



Working Paper

*UNITED NATIONS / WORLD BANK
JOINT IRAQ NEEDS ASSESSMENT*

Livelihoods, Employment & Re-integration

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1. Introduction

1.1 The needs assessment for employment, livelihoods, and re-integration objective is to identify priority needs for 2004, along with some broad indications for the period 2005-2007.

1.2 In the mission's view, the main reconstruction and development challenge posed in this particular sector is one of multiple transitions, as it encompasses not only economic change, but also a fundamental political and social transformation. After years of divisive rule and economic and social neglect, there must be progress in ensuring that this transition is owned by the Iraqi people and that they define the direction and pace of policy reform and development.

1.3 Improving the population's sense of personal security is a critical step in making progress in the transition. Security concerns are paramount to the Iraqi population, influencing their ability to move freely, engage in work and education, and participate in the burgeoning political processes. Without security, progress in rebuilding sustainable livelihoods, particularly for the most vulnerable, may be too slow to provide a noticeable improvement in the quality of life and reassure the Iraqi people of the benefits of a transition to an open and democratic society.

1.4 Given the above, the mission focuses on recommendations aimed at restoring critical infrastructure and core human services and supporting a political, economic and social transition that provides both growth and social protection.

1.5 Conceptually, sustainable livelihoods cover the status of various vulnerable groups such as women headed households, disadvantaged children, the disabled, youth, the elderly, and the unemployed. It also covers the re-integration of a range of displaced populations, including IDP's returnees, and refugees. Re-integration must hence be seen as both a livelihoods and a human rights issue.

1.6 The employment-poverty reduction nexus are part of the sustainable livelihoods framework. Productive and remunerative employment is a critical means both for poverty reduction and human development. It provides vulnerable groups, including IDP's, returnees, and refugees, with minimum means of livelihoods so that they can sustain themselves and their families. It also provides them with self-esteem, self-respect and a chance to participate in various social interactions. Productive and remunerative employment thus has monetary benefits as well as non-monetary traits. With the ambitious agenda of the Millennium Development Goals for reducing poverty and improving lives, productive and remunerative employment emerges as a major instrument not only for earning a living and income poverty reduction, but also for its non-monetary benefits. In addition, the unacceptable high levels of poverty may be further wide spread and the hardship of vulnerable populations deepened, unless serious and effective social safety nets are put in place.

1.7 In order to achieve the objective of using employment and social safety nets for human poverty reduction and sustainable livelihoods, these are to be embedded in a macroeconomic framework that strikes the right balance between promoting the establishment of an open, market based economy and integration into the world economy on the one hand and due regard to the potential impact of changes on the social sectors, employment and vulnerable groups on the other. Pro-poor growth and a comprehensive employment plan are to feature centrally in such a strategy.

1.8 In summary, this mission links sustainable livelihoods of various vulnerable groups including IDPS, returnees and refugees with employment and social safety nets. As these themes are very broad, the mission had to make decisions on pressing issues that can be addressed during 2004 and look at the potential social costs of the transition process. These issues were defined as: i) livelihoods of vulnerable groups including IDP's, returnees, and refugees; ii) employment generation, and iii) social safety nets.

A. Methodology

1.9 The Needs Assessment mission consisted of two teams as follows:

1. Livelihoods of Vulnerable Groups and Social Safety Nets including the Oil for Food Program: Dr. Darim Al-Bassam (Senior Consultant), Mr. Philip Dobie (UNDP), Mr Angelo Baglio (EU) linking governance and livelihoods missions. Dr. Jalal Ferhang (Senior Consultant). Livelihoods and Re-integration of IDPs, refugees, and returnees: Mr. Ashraf El-Nour, (UNDP/BCPR) (August 9-19);
2. Employment generation: ILO team: Youssf Qaryouti (Team Leader), Walid Hamdan, Mike Shone (July 30-Aug 8)

1.10 Mr. Francis Dubois (UNDP) ensured the Task Management; Ms. Alia Al-Dalli of (UNDP) served as the Mission Team Leader; Mr. Selim Jahan (UNDP) provided conceptual inputs; and Ms. Noura Hamladji (UNDP) took the lead in compiling this combined report and ensured the Task Management Liaison as of September 8.

1.11 Prior to the team's travel to Baghdad, data and background information were collected by the following teams:

- A. A national team, under the leadership of Ms. Nada Al-Nashif, UNDP Country Director in Iraq. The team consists of the following members: Mr. Rami Baroudi (UNDP Program Manager, Baghdad), Ghassan Al-Safar (CBR Project Manager), Ms. Limya Al-Tayeb (UNDP Program Manager).
- B. An ILO team under the leadership of Mr. Ghassan Al-Saffar on the employment situation in the whole country.
- C. An UNHCR team under the leadership of Mr. Abdi Aziz Haji Hassan Osman on the situation of IDPs, refugees, and returnees.

1.12 The mission also had a virtual advisory board as follows:

1. Professor Jonathan Kydd, Imperial College, University of London;
2. Dr Rami Zurayk, Sustainable Livelihoods Unit, American University of Beirut;
3. Inger Ultvedt, Oslo Governance Center, UNDP;
4. Sanaka Samarasinha, Advisor, UNDP.

1.13 The team traveled to Baghdad on 9 August 2003 and was evacuated after the 19 August car bomb attack against the UN Headquarters at Canal Hotel in Baghdad. During this period, the needs assessment team met with stakeholders and had access to secondary data from government records and international agencies. Verification took place with stakeholders through structured meetings throughout the period of the mission.

1.14 Mission members held meetings with the following key actors and stakeholders in Baghdad:

- Staff from relevant ministries and departments at senior and technical levels, both Iraqi and CPA: Ministry of planning, Ministry of Labour and Social Affairs, Central Statistics Office, Ministry of Industry, Directorate for Environmental Health (Ministry of Health), General Federation of Iraqi Trade Unions, Preparatory Committee for Iraqi Federation of Trade Unions, Union of Unemployed, Iraqi Federation of Chambers of Commerce,
- UN agencies: UNDP, UNFPA, HABITAT, UNEP, UNOCHI, UNICEF, WHO, UNHCR, IOM, WFP, FAO, UN Humanitarian Coordinator, ILO Project, UNDP IREP staff, World Bank.
- Members of the Governing Council: Dr. Adnan Al-Pachachi and a number of his aids, Dr. Akila Al-Hashimi, Mr. Iyad Allawi, and Mr. Hameed
- Members of Local Advisory Councils in Baghdad.
- Members of the following Civil Society Organizations: Iraqi Bar Association, Society of Iraqi Businessmen, a number of mixed sector enterprises, Standardization Quality Assurance & Metrology Agency, National consultants, and NGOs.
- National consultants, local researchers, and leading economists.

1.15 Dr. Jalal Ferhang also held a small stakeholder meeting with chairmen of boards of private and mixed sector companies to discuss his findings with them.

B. Constraints

- Insufficient time: the timeframe available to the mission was very short from the outset. It has been cut short even further due to the bombing of the UN HQ in Baghdad. **The nine and a half working days timeframe available to the mission in Iraq** was insufficient to travel outside Baghdad and to undertake an accurate assessment on Livelihoods, employment, and re-integration. Consequently, budget estimates remain as such as the relevant ministries were preparing their budgets with the CPA during the mission and had not completed their estimates at the time of departure.
- Difficult security situation: In addition to complicated and inefficient logistics and communication facilities, it is to be noted that safety and security conditions are very precarious in Baghdad. This frequently caused delays, postponements and sometimes cancellations of appointments. A curfew and transport restrictions added to the difficulties of accessing information.
- Absence of reliable data and statistics: the absence of reliable data in the relevant ministries could be attributed to a number of causes ranging from the reluctance of the previous regime to undertake large surveys to the bombing and subsequent looting and burning of most public offices in the immediate aftermath of the recent conflict.

II. Current Status and Issues

A. Overall description of the situation

2.1 Iraq is in need of immediate and significant international support to assist it to recover from years of lack of investment, sanctions and conflict. The need for action is urgent. The economy and people's welfare have depended in the past upon massive state subsidy; this system has collapsed and steps are underway to shift Iraq to a market-based economy. There are very urgent needs to reconstruct the country's infrastructure and to reform its economy. However, more work is to be done to pay adequate attention to the short and long-term effects upon people's livelihoods in the plans already put forward. The country is in a very fragile state, with criminality increasing as options to earn income reduce. While there are encouraging signs that democratic processes will be widely supported, there remain considerable dangers that if livelihoods do not improve, the country may descend into renewed conflict and factionalism. Although short-term solutions are needed, it will be a mistake to believe that the challenge is simply recovery from conflict. Iraq's problems are deep-seated and complex. They result from many years of poor government, mismanagement, intra-regional wars, foreign conflict, sanctions and exclusion from the international community. The results are seen in crumbling infrastructure, an economy in crisis and a society still scarred by the effects of the past brutal regime.

2.2 In order to establish sustained livelihoods and expected levels of growth in Iraq, it will be necessary to identify and build upon the assets of Iraq and the Iraqi people, create the social and economic conditions that stimulate employment and social protection, and to ensure adequate investment.

