municipal Assets Rehabilitation Program including municipal roads, sidewalks and public parks | 9.00 | 27.00 | 36.00 |
| Total for Rehabilitation/Reconstruction | 9.00 | 27.00 | 36.00 |
| II - Capital Investments | | | |
| Priority 1: Restore Institutional Capacity to Manage the Sector | | | |
| (a)- Training, workshops and study tours for added exposure to best practices | | | |
| Capital Costs | 2.00 | 3.00 | 5.00 |
| Recurrent Costs | - | - | - |
| (b)- Information and office communications technology | | | |
| Capital Costs | 2.00 | 3.00 | 5.00 |
| Recurrent Costs | - | - | - |
| Priority 2: Initiate Sector Reform Process Towards Decentralization | | | |
| (a)- Technical assistance for policy and regulatory reforms focused on improving accountability and financial sustainability through improved resource mobilization at the local level. | | | |
| Capital Costs | 3.00 | 6.00 | 9.00 |
| Recurrent Costs | - | - | - |
| (b)- Pilot public/private partnership programs in municipal service provision | | | |
| Capital Costs | 5.00 | 15.00 | 20.00 |
| Recurrent Costs | - | - | - |
| Priority 3: Initiate a 10-year City-Wide Capital Investment Program including the development of a City Development Strategy and updating City Master Plans | | | |
| Capital Costs | 16.00 | 46.00 | 58.00 ²⁶ |
| Recurrent Costs | 0.15 | 0.45 | 0.60 |
| Total for other Capital Investments | 28.15 | 73.45 | 101.60 |
| Grand Total | 37.15 | 100.45 | 137.60 |

- ◆ Above budget excludes recurrent and capital investments in solid waste management
- ◆ Capital Costs include the cost of feasibility studies, design and supervision

²⁶ Includes additional capital costs of US\$2 million (US\$1 mln for 2004 and US\$1 mln for 2005-2007), which were omitted from the figures in the synthesis report.

**Calendar Year 2004 and 2005-2007 Budgets
(in US\$ millions)**

**Urban Management Sector
Iraqi Municipalities (excl. Baghdad Mayoralty)
Gross Expenditure**

| | 2004 | 2005-2007 | TOTAL |
|---|--------------|---------------|----------------------|
| I- Rehabilitation / Reconstruction | | | |
| Initiate a 20-year Municipal Assets Rehabilitation Program including municipal roads, sidewalks and public parks | 12.00 | 36.00 | 48.00 |
| Total for Rehabilitation/Reconstruction | 12.00 | 36.00 | 48.00 |
| II - Capital Investments | | | |
| Priority 1: Restore Institutional Capacity to Manage the Sector | | | |
| (a)- Training, workshops and study tours for added exposure to best practices | | | |
| Capital Costs | 6.00 | 9.00 | 15.00 |
| Recurrent Costs | - | - | - |
| (b)- Information and office communications technology | | | |
| Capital Costs | 6.00 | 9.00 | 15.00 |
| Recurrent Costs | - | - | - |
| Priority 2: Initiate Sector Reform Process Towards Decentralization | | | |
| (a)- Pilot public/private partnership programs in municipal service provision | | | |
| Capital Costs | 20.00 | 60.00 | 80.00 |
| Recurrent Costs | - | - | - |
| Priority 3: Initiate a 10-year City-Wide Capital Investment Program including the development of City Development Strategies and updating of City Master Plans | | | |
| Capital Costs | 35.00 | 102.00 | 137.00 ²⁷ |
| Recurrent Costs | 0.30 | 0.90 | 1.20 |
| Total for other Capital Investments | 67.30 | 180.90 | 248.20 |
| Grand Total | 79.30 | 216.90 | 296.20 |

- ◆ *Above budget excludes recurrent and capital investments in solid waste management*
- ◆ *Capital Costs include the cost of feasibility studies, design and supervision*

²⁷ Includes additional capital costs of US\$17 million (US\$5 mln for 2004 and US\$12 mln for 2005-2007), which were omitted from the figures in the synthesis report.