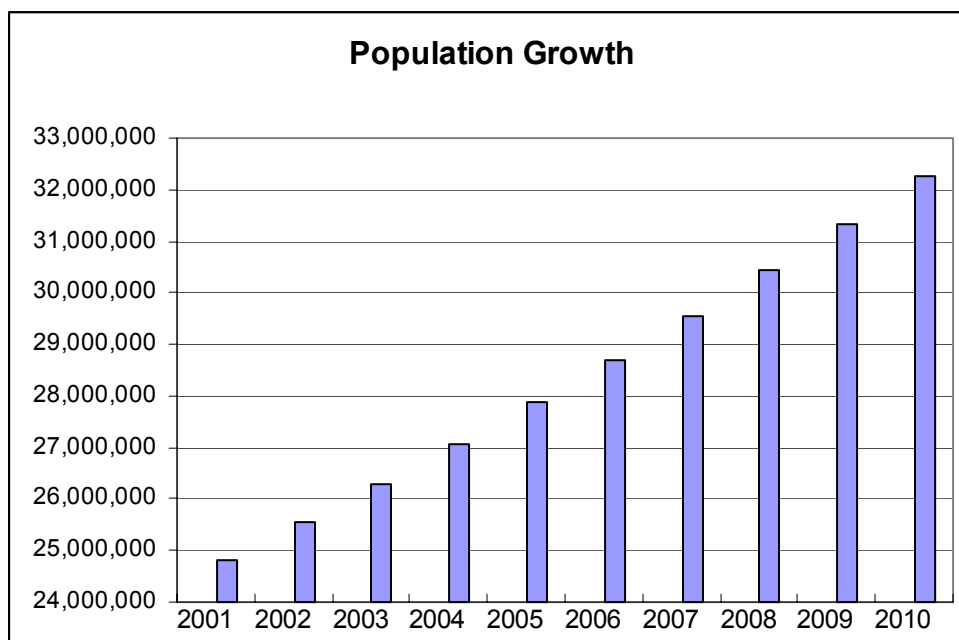
2.3 The assets of Iraq and its people are many and varied including an educated population and a wealth of natural resources; but these assets have been badly eroded. The country has a legacy of investment in physical assets, including infrastructure, communications, industry and services. Much is severely degraded. The Iraqi people have a history of high levels of education, good training and a capacity to make enterprises work. These assets have been similarly compromised. There has been inadequate investment in education, and a highly centralized form of governance. Centralization, plus a social system that provided large subsidies, have reduced the capacities of communities to manage their own affairs and have created a culture of dependence. Thirteen years of sanctions have depleted people's assets and stripped them of their coping mechanisms. Former high levels of social cohesion appear to be breaking down as criminality against fellow countrymen and women increases. The major needs for restoring assets range from investment in reconstruction, securing the safety of ordinary people from daily threats to their person and property, the establishment of a good education system, getting fundamental services – electricity, water, sewage and solid waste – working, training in industrial and management skills and a system of decentralizing authority to local levels to provide the incentives for people to take local social responsibility. Security and stability will be important to achieve all of these aims.

2.4 The creation of the social and economic conditions that will create employment and social protection will depend upon macro-economic reform, investment patterns and the establishment of a properly funded process of decentralization and empowerment at the local level. Unemployment levels are high, but there are no reliable statistics. The real situation is likely to be one of very high under-employment, with people finding ways of surviving that are both inadequate and demeaning. There is an urgent need for immediate employment, even though it might be short-term and

unsustainable. Urgent steps are needed to create the conditions that lead to longer-term employment. Existing industries are either state owned, private sector entities or a combination of both; the so-called mixed sector. All have suffered from lack of investment for many years. Some may be salvageable; others may need to be liquidated soon. However, these industries did for many years provide Iraq's most reliable source of income. At present there are few employment alternatives, and the involvement of the private sector in the economy as a whole will be essential as public resources are unlikely to be adequate to provide the needed volume of investment. While long-term goals will be to reduce the role of the state in these enterprises, further analysis of the individual businesses is recommended to assess the proper approach to reform and the measures that might be needed to safeguard current employees. Given the unemployment concerns, it is suggested that enterprises be provided with budget support for wages until judgments can be reached on their survivability.

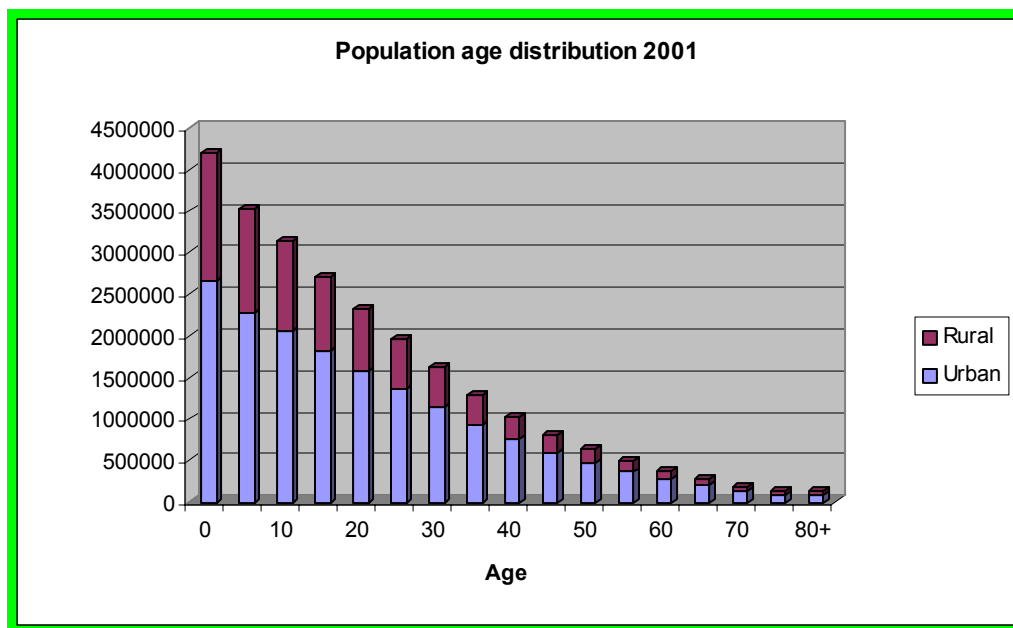
B. Iraq – Demographics and poverty

2.5 Iraq currently has a population of between 25-26 million with a growth rate of 2,97%.¹ The following projection shows an expected population in 2010 of app. 32 million.² It is estimated that more than 50% of the population is under the age of 20, and 75% of the Iraq's population now reside in urban areas.



¹ UN/WB Watching Brief, IMF, Iraqi Central Statistical Office and Ministry of Planning estimated projection.

² Based on Ministry of Planning estimate of 24.8 million for the 2001 population.



2.6 After decades of successive wars, Iraq's ranking in the UN Human Development index has dropped from 76 in 1991 to 127 in 2001. The international sanctions have worsened the humanitarian situation, and overall quality of life deteriorated with a marked increase in vulnerability levels.

2.7 Poverty levels have sharply increased, with chronic poverty afflicting a substantial minority of today's population. Income per capita was over US\$3,600 in the early 1980s on the back of sharp rises in the real price of oil, but fell to a low of some US\$300 in the early 1990s, before recovering (partly as a result of the OFF Program) to an estimated US\$770-1,020 in 2001. Though no accurate data exist, evidence suggests that 71% of the families have disadvantaged and vulnerable members (widows, orphans, disabled and elderly) without a functioning social care system to support them.

2.8 The Millennium Development Goals (MDGs) further indicate the degree to which conditions have deteriorated. One fifth of children under 5 are underweight, and infant mortality has more than doubled to 100 of 1000 live births over the past decade. Under 5 mortality has increased from 50 per 1,000 in 1990 to 131 in 1999 (compared to a Middle East and North Africa region average of 54); and is twice as high in the south and center of the country as in the north. Maternal mortality is 294 per 100,000 live births, compared to 41 in Jordan and 350 in Yemen. It is this far-reaching trauma to a formerly prosperous nation that makes the financing needs for reconstruction and development in Iraq so great.

2.9 In terms of the geographic distribution of the chronically poor, it is estimated that around 1.6 million of the chronically poor (25%) live in neglected and isolated rural areas, and do not have access to health services and safe drinking water. More specifically, most of these groups are in the center/south of the country. Two clusters of such districts are located towards the east of the country and border Iran. The first cluster lies east of Baghdad and includes areas within the governorates of Taamim, Salahaldin, Diyala, and Wassit. A second cluster, located in the south-east corner of the country, includes all of the Basra governorate and most of southern Missan.

2.10 Iraq is suffering from major environmental problems that particularly affect the vulnerable groups of the population. Sanitation systems are not working, and raw sewage is being pumped into

watercourses at the rate of 500,000 tons/day. Burning sulphur mines are contaminating vast areas. The looting of nuclear facilities has caused worrying contamination. The effects of depleted uranium munitions are of great concern in the south. The ability to monitor significant environmental conditions will be an important part of efforts to reconstruct the country and rehabilitate services.

2.11 Iraq had a sophisticated system of environmental monitoring managed by the Environmental Protection and Improvement Directorate (EPID) with sub offices in each of the 18 governorates. In principle, there is a network of environmental quality laboratories in Baghdad and Central and Southern Iraq. Laboratories monitor water quality, air quality, and land use. There are established regimes of sampling. Unfortunately, the capacity of the Directorate has been badly degraded. All laboratories in Baghdad were looted after the 2003 conflict. Remaining equipment throughout the country is old, and reagents are in short supply. There is an urgent need to rebuild Iraq's environmental monitoring capacity by reconstructing and re-equipping laboratories and establishing a monitoring system to support efforts to improve living conditions. It is understood that a new ministry of Environment was established with the formation of the first post war government. This report recommends that support be given to the nascent ministry in order that it can carry out policy and monitoring functions.

C. Iraq - The livelihoods of various vulnerable groups

The situation of vulnerable Women, with emphasis on Women Headed-Households (WHH)

2.12 The situation of women in post-conflict and war-ridden countries needs close consideration. Available data tell us that about 8% of the total population of women (almost 1 million) including married, divorced and widows are now the heads of their households. The aggressive military policies of the past regime created additional burdens for women, causing large numbers of women-headed families and compelled women to assume de facto responsibility for the economic survival of their families. As a result, past gains were reversed and women were made more vulnerable and now face high rates of illiteracy and unemployment, as well as low wages and low participation in political life. As the socio-economic institutional and policy frameworks are being shaped, it is important to ensure that women's particular needs and concerns are adequately addressed and women's capacities and skills are recognized and put to use so that they can equally benefit from jobs and opportunities for capacity building and education.

Training programs targeting this group require special efforts and time since the majority of them are illiterate. A recent psychological field research found that almost 57% of WHH suffer from anxiety, depression, lack of sleep and continuous headaches because of the stress of their everyday life. Accordingly, this Mission assigns high priority for the improvement of the livelihood of WHH in the Emergency Development Program of 2004.

2.13 A great issue of concern is the lack of official statistics on the livelihoods of this vulnerable social group. Around 70% of WHH earn between 1000 – 5000 Iraqi Dinars per month (US\$ 0.5 – US\$ 2.5) for their work. In addition, they are mainly involved in menial jobs, in the informal sector, and work longer hours. Women on streets begging with their children is a new and prevalent feature in urban areas.

2.14 In a country that had achieved almost universal levels of literacy by 1980, it is equally revealing that daughters drop out massively from school to take care of domestic chores as their

mothers work in a survival job outside. About 70% of girls in such households either never attended school or withdrew before completing primary schools.

2.15 Lack of skills to compete with men in the labour market coupled with an 83% rate of illiteracy left almost half of WHH unemployed. In order to remedy this state of affairs, WHH usually force their children to work.

Disadvantaged children

2.16 Though no accurate data exist, evidence suggests that during the last decade, the number of street children as well as children working under very difficult conditions grew significantly. The combined effects of economic necessity, chronic poverty, and drastic cuts in social sector investment have weakened family capacity to protect children.

2.17 In recent years, a high percentage of children, in both chronically poor and temporary poor households, support their families through hard work and menial activities, which are low paying and hazardous to their health and their security, morally and physically. Work also forced children to drop-out of schools and discontinue their education.

2.18 A post war NGO survey shows a drastic increase of child labor, which leads to delinquency.³ The police records show the numbers of working children and street vendors indicted by Juvenile Courts and sent to correction centres has risen by 5 times in 2002. The majority of them have committed theft crimes. Juvenile delinquency centres around the country have all been looted and the juvenile residents have been forced to find other shelter. This applies also to the Orphan Centres.

The Disabled

2.19 Disability in Iraq is a priority development issue, yet no national strategy exists. Most of Disability Centres have been looted during the war and became squatters for poor families. Furthermore, no official statistics are available on the number of the disabled, especially disability caused by the four consecutive wars. The previous regime has put a total ban on the release of such figures by classifying them as national security information. Further studies and assessments are urgently needed on this issue.

2.20 Yet, while in Baghdad, the mission was able to make, with the help of the local researchers, a rough estimation of around 1.5 million war-disabled people. This estimation is based on the widely circulated and agreed upon figure of the number of the death toll among the Iraqi army through the consecutive wars (around 1 million) and the logical ratio of casualty and disability to each one death case (1.5 disabled to each 1 death case).

2.21 By adding to this estimated 1.5 million the number of disabled among segments of the POWs, who spent 10 to 20 years in captivity in Iranian prisons, the total number of disabled is estimated to be around 1.7 million people.

The Youth

³ Terre Des Hommes Italia Report, "Child labor/ Field Survey of Baghdad Area," conducted by Karim Hamza, June 2003 (in Arabic).

2.22 According to data from 2001, 64% of the population is under the age of 20 (table below). An important issue of concern is the high unemployment rate among the youth, which reaches 60% as well as the very large youth population that will need to join the workforce. This large population can become a source of serious instability if jobless prevails.

Population Age distribution 2001		
Age up to	%	Cumulative Total number
0 - 5	17	4,204,992
5 - 10	31	7,735,266
10 - 15	44	10,879,022
15 - 20	55	13,583,941
20 - 25	64	15,900,505
25 - 30	72	17,852,907
30 - 35	78	19,467,105
35 - 40	84	20,747,092
40 - 45	88	21,779,420
45 - 50	91	22,586,808
50 - 55	94	23,225,668
55 - 60	96	23,717,115
60 - 65	97	24,090,412
65 - 70	98	24,358,288
>70	99	24,548,672
75	99	24,674,488
80+	100	24,813,365

2.23 In addition, this age group has suffered from decades of ba'athist propaganda through various means, e.g. the Olympic Committee and other sports facilities, youth organizations, paramilitary training, etc. The cultural and sports centers run by the high rank members of the Ba'ath party are a good case in point. After the war all these centres have been completely destroyed. There is an urgent need to rebuild these centres with new objectives and policy for youth as their attitudes, values, mind-set, and priorities will determine the future of the country.

The Elderly

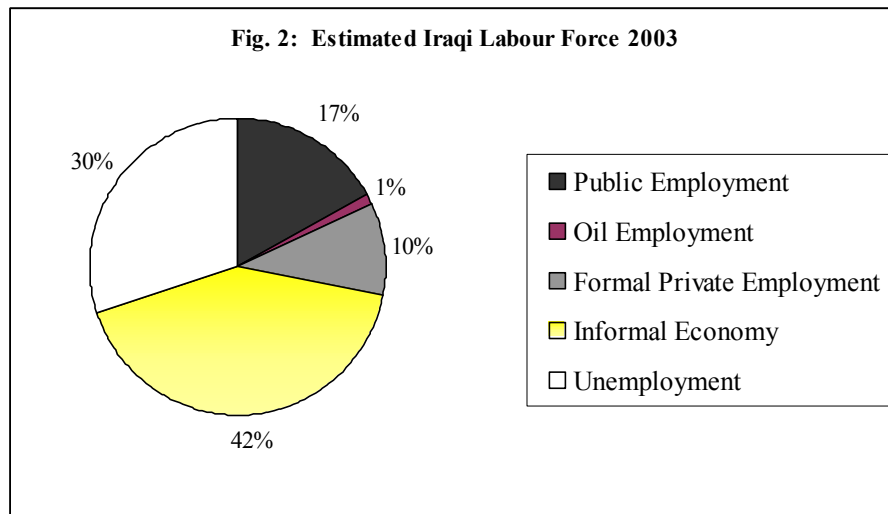
2.24 According to data from 2001, 2% of the population is over the age of 65. The elderly people are amongst the most vulnerable. Indeed, elderliness is potentially associated with disability, severe economic difficulties and financial deprivation, limitations of access to health services, and lack of social services. In Iraq, neither the social security system nor the social care system cover the totality of the elderly population. Large numbers amongst them have depleted their savings, and the average pension (equivalent to 2 US dollars a month) is not sufficient for normal life. In this respect, it is important to note that the current increase of the salary by the CPA to 20 dollars could be considered a temporary relief.

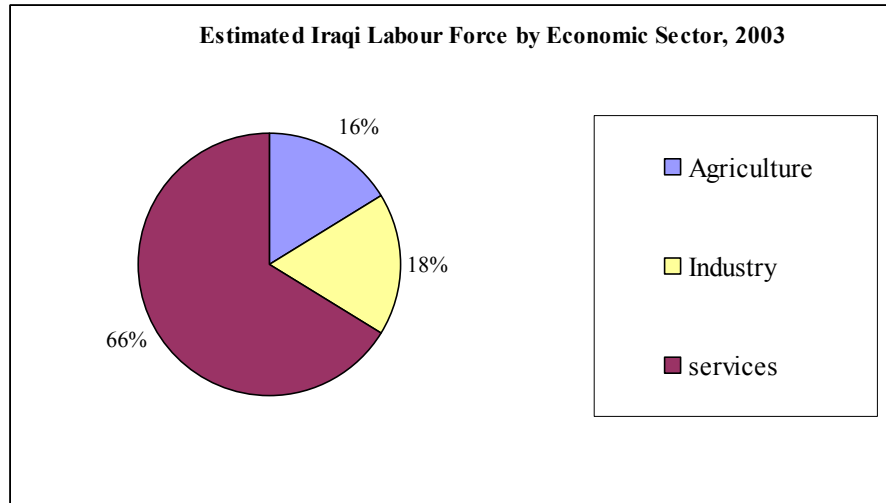
2.25 Furthermore, although strong family ties in the Iraqi society help in providing protection for the elderly, the absence of public services coupled with the high cost of available health treatment and the meagre retirement or social care benefits have forced large number of the elderly to resort to begging or to rely on the assistance provided by charity and religious organizations.

2.26 An important issue of concern is the current status of Nursing Homes in Iraq. Their current number in the whole country is only 3, accommodating 160 persons. In 1990 the number was 9, accommodating 410 persons. Field visits by International NGOs concluded that life in these homes is below standard and almost unbearable, with lack of sanitation, health services, and proper food.

The Unemployed

2.27 There are no official figures of the Iraqi labor force. However, based on the 2003 population projection of 26.3 million, the Iraqi labor force is estimated at 7.5 million – excluding the army and security forces. Now having the army and security forces dismantled, the labor force figure will come to around 8.5 million. The following two charts show the estimated 2003 Labor Force and its distribution by economic sector.





2.28 High unemployment rates has been a major problem facing the Iraqi labor market as of late 90's. Despite all the efforts of the previous government to face this chronic problem, the unemployment rate prior to the 2003 war was estimated at 30%. Although there are no official estimates of the current unemployment rate, it is estimated that about 50% of the labor force is either unemployed or underemployed.

2.29 Underemployment and the increased number of survival jobs in the informal sector are of great concern. In the late 90's, up to 42% were estimated to work in the informal sector. The great majority of workers in the informal sector were in marginalized economic activities, were collecting meager pay under terrible working conditions, and were depending for their living on the food basket distributed under the Oil for Food Program, in addition to free governmental health and educational services.

2.30 While women represent around 52% of Iraq population, they only constitute 23% of Iraq work force in the formal sector. The majority of these women workers are middle level professionals in the public and service sectors.

2.31 The Coalition Provisional Authority (CPA) decision to dissolve the Iraqi army, police force and security organizations (total of approximately 1,000,000 staff) will have a significant impact on the already existing high levels of unemployment. A carefully balanced process of re-integration of ex-soldiers, police and security staff into productive sectors of society will require a comprehensive national program.

2.32 The effects of the de-bathification policy adopted by the CPA are manifold and are to be judged carefully, weighing both the positive and negative consequences. One positive element, amongst others, is the removal of those in the higher ranks of public and government administration who were appointed more because of their political affiliation, rather than their professional competencies. However, there can be little doubt that the dismissal of tens of thousands of civil servants did add another large number to the unemployed and left considerable shortfalls in the upper and middle management levels in many public organizations and institutions. The already ongoing process of re-hiring former administrative personnel after a thorough screening process may to some extent alleviate the policy's more harmful impacts. However, restoring adequate levels of qualified

staffing in the public sector as well as dealing with the remaining unemployment dilemma is a challenge not likely to be resolved quickly.

2.33 Finally, the expected return of 500,000 refugees and potential job-losses amongst the 600,000 employed in the SOE sector will add further pressures on the labor market.

2.34 A sudden addition of these large numbers of dismissed army men, civil servants, and refugees will result in further pressures on the present labor market. In this respect, it is important to note that the Iraqi public sector currently employs approximately 1,2-1,3 million staff including civil servants, oil workers, and policemen. By the best estimates, these workers represent about 15% of the total labor force. To inject money in the local economy, the CPA set the salary scale of civil servants between US\$ 60-160; made emergency payments of US\$ 50 for each of the dismissed soldiers, and a one-off payment of US\$ 40 for each of the 68,000 families registered as social cases. These payments are considerably more than what the recipients were receiving under the previous regime and will improve their purchasing power for a limited period of time. However, it's clear that this in itself will not have long-lasting effects on the economy or lead to the creation of more job opportunities.

IDP's, Refugees and Returnees

2.35 The mission recognizes the importance attached to the re-integration of returning IDPs, refugees and other war affected groups as a pre-requisite to the success of the post-war reconstruction of Iraq. The knowledge base, however, is uneven with substantive data more readily available in the north where the UN has been assisting the IDPs/returnees over the past decade. In comparison, data on the displacement situation in the centre/southern parts of the country appear sketchy due to limited access to such groups over the same period. A balanced focus has been maintained on the needs of IDPs/returnees who have been equally and fairly assessed to provide basis for a community-based re-integration process, in addition to others who are still in need of protection and assistance (stateless groups and refugees from other countries in Iraq).

2.36 The combined effects of war and sanctions have dislodged large numbers of Iraqis within and outside the country, and this displacement has had a distorting effect on the demographic and social fabric of the Iraqi society.

2.37 Internally displaced persons (IDPs)

- **“Pre-war caseload”**: the pre-war IDP figures estimate between 600,000 to 800,000⁴ people displaced mainly from Kirkuk and Mosul by arabization policies and inter-ethnic fighting. The number of IDPs is disputed and estimates of expected returns vary between 20,000 and 200,000;
- **Shi'ite displaced**: consists of those displaced in the south following the Gulf war. Their figures are estimated between 100,000 to 300,000 people, and more needs to be known about their profiles and needs;
- **“Marsh Arabs”**: as a result of schemes carried by the former Iraqi regime to drain the marshes, 150,000 of the original population (400,000) of the “Marsh Arabs” were estimated to have left the desiccated marshlands to other areas in the country for survival;

⁴ The Revised Humanitarian Appeal for Iraq of June 2003.

- Newly displaced (Arabs): these are Arab populations recently displaced by insecurity following the war whose numbers still need to be determined. Many of them were displaced from Kirkuk in the aftermath of property claims and land ownership disputes. Preliminary indications put the numbers in tens of thousands and may further increase;
- Other displaced: There are many families rendered destitute by war damage, looting and ethnic and religious violence. Further assessments are required in the center/south to determine their numbers and needs.

2.38 *Iraqi Refugees and other Groups*

- Refugees/Returnees: the exact number and location of all Iraqis living abroad is unknown but believed to be in the range of 3 to 4 million, including some 450,000 Iraqis residing illegally abroad. It is estimated that some 500,000 Iraqi refugees, asylum seekers and persons in refugee-like situations may eventually repatriate to Iraq. More than 400,000 of these are recognized Iraqi refugees, scattered in more than 40 countries. The vast majority, however, are living in Iran, Jordan, Syria and Western Europe;
- Stateless persons: certain groups in Iraq, such as the Faili Kurds forcibly removed and deported to Iran, and some of the Arab Shi'ites were “de-naturalized” in the 1970s and 1980s, with large number of persons being stripped of their nationality and made stateless.

2.39 *Refugees/asylum seekers in Iraq*

2.40 Iraq hosts five major groups of refugees: Palestinians, Iranians of both Kurdish and Arab ethnicities, Syrian, and Turkish refugees:

- Palestinians: estimated to number some 80,000 people;
- Iranians of Kurdish ethnicity: estimated to number 12,000 people;
- Iranians of Arab ethnicity: estimated to number 6,500 people;
- Syrian refugees: estimated to number 1,600 people;
- Turkish refugees: estimated to number 10,000 people.

D. Iraq - Social security networks

The Oil for Food Program

2.51 When sanctions were imposed on Iraq in 1990, Iraq expanded an existing system of distributing rations to its population. The system, known as the public distribution system (PDS), has effectively distributed a basic “food basket” to virtually every citizen since then, thereby providing a vital life-line for many. Initially, the food system was managed entirely by Iraq; later the General Assembly established the Oil for Food Program that provided funds for food for distribution. The Ministry of Trade maintains an extensive network of purchasing contractors, warehouses, mills and distributing agents in addition to its staff, including those in the Grain Board of Iraq, the State Board for Food Processing and the State Company for Foodstuff Trading (further details can be found in the Agriculture sector report).

2.52 With the scheduled handover of the OFF program on November 21st, rapid and thoughtful planning is required to ensure that the eventual phase-out of the OFF coupled with changes in the

policy environment do not put the population at large, and specifically vulnerable groups, including women, children and youth, at immediate risk.

2.53 Pricing of food basket items at border prices, together with associated agriculture reforms on procurement and input prices would help remove a major barrier to realizing Iraq's agricultural potential and developing a free market in food, thereby eliminating some of the PDS side effects such as high levels of dependency, transaction costs and food imports.

2.54 Several schemes to replace the PDS are currently under review. If the choice was made to move to a cash transfer system, plans to avoid disruptions, uncompensated price impacts on income, and unintended negative impacts on the vulnerable (particularly women and children) would need to be put in place. A simple analysis demonstrates the potential high risk to vulnerable groups of any hiatus in payment of benefits.

Annual social impact (2004) of eliminating the PDS

Loss of value of food at household level US\$ 2,580,288,268 (local market equivalent)

Reduction of per capita food intake	6,450,721 people affected
Increased child malnutrition	394,423 babies under one at risk 2,527,200 children under five at risk
Children seek work instead of schooling	3,976,479 children of school age at risk
Poorly nourished mothers	2,523,479 women aged 15-35 at risk
Poorly nourished elderly	156,694 citizens over 75 at risk

Note: Population data are based on the Ministry of Planning population statistics for 2001, originating from the 1997 survey, with a projected population growth rate of 2.7% per year. The numbers of vulnerable people are calculated on the basis of estimates of food basket dependency, provided by Ministry of Planning economists. These findings are consistent with a Food Security Assessment carried out by the WFP/FAO in September 2003, which concluded that currently over 50% of Iraq's population are vulnerable to changes in the food ration distribution system because they lack sufficient purchasing power from their own resources. Hence, elimination or reduction of food supplies without proper compensatory mechanisms being in place are likely to put the most vulnerable at immediate risk. The most serious implications are for mothers and young children. The nutrition of children under the age of five (over two and a half million children) is vital for their future development. Malnutrition under the age of one (almost 400,000 babies at risk) causes stunting from which children can never recover. In addition to the direct effects of withdrawing food, there would be a number of indirect effects. For example, children will drop out of school in order to seek work (about 4 million school-age children at risk).

Social care recipients under Iraqi Law

2.55 Iraqi Law no. (26) 1980 on social care benefits divided eligible families in two : (1) low income families that earn below the minimum wage of unskilled worker, (2) Families that have no income, which include widows, divorced, orphans, blind, disabled, elderly, families of prisoners and juvenile delinquents, and students with no family support.

Presently, only 82,000 families receive social care benefits. The MoLSA has a target to cover 200,000 families by the end of 2003. This is still far short of the 870,000 families who will be in need of this social safety net.

2.56 The amount of social benefits distributed monthly remains extremely low: 5,000 Iraqi Dinars (eq. US\$ 2,5), while the families of 2 members or more receive 7,000 Iraqi Dinars (eq. US\$ 3,5). However, the situation has been enhanced recently. Eligible recipients have received in two instalments the total of 100 Dollars for the post war five months (an average of US\$ 20 per month).

2.57 According to a socio-economic survey conducted on a representative sample of 4000 social care recipients, the categorization of the population of recipients is as follows:

Categorization of the population of recipients (%)	
Disabled (including severely handicapped)	26.75
Widows with minor children	22.25
Divorced Women with minors	14.00
Minor Orphans	10.75
Students without family support	12.25
Families of prison inmates	3.50
Others	10.50
Total	100%

Challenges to establishing a social safety net

2.58 An obstacle to establishing an effective social safety net is the difficulty in identifying the truly needy. A good understanding of the scale of needs will be obtained only through a national household consumption survey, and this should be an urgent priority. The registration system set in place for the PDS is complete and comprehensive, and could be used as the basic data set for establishing social security needs. Meanwhile, the most needy groups can be predicted.

Group	Problem	Remedy
Pregnant women	Adequate nutrition	Food rations or cash
Women with children under 2	Adequate child nutrition	Food rations or cash
Children under 5	Adequate nutrition for growth	Food rations or cash
Children over 5	Adequate nutrition for growth	School meals
Single parent-headed households		
Sick	Medical care and nutrition	Medical and hospital treatment, drugs and hospital meals
Disabled	Income	Cash
Chronically unemployed with no employed in close family	Income	Cash

2.59 The challenge will be to identify those among the above groups who have no other source of support and are in real need. A means test will be needed, which will require potential beneficiaries to register with authorities by means of an administrative process that is transparent and equally

accessible. In Iraq, with its various cohesive local systems of consultation, there will be considerable scope for locally mediated methods of identifying the poor. However, an effective system will take time to establish, and it will be important to maintain food distribution as a last resort entitlement until there are adequate replacements.

III. Needs and Priorities for Livelihoods, employment and re-integration

3.1 In Iraq, the immediate need is to ensure the livelihoods of the most vulnerable groups and the re-integration of IDP's and refugees through some immediate emergency job creation and social safety nets. But these short-term measures must be fitted into a longer-term national employment plan in conjunction with a growth and human development strategy. This is an issue of sequencing between immediate needs and long-term requirements.

A. The Employment strategy

3.2 The social and economic costs, including opportunity costs, of under and unemployment are considerable and are tangible in almost every sector in society. Creating new employment opportunities, therefore, is beyond doubt one of the most critical dimensions of the reconstruction process in Iraq. Employment will help reduce the presently unacceptably high levels of poverty amongst the majority of Iraqi's. But equally important to foster greater social and economic inclusion of the most vulnerable is to restore a sense of normalcy and to reverse a culture of dependency and build a stake in maintaining a peaceful and stable environment.

3.3 In order to achieve this goal of using employment for human poverty reduction, there is a need for first getting a pro-poor macroeconomic framework with a pro-poor growth strategy and getting a comprehensive employment plan as the centerpiece of that strategy. For Iraq, as with many other countries, the choice is not a growth-led employment, but an employment-led growth. In growth-led employment, employment is a residual and in many economies, growth takes place all right, but without corresponding increases in employment – the phenomenon of *jobless growth*. Only employment-led growth strategy, if properly designed, can ensure simultaneous creation of employment and growth.

National Employment Plan

3.4 In the long run, it is essential that an employment-led growth strategy for Iraq be formulated. The basic idea of this strategy would be to develop a highly productive and high quality labor-intensive growth strategy. With such a strategy, there will be simultaneous job creation and growth generation. With backward and forward linkages within the economy new effective demands will be created leading to more production and higher productivity.

3.5 The elements of such a strategy can be contained in a national development plan, which will be crucial for long-terms growth and human development. The national plan on one hand would concentrate on developing human capital and skill and on the other explore ways and means for using such capital and skill. Some of the major elements of such a plan may cover the following areas:

Intensive Labour

Intensive Labour through Rehabilitation Programs

3.6 In order to ease growing social tensions and rapidly provide households and communities with income it is critical to create job opportunities quickly, even if they are limited in duration or unsustainable. A first and obvious opportunity for widespread employment generation is offered through a labor-intensive reconstruction and rehabilitation process. In addition to the foreseen large scale and technical rehabilitation activities, the immediate need is to deal with the destroyed and crumbling conditions that people struggle with at the local level. The social mobilization generated through a reconstruction and employment approach can be used to effectively address a number of Iraq's priority needs both in urban and rural areas, in return for relatively modest costs.

Intensive Labor through Community Based Development Programs

3.7 Employment could also be generated through community social and economic infrastructure rehabilitation and construction programs, such as social investment fund-type programs that rehabilitate and construct schools, roads, health clinics, and water supply networks, usually according to local priorities expressed by communities. In addition to creating employment through use of local labor and materials, these programs also address small-scale infrastructure bottlenecks and foster community participation and ownership. The programs can also help strengthen local institutions and improve links between communities and local governments and between local governments and central government. In particular, local government units could be strengthened by involving them in the identification and prioritization of needs and in planning and monitoring the activities. Such community-based programs would provide unskilled employment very quickly, where there is little work at present, while at the same time improving public and social infrastructure.

The social and institutional impacts of Intensive Labor programs

3.8 There is already experience in Iraq of intensive labor programs through the United Nations Iraq Reconstruction and Employment Program (IREP). This program is based on proven methodologies developed in other reconstruction and employment programs in countries ranging from the Balkans to Afghanistan. Although these programs have focused on short-term employment for rehabilitation, they have demonstrated that the support given to local communities creates an excellent platform for social mobilization initiatives. There is an urgent need in Iraq for support at the community level to improve social cohesion and lessen social tensions that can lead to conflict. There is evidence from program activities in the North of Iraq and elsewhere in the world that programs of reconstruction and employment are very suited to rural as well as urban situations.

3.9 The social mobilization generated through a reconstruction and employment approach should be used to begin to tackle a number of issues facing the country. A properly funded program should go beyond direct payment of laborers and begin to strengthen the social institutions of the communities involved. There will be a great opportunity to assist the development of evolving local democracy. When Iraq moves to self-determination and elects a new government, various levels of local government will be created or legitimized. Prior support of communities will provide a platform for strengthening capacities to contribute to the evolving democratization process. Construction of facilities for youth to provide them with access to sports, IT, income generation and cultural activities will promote social cohesion. In particular, locally selected institutions could be strengthened by involving them in the identification and prioritization of problems and in planning and monitoring action. Their links with the municipalities in identifying priorities and negotiating could be strengthened and enhanced. The functions of credible elected local authorities could be strengthened as the democratization process proceeds.

3.10 There is no current policy to channel reconstruction and rehabilitation funding through local communities, and this set of priority actions will help to re-orient policy and implementation towards the local level. This set of priority actions will help to improve social cohesion and prepare people to contribute to the democratization process at the local level. Immediate extra funding will be needed. There are considerable sums allocated in the budgets of Baghdad and the Governorates for reconstruction, but it is not for fast-disbursing emergency local action. This set of priority activities will require Baghdad District and Governorate authorities to shift some of their institutional resources to strengthening local capacities to engage in reconstruction and rehabilitation.

Priorities and recommendations:

3.11 Funds can be channeled through existing government institutions such as the Ministry of Public Works, the Mayoralty of Baghdad, Local Councils and others. Plans and priorities would be agreed upon and funds disbursed through the counterpart institutions with backstopping, reporting and monitoring by UN agencies reporting to the donors.

- Priority 1: Intensive labor - Municipal service delivery;
- Priority 2: Intensive labor - Rehabilitation of public buildings;
- Priority 3: Intensive labor - Public infrastructure rehabilitation and new construction;
- Priority 4: Capacity building of local institutions and CSOs;
- Priority 5: Interventions targeting women;
- Priority 6: Interventions targeting youth.

Unit cost of labor per activity

3.12 The basic work to be performed requires a workman force, which is not dependent on the type of activity but requires generally a common mix of laborers, foremen, supervisors and operators, paid on different salary scales:

Laborer:	US\$ 3 / day
Foreman:	US\$ 5 / day
Supervisor:	US\$ 7 / day
Operator:	US\$ 12 /day

3.13 Thus it is estimated that the cost of the unit workman force required is approximately US\$ 4.5 / day independently from the type of activity

3.14 The total unit cost per type of activity is dependent on the equipment and machinery required to perform this activity. From the previous IREP experience, the following percentages can be applied to each type of activity:

Type of activity	Labor / material %	workman cost / day (US\$)
Municipal service delivery	75 / 25	6
Rehabilitation of public buildings	60 / 40	7.5
Public infrastructure rehabilitation and new construction	40 / 60	11.25
Interventions targeting women	60 / 40	7.5
Interventions targeting youth	60 / 40	7.5

3.15 Assuming a baseline of US\$ 10 million per activity the following amount of work generated would be:

Type of activity	No of worker-day	No of worker-month
Municipal service delivery	1,670,000	56,000
Rehabilitation of public buildings	1,330,000	44,000
Public infrastructure rehabilitation and new construction	900,000	29,600
Interventions targeting women	1,330,000	44,000
Interventions targeting youth	1,330,000	44,000

3.16 Based on the budget allocations, the following amount of work is planned to be generated for 2004:

Capital investment	2004		2005 -2007		Total	
	Total budget	No of worker-day	Total budget	No of worker-day	Total budget	No of worker-day
Municipal service delivery	53 million	8.8 million	105 million	17.5 million	158 million	26.3 million
Rehabilitation of public buildings	6 million	0.8 million	18 million	2.4 million	24 million	3.2 million
Public infrastructure rehabilitation and new construction	150 million	13 million	202.8 million	17.6 million	352.8 million	30.6 million
Capacity building	5 million	/	15 million	/	20 million	/
Interventions targeting women	3 million	0.4 million	9 million	1.2 million	12 million	1.6 million
Interventions targeting youth	5 million	0.7 million	0	0	5 million	0.7 million
Total for capital investment	222 million	23.7 million	349.8 million	38.7 million	571.8 million	62.4 million

Assuming that workers are generally employed for an average duration of 3 months, the foreseen budget will have generated employment for 237,000 workers and livelihoods for 1.7 million people for 2004.

Calendar Year 2004 and 2005-2007 Budgets			
(in US\$ millions)			
Intensive Labour through Reconstruction and Rehabilitation			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
A- Services requirements	5.50	15.00	20.50
B- Assets Maintenance	1.00	4.50	5.50
Total for Recurrent Expenditures	6.50	19.50	26.00
II - Capital Investments			
Priority 1: Intensive labor - Municipal service delivery	53.00	105.00	158.00
Priority 2: Intensive labor - Rehabilitation of public buildings	6.00	18.00	24.00
Priority 3: Intensive labor - Public infrastructure rehabilitation and new construction	150.00	202.80	352.80
Priority 4: Capacity building of local institutions and CSOs	5.00	15.00	20.00
Priority 5: Interventions targeting women	3.00	9.00	12.00
Priority 6: Interventions targeting youth	5.00	0	5.00
Total for Capital Investments	222.00	349.80	571.80
Grand Total	228.50	369.30	597.80

Re-operating Industrial Enterprises in the Private and the Mixed Sector⁵

3.18 As important as quick short-term employment generation is in Iraq today, the ultimate objective is to progress towards an economy that can sustain the pressures of its young labor force through sustainable job creation. A key condition for this to happen is the development of both a vibrant private and mixed sector. Indeed, the re-operation of industrial enterprises in the mixed sector will have a positive, immediate and important impact on employment and the economy in general.

General Requirements for Re-operation of Industrial Enterprises

3.19 The revitalization of activities of the State Agency for Standardization, Quality Assurance and Metrology, to cover both local production as well as imported goods is an important condition

⁵ The mixed sector refers to Public – Private Partnerships. The definition of the mixed sector is the following: According to Iraqi Companies Law of 1997, state agencies must own at least 25% of the mixed sector enterprise shares. The main state agency, which owns shares in mixed sector industrial companies, is the Industrial Bank. Other state agencies, especially insurance companies and social security fund, also own shares in the mixed sector companies.

for restarting operations in industrial firms. Work within this Agency has not been resumed. Goods and commodities of all sorts are now entering Iraq freely without any reference to the usual quality assurance measures. All sorts of substandard goods potentially harmful to health, well-being and safety of the population, and the environment can be found in the country. Import of sub-standard goods has also created severe and unfair competition with locally produced goods. Top priority should be given to resuming the activities of the Agency. Since 30% of all its equipment were looted, and the rest is obsolete.

3.20 The agency needs to invest \$50 millions. Most of the money is needed to purchase machinery, equipment and tools.

3.21 Prior to the war, the Agency was financing its operations from its own revenues by charging for its services. In 2000 and 2001, revenues far exceeded actual expenditure.

Re-operating Industrial Enterprises in the mixed sector

3.22 Though mixed sector industrial companies represent a small part of the industrial sector, employing just over 6000 people, they are of a special interest for any study on the prospects and direction of the Iraqi economy for the following reasons:

3.23 (1) being public share holding companies they have access to substantial amounts of private savings and entrepreneurial talents, (2) sponsorship by the Industrial Bank has enabled them to overcome many obstacles facing private enterprises in matters such as securing land, foreign exchange and technology, (3) despite state ownership of a substantial part of their shares, these companies enjoy a measure of managerial flexibility that is far beyond State Owned Enterprises method of management, and (4) they exhibit a much higher degree of transparency in their operations compared to state and private sector enterprises.

3.24 As a result, productivity, wages and profitability were much higher in the mixed sector industrial enterprises compared to other sectors as can be seen from the table below. Moreover, according to information provided by the Central Bureau of Statistics for the years 1996-2000 and the Annual Report of Baghdad Financial market for the years 2000 and 2001, all mixed sector industrial enterprises were highly profitable.

Basic Indicators of the Industrial Sector, 2000

	State Sector	Cooperative Sector	Mixed sector	Private Sector			Grand Total
				Large & Medium	Small	Sub-total	
No. of enterprises	102	34	20	608	77167	77775	77931
No. of workers	95224	1529	6275	19071	16457 9	18365 0	28667 8
Wages in ID millions	80416	270	8336	7961	44251	52212	14123 4
Average monthly wage in ID thousands	70	15	110	34	22	23	41

Source: Central Bureau of Statistics.

- Requirements for Re-operating the mixed sector

- The mixed sector needs for long-term credit: according to detailed information provided by 7 out of 20 mixed sector industrial companies during mid August 2003, little damage was inflicted on most mixed sector factories during the war. However, the looting and burning that followed the war have caused substantial damage to few companies; the estimated value of the damage is \$37 millions. These companies, like all others in Iraq, have stopped investing in new and better machines, and production methods, for more than 20 years. In many cases, even proper maintenance and repair were far much less than required, these companies are badly in need of expansion and modernization, and hence to facilitate the process of rehabilitation, modernization, and expansion of mixed sector industries, a long-term loan program amounting \$50 million is needed. The international community can facilitate this process by granting loans, which could be managed by the Industrial Bank of Iraq, or any other suitable arrangement.
- Need for short-term credit: mixed sector companies used to hold substantial current accounts with state and private commercial banks as well as with the Industrial Bank to finance their current activities. Many of the state commercial banks and the Industrial Bank were looted and burned after the war. All accounts with these banks are now frozen. The companies are now facing a liquidity crisis and urgently need help to jump start operation. On the basis of information provided by 7 companies out of 20 during mid August 2003, and information mentioned in a report by Baghdad Financial Market, these companies need ID 20 billion as short-term credit during 2004 on usual commercial basis. The international community may provide this short-term loan for the mixed sector industrial companies, and this could be managed by commercial banks and the Industrial Bank.
- Need for institutional changes: changes and modernization are also needed in the method of management of mixed sector companies. For example, Iraqi law No. 21 of 1977 enables the Ministry of Industry to appoint three members to the Board of Directors of mixed sector

industrial companies when state owns 25% or more of the shares. The private sector can only elect four members to the Board of Directors even if it owns 75% of the shares. Moreover, according to the same law, each decision of the board must be supported by at least two of the three state appointed members, so the Ministry of Industry can simply veto any decision of the board. On the other hand, the same law makes it compulsory for the General Federation of Iraqi Labor Unions to appoint two members to the board of directors. This means that out of 9 members of the board of directors, the Ministry of Industry and General Federation of Labor Unions appoint 5 members to the board of directors even though the private sector owns 75% of the shares of the company. Examples such as these illustrate that a new code of conduct is to be developed more in line with standard international business practice.

- Privatization: a question that is heatedly debated in the business community, government quarters and on intellectual levels is the privatization of state owned and mixed sector enterprises. Iraqi society is presently ill equipped to come to consensus on this issue. In the mixed sector, privatization does not represent a major issue. Indeed, once Companies Law is amended to eliminate the excessive domination of the state in these companies, privatization will be reduced to a normal sale of state owned shares in a transparent way. The Industrial Bank can easily start this process once normality is restored.

Priorities and recommendations:

- Priority 1: Mixed sector short-term loans to purchase operating requirements, e.g. raw material parts and components (one year duration but renewable);
- Priority 2: Rehabilitate and modernize the Institute for Standardization, Quality Assurance, and Metrology;
- Priority 3: Training for Standardization Agency employees;
- Priority 4: Rehabilitation and modernization of Industrial Enterprises in the mixed sector.

Calendar Year 2004 and 2005-2007 Budgets			
(in US\$ millions)			
Re-operating the Standardization Agency and Industrial Enterprises in the Mixed Sector			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
- Mixed sector Short-term loans to purchase operating requirements e.g. raw material parts and components (one year duration but renewable).	10.00	30.00	40.00
Total for Recurrent Expenditures	10.00	30.00	40.00
II - Capital Investments			
Priority 1: Rehabilitation and modernization of Standardization Agency tools and equipment	19.00	28.50	47.50
Priority 2: Training for Standardization Agency employees	1.00	1.50	2.50
Priority 3: Rehabilitation and modernization of the Mixed sector enterprises	10.00	30.00	40.00
Total for Capital Investments	30.00	60.00	90.00
Grand Total Expenditures	40.00	90.00	130.00

Establishing socio-economic re-integration programs for demobilized soldiers

3.25 The need for a comprehensive national program for socio-economic re-integration of demobilized soldiers (Ex-soldiers) has been recognized in many countries which went through armed conflicts. Soldiers, who have spent years in the army or paramilitary groups, have normally been supported financially by the military establishment or the militia organizations.

3.26 To avoid massive unemployment and declining morale of ex-soldiers, it is important to develop a new sense of identity, which is not linked to the war. A healthy civilian identity can be encouraged through remunerative employment, vocational training and constructive work that contributes to individual and community well being. Training and work activities of ex-soldiers contribute to the re-establishment of values, behaviors and norms that regulate and give meaning for their new roles and will enhance their self-esteem.

3.27 Several employment options may be considered to cater for ex-soldiers and to give them access to the post war restoration and reconstruction of the infrastructure. Massive accelerated modular skills training as well as other training approaches will equip them to enter the labor market or to develop entrepreneurship necessary knowledge and skills. In addition, psychosocial support services frequently feature as essential ingredients of any comprehensive re-integration program.

3.28 As discussions between the Office of the SRSG and the Coalition Provisional Authority on this subject have been initiated and are still ongoing, the identification of a summary list of priorities and subsequent financial requirements is deferred to a later stage.

Skills training programs

3.29 During the last decade the educational sector suffered severe setbacks due to wars, sanctions and the associated socio-economic problems. Children find their parents either struggling for survival and performing low-level jobs, or unemployed, despite their level of education. As a result, the value of education in the eyes of school age children becomes very low, resulting in high rates of school drop-outs and low rate of school enrollment.

3.30 Reports indicate that the school drop-out rate reached 25%; and that the illiteracy level for age 15 and above in 2000 was estimated at 42%. The high school enrolment rate in the 1994/1995 school year was 51% for male and only 32% for female students.

3.31 Vocational education programs also suffered in terms of quality and quantity. However, evening vocational education classes were established in the mid 90's for school drop outs. In 2002, the total number of vocational educational schools was 238, serving 70,000 regular students, and 140,000 evening (non-regular) students. The high registration rate in the evening programs could be attributed to the fact that school dropouts can escape the military service as long as they were enrolled in evening schools where the educational cycle in the vocational education high schools is 3 years.

3.32 In addition to the vocational education program which are run by the Ministry of Education, several Ministries run such training programs, as shown in the **Table below**:

Training Centers Run by Ministries

Ministry	Number of Training Center
Labor and Social Affairs	6
Minerals and Industry	9
Petroleum	3
Transportation and Communication	4
Agriculture	5
Authority of Military Industries	8
Authority of Electricity	2
Total	37

3.33 Based on the figures shown in this table, it may be concluded that the vocational training system in Iraq is fragmented, and that no central authority exists for coordination and supervision. This confirms that there has been no national policy for training and human resource development. In addition, the devastating effects of the years of wars, sanction, and isolation from the rest of the world created a wide technological gap in terms of the equipment and knowledge available for the vocational training system. The equipment was described as old and obsolete; the training curricula

out dated; and the training cadre inefficient. The great majority of vocational education schools and vocational training centers needs physical rehabilitation and modernization of premises. However, all of these schools and centers as well as the stock of equipment and materials are reported to have been looted and therefore need to be replaced.

3.34 Realizing the immediate need for training on marketable skills, the CPA intends to run short-term training courses countrywide, which extend for a period of 10 weeks each. They estimate up to 300,000 workers can be trained before the end of 2004. However, given the present status of various training providers, this goal may seem optimistic and hence some doubts remain if this target can be successfully achieved.

3.35 The establishment of a national authority for vocational training under the Ministry of Labor and Social Affairs is an urgent priority in order to regenerate this sector and to coordinate and guide all vocational training services in the country. The proposed authority or council should include representatives of all stakeholders including employers' and workers'.

3.36 One of the immediate activities of the said authority is to rehabilitate and re-equip a sufficient number of training centers and vocational schools. While it will take time before achieving this objective, immediate measures should be taken to start-up a number of training services for short-term modular training programs. In this context, a network of vocational training providers should be established as a matter of urgency to deliver short-term skills training which could respond to the immediate needs of the reconstruction process, and enhance the profile of job seekers in order to equip them with marketable skills. Special emphasis should be given to entrepreneurship skills training in order to encourage youth, women and other target groups to start their own income generating projects. Equally important is the introduction of new training programs for new technologies, such as cell phone and networks operation and maintenance; desktop publishing; satellite dish installation and maintenance; and maintenance of new electronic equipment. These new programs should also aim at improving access of women to vocational training.

3.37 At the same time, the training authority should start modernization of the training curricula, training-of-trainers program, and develop a national policy for vocational training and vocational education. An in-depth needs assessment and analysis study is necessary for better understanding of the situation and for devising the appropriate policies and strategies. The information provided in the following table is hence of an indicative nature only and has not been included in the aggregate total of UN/WB identified additional financing needs.

Priorities and recommendations:

3.38 Funds can be channeled through existing government institutions such as the Ministry of Labor and Social Affairs (MoLSA).

- Priority 1: Rehabilitation of the Vocational Training Institutions;
- Priority 2: Accelerated modular training for trainees;

Calendar Year 2004 and 2005-2007 Budgets			
(in US\$ millions)			
Skills (Vocational) Training			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
A- Staff Expenditures	15.00	30.00	45.00
B- Goods requirements	15.00	40.00	55.00
Total for Recurrent Expenditures	30.00	70.00	100.00
II - Capital Investments			
Priority 1: Rehabilitation of the Vocational Training institutions	50.00	200.00	250.00
Priority 2: Accelerated modular training and stipends for trainees	50.00	30.00	80.00
Total for Capital Investments	100.00	230.00	330.00
Grand Total	130	300	430

Re-integration and Employment Generation for IDPs, and Refugees

3.39 One of the important tasks in rebuilding Iraq is to address the problem of the displaced population who want to return to their place of origin, and whose return, at this present time, threatens to undermine the fragile stability in the country, placing enormous pressure on already overburdened public services and infrastructure. As such, the success of the return and re-integration of IDP's/refugees will have important implications for the long-term stabilization prospects of Iraq.

3.40 UN Security Council Resolution 1483 (paragraph 8 b) provides that the Special Representative of the Secretary General (SRSG) should "promote the safe, orderly and voluntary return of refugees and displaced persons." Yet, there is growing concern that underlying political pressures and interests to change the demographics in the region might become a pushing or complicating factor in the return process. All actors are hence to be both aware and sensitive to these undercurrents, so as to avoid manipulation by special interests and to ensure that returns are voluntary and equitable. Further, it is also evident that economic migrants, including those movements of urban poor, reflect the complexity of the present situation, and remind us that any strategy for a voluntary, safe and orderly return process needs to dovetail with broader responses to the socio-economic realities facing most communities, especially those locales expected to absorb large numbers of returnee families.

3.41 The post-war return, resettlement and re-integration process should be conducted in such a way that ensures the protection of uprooted people, to prevent and reduce tensions related to unresolved land and property issues, as well as to create conditions conducive to sustained re-

integration based, by and large, on community-based solutions. The process should provide forward links to sustainable development.

3.42 The creation of conditions conducive to reconciliation and recovery will be a long and difficult process. The ethnic and religious balance in Iraq is extremely fragile and the national unity is at stake. A less than well balanced power-sharing and discriminatory decision-making may lead to fueling grievances and unrest along ethnic and religious lines, thereby negatively affecting security conditions and consequently, the return process. The re-integration prospect should be seen in this context of uncertainty, taking account more specifically of:

- The obstacles that lie ahead include unresolved and potential land and property disputes, and the risk they pose for renewed conflict and human rights violations;
- The destruction of infrastructure and lack of basic services, including irregular supply of water and electricity as well as poor sanitation and health care in many parts across the country;
- The chronic shortage of housing units in Iraq, estimated between 1.0 to 1.5 million units. In turn this contributes to the sensitivity of the land and property issues;
- The constraints of as yet less than fully functioning administrative systems at all levels on the delivery of services and re-installment of law and order;
- The damage caused to local livelihoods in the country-side, and rampant unemployment in urban centers especially among the youth;
- The destruction of documents and records of citizenship and residence registration, as well as birth, death and marriage certificates make it more difficult for returnees to raise their claims;
- The damage of property records open the door for contesting claims over land and property rights, and this negatively affects the rightful adjudication and lawful settlement of such claims;
- The uncertainties surrounding a successful transition from a central to a market based economy;
- The erosion of the Iraqi skill base caused by the out-migration of professionals and trained labor, whose return, if any, would be slow and limited, thus affecting the prospect for a quick recovery.

3.43 Against this backdrop, a resettlement and re-integration strategy should include the following elements:

- Implement, where and when feasible, programs for the protection, assistance and the repatriation in a safe, orderly and voluntary manner of IDPs, Iraqi refugees, and refugees in Iraq, by:
 - identifying, registering and profiling populations moving or likely to move spontaneously;
 - developing/updating demographic information and socio-economic profiles;
 - Developing communication strategies, public information campaigns stressing the need for voluntary, safe and organized returns.
- Ensure community-based re-integration through supporting returning refugees/IDPs and their host communities, by enhancing their access to social and economic services, by:
 - assessing absorption capacities and identify areas for immediate and medium term improvements in essential sectors (shelter, water, sanitation, food, employment, health);

- rehabilitating social infrastructure and restoring of basic services and facilitating access to productive assets;
 - assessing local economies both in areas of return and identifying economic opportunities in order to restore livelihoods and improve production capacities;
 - promoting reconciliation and tolerance by promoting the participation of communities and grass-root organizations.
- Establish a policy, legal and institutional framework to ensure protection, strengthen the delivery of assistance to refugees and displaced people by:
 - establishing a national policy on return with clear protection and assistance parameters;
 - Upgrading national and local capacities to deal with the legislative, administrative and judicial issues;
 - Provide technical support to the administrative, judicial and traditional authorities at national and local levels to deal with land and property claims. This includes taking legislative measures for the establishment of an Iraqi led and owned adjudicatory mechanism for the restitution of land and property, based upon international standards.
 - Developing under the overall guidance of the Humanitarian Coordinator in Iraq (HCI) a comprehensive and coherent assistance framework for the protection, care and assistance of the IDPs and refugees.

Priorities and recommendations:

- Priority 1: Institutional capacity building on national protection for displaced population;
- Priority 2: Legal assistance to returnees and host communities;
- Priority 3: Emergency rehabilitation and micro-projects funds for returnee localities;
- Priority 4: Social capital, networks and support mechanisms for displaced population;
- Priority 5: Shelter and public infrastructure rehabilitation in returnee areas.

Calendar Year 2004 and 2005-2007 Budgets (in US\$ millions)			
Re-integration and Employment Generation for IDPs and Refugees			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
A- Transport / Logistics for Returnees	24.00	00.00	24.00
B- Complementary emergency assistance for returnees	24.00	00.00	24.00
Total for Recurrent Expenditures	48.00	00.00	48.00
II - Capital Investments			
Priority 1: Institutional capacity building on national protection for displaced population	22.00	0	22.00
Priority 2: Legal assistance to returnees and host communities	9.00	0	9.00
Priority 3: Emergency rehabilitation and micro-projects funds for returnee localities	8.00	0	8.00
Priority 4: Social capital, networks and support mechanisms for displaced population	39.00	0	39.00
Priority 5: Shelter and public infrastructure rehabilitation in returnee areas	45.00	0	45.00
Total for Capital Investments	123.00	0.00	123.00
Grand Total	171	0	171

B. Social security networks

Immediate implementation of social protection through The Ministry of Labor and Social Affairs (MoLSA)

3.35 In addition to earlier referred to social benefit payments, the food basket provided under the Oil for Food Program is currently the only other major functioning safety net provision.

3.36 Pricing of food basket items at border prices, together with associated agriculture reforms on procurement and input prices, would help remove a major barrier to realizing Iraq's agricultural potential and developing a free market in food which would unleash a sustainable supply response. In the short term, however, the termination of the food rations can be followed by price liberalization only when certain critical pre-conditions are satisfied. First, transfers to households would be needed to provide compensation for the income effects of the higher prices; this is particularly important in an environment of poverty and unemployment. Such a safety net would enable the population to cope with the transition, ensure stability, and protect the vulnerable. Second, given the current system of

state importation and public distribution of food, it is vital that current channels for importation and distribution continue to ensure the availability of basic foods. In time, private distribution and markets can be expected to develop and take over from the public system. If the choice was made to move to a cash transfer system, plans to avoid disruptions, uncompensated price impacts on income, and unintended negative impacts on the vulnerable (particularly women and children) would need to be put in place. It would also rely on the development of appropriate infrastructure and institutions, including in the financial sector. Discussions with Iraqi ministers indicate support for adopting such a graduated approach.

3.37 A package of services is required to compensate for its elimination. Iraq requires an effective modern social security system that targets people who are in most need. It needs programs that generate employment and remove the need for state support. It needs economic and financial incentives to create employment throughout society. All of this will require an infrastructure that works, good telecommunications, and a well-educated and trained workforce. State investment in all of these is required. Meanwhile, great caution should be exercised in replacing a nationally recognized form of nutritional support. Even with monthly food baskets, the Iraqi population is hungry. In a 2002 survey UNICEF found that 23% of children under the age of 5 were chronically malnourished. In other words, about half of the “at risk” groups were already undernourished even with food assistance.

3.38 Against this background, it is clear that the hardship of vulnerable groups will be deepened, unless serious and effective social safety nets are put in place. To this effect, the following initiatives are suggested for immediate implementation:

1. Continuation of food basket assistance until alternative provisions are established.
2. Payment of social security for 45,000 families and expansion of the coverage of the social welfare (cash transfer) to an additional 90,000 families in 2003, and an additional 100,000 families in 2004 this would bring the total number of beneficiaries to around 150,000 families in 2003 and 250,000 families in 2004⁶.
3. Rebuilding the capacities of the Ministry of Labor and Social Affairs (MoLSA): MoLSA needs to be restructured and modernized to become an efficient institution for managing labor administration, labor law, social protection and industrial relations, and establishing a national statistical database especially on vulnerable groups, including disabled persons, women headed household, and disadvantage children.

In the immediate future, a comprehensive training program is needed to enhance the capacities and skills of the staff of the Ministry and the new recruits as well. Specialized in-service training need to be organized in areas related to institutional development and change management, labor market information systems and labor administration; labor inspection, industrial relations, vocational training, rehabilitation, social welfare, gender and community development. This should be provided at the Ministry and the Governorate levels.

⁶ These recommendations are primarily meant as an indication of minimum required safety net provisions within the Iraqi 2003 and 2004 budgets. At the time of writing the exact amount of social safety net provisions within the 2004 budget were unknown but the CPA has made assurances that these are provided for. Hence above figures have not been included in the UN/WB total for additional financing needs.

4. Technical assistance under MoLSA should be provided to Labor Intensive scheme for infrastructure rehabilitation.
5. The vocational rehabilitation system and the CBR program for people with disabilities should be rebuilt.
6. A national social fund for socio-economic integration of vulnerable groups should also be established.
7. Assist in establishing Non-governmental and community based organizations for social solidarity care and assistance for target groups. This should include government cost sharing arrangements for projects run by these organizations.

Priorities and recommendations:

- Priority 1: Cash transfer for 250,000 families;
 Priority 2: Social security payments for 45,000 families;
 Priority 3: Rebuilding the capacity of MoLSA;
 Priority 4: Provide technical assistance to labor intensive reconstruction and rehabilitation programs;
 Priority 5: Rebuilding the vocational rehabilitation system and the CBR program for people with disabilities;
 Priority 6: Establishing a social fund for socio-economic integration of vulnerable groups;
 Priority 7: Support to Non-governmental and community based organizations for social solidarity care and assistance for target groups.

Calendar Year 2004 and 2005-2007 Budgets			
(in US\$ millions)			
Ministry of Labor and Social Affairs			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
A- Staff Expenditures	10.00	40.00	50.00
B- Goods requirements	40.00	-	40.00
C- Assets maintenance	30.00	50.00	80.00
D- Service Requirements			
Social Assistant (cash transfers) for 250,000 families x \$	120.00	600.00	720.00
480	40.50	-	40.50
Social security payments for 45,000 families x \$	15.00	40.00	55.00
900			
Institutional care			
	255.50	730	985.50
II- Rehabilitation/Reconstruction			
Rehabilitation of MoLSA building and regional offices in the governorates	12.00	36.00	48.00
	12.00	36.00	48.00

III - Capital Investments			
Priority 1: Technical assistant to large scale labor-intensive scheme for infrastructure rehabilitation	2.00	4.00	6.00
Priority 2: Rebuilding the capacity of MoLSA	18.00	20.00	38.00
Priority 3: Rebuilding the vocational rehabilitation system and the CBR program for people with disabilities	20.00	70.00	90.00
Priority 4: Establishment of social fund for socio-economic integration of youth, women and vulnerable groups	50.00	200.00	250.00
Priority 5: Support to Non-governmental and community based organizations for social solidarity care and assistance for target groups	10.00	5.00	15.00
Total for Capital Investments	100.00	299.00	399.00
Grand Total Expenditures	367.50	1065.00	1432.50

- ♦ *Capital Costs include the cost of feasibility studies, design equipment, and supervision of rehabilitation/reconstruction of old programs and establishment of new programs and services.*

Monitoring Environmental Conditions: support to the provision of basic services

3.39 In order to sustain livelihoods, there needs to be minimum standards of environmental safety that are assured and monitored. Currently, environmental hazards loom large in a country that has not been part of the international community for over a decade. Serious water pollution, radiation, dumping of goods of dubious quality are only some of the issues that the population has to face on daily basis. The poorest people in society will be the most vulnerable, as they are the ones with the fewest options to escape the effects of pollution (e.g. by buying or boiling water or moving house). Effects on health will be severe, especially in the case of children, the elderly, and people who are already ill. Livelihoods will be threatened mainly because of the morbidity caused by pollution-associated diseases, but also by the disruption caused as people and businesses move to escape the worst environmental conditions. The mission addresses this issue from its institutional aspects and its recommendations in this respect are aimed at ensuring industrial standards and quality as well as environmental policy and monitoring.

3.40 Against this backdrop, the Governing Council has reached consensus that a Ministry of Environment should be created. The existing environment Directorate functions essentially as an environmental agency that provides services, monitors and enforces standards, and issues environmental services to businesses. In doing so it earns an income. The planned new ministry should take on a policy role while retaining an environmental agency that would be responsible for implementation. The role of the new ministry are recommended to include: setting Iraqi environmental policy; writing environmental law for parliament and invigilating the law and ensuring compliance; coordination of environmental affairs across ministries; monitoring the state of

the environment in Iraq; regional cross-border environmental issues; international environmental issues including the GEF.

3.41 Although creating a full-fledged environmental ministry is not an immediate priority for 2004, it could none the less be a period of relatively low cost planning, training and capacity building for the establishment of the ministry. As part of this, much-needed in-service training for technicians and scientists could be provided to strengthen the environmental monitoring system.

Priorities and recommendations:

The resource needs of the environmental protection directorate for 2004 (both headquarters and 18 governorates) have been broken into three cost categories: fixed, operating, and project.

- Priority 1: Construction of new buildings for the environment ministry and regional offices in the governorates;
- Priority 2: Strengthening institutional capacity of technicians and scientists involved in environment monitoring;
- Priority 3: Establish an environmental monitoring network,
- Priority 4: Providing support in the management of protected areas;
- Priority 5: Development of environmental action plans and strategies;
- Priority 6: Public information and environmental awareness;
- Priority 7: Promote multilateral environmental cooperation.

Calendar Year 2004 and 2005-2007 Budgets			
(in US\$ millions)			
The Ministry of Environment			
Gross Expenditure			
	2004	2005-2007	TOTAL
I- Recurrent Expenditures			
A- Staff Expenditures (910 employees @ US\$120 per month/employee)	1.3	4.5	5.8
B- Goods requirements	4.4	13.2	17.6
C- Assets maintenance (municipal building & assets)	3.6	10.8	14.4
Total for Recurrent Expenditures	9.3	28.5	37.8
II- Rehabilitation/Reconstruction			
New building for the environment ministry and regional offices in the governorates	20	50	70.00
Total for Rehabilitation/Reconstruction	20.00	50	48.00
III - Capital Investments			
Priority 1: Strengthening Institutional Capacity			
(a)- Training, workshops and study tours for added exposure to best practices	1.2	3.6	4.8
(b)- Information and office communications technology	0.65	2	2.65
Priority 2: Environmental Monitoring Network			
(a)- Water, Air, Radiation, and Occupational Monitoring	3.2	11	14.2
Priority 3: Management of Protected Areas	2	7	9
Priority 4: Development of Environmental Action Plans and Strategies	0.55	1	1.55
Priority 5: Public Information and Environmental Awareness	0.95	4	4.95
Priority 6: Multilateral Environmental Cooperation	0.65	3	3.65
Total for Capital Investments	9.2	31.6	40.8
Grand Total Expenditures	38.5	110.1	148.6

- ◆ *Feedback from EPID has been central to formulating this budget, while keeping their absorption capacity in mind. Although EPID endorsed the final budget, UNEP did not have the opportunity to conduct a final consultation with the newly appointed Minister of Environment. It has therefore been decided at this stage not to include these financial figures in the UN/WB aggregate total of additional financing needs. UNEP plans to conduct consultations at the earliest opportunity.*