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Dear Nigel

Iraq: Reconstruction Situation

At the Iraq meeting you convened on 16 September, we discussed the reconstruction situation in Iraq, and how much progress was really being made on the ground, not only by the UK but also by others, particularly the US. ?

I promised a paper with realistic data outlining what had been achieved. We have now put together a summary of progress, with statistics on the impact of the activities carried out by ourselves and other donors, and with an honest assessment of what has and has not been achieved over the last two and a half years.

I am copying this note to you and other members of the Iraq Strategy Group for information. I would be happy to elaborate further at a future Senior Officials or Strategy Group meeting, if that would be helpful.

Regards

Martin

Martin Dingham
Director, Europe, Middle East and Americas



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DFID Information Note on Reconstruction Progress in Iraq

Starting from a very low base... once a relatively wealthy country with high levels of education and healthcare, by 2003 Iraq had suffered more than 20 years of conflict, mismanagement, and chronic under-investment from a brutal regime. During the 1990s:

- Child mortality rates more than doubled
- Access to safe drinking water dropped by one third
- Sewage systems stopped working
- Iraq dropped from 76 to 126 on the Human Development Index

There is still a long way to go: the extensive degradation to infrastructure and society caused by more than 20 years of repression and mismanagement was never going to be rectified quickly. Continued violence, sabotage directed at key infrastructure, shifting Iraqi political figures and priorities, weak Iraqi systems and institutions, a lack of an Iraqi-led reconstruction strategy, and poor donor coordination have all taken their toll.

However, reconstruction has continued and much has been achieved:

- The economy rebounded quickly, growing by over 50% in 2004.
- The new Iraqi dinar was introduced and has held its value against the dollar.
- With help from donors, including DFID, the interim government negotiated an Emergency Post-Conflict Agreement with the IMF worth \$436 million, paving the way for the Paris Club debt reduction deal.
- \$3.22 billion has been spent on electricity, adding nearly 5,000 MW to the grid and boosting power supplies above pre-war levels.
- 1.25 million more Iraqis have access to potable water than before the conflict; 9.6 million more have access to a sewerage system.
- More than 30,000 teachers and healthcare professionals have been trained.
- 3,404 schools have been rehabilitated, a further 721 are in progress
- Hundreds of healthcare facilities have been rehabilitated and a new pediatric hospital in Basra is being built.
- Through extensive disease control programmes, there has been a decline in the prevalence of polio, measles, mumps, rubella, and malaria.
- A new mobile phone network has been introduced with over 3.5 million subscribers.
- 2,500 Iraqi NGOs are now registered with the Iraqi government, and trade unions, women's groups, and student organisations are now active. 250 newspapers and magazines have been launched since the fall of the regime, and new, independent radio and TV stations are now up and running.

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Selected reconstruction achievements by sector and agency

Electricity

- \$3.22 billion spent on electricity to date of which US has spent \$1.22 billion. Current generation averages 4,750 MW, compared to 4,300MW pre-conflict and 2,500MW immediately post-conflict.
- Nearly 5,000 MW added to the grid since the end of the conflict (of which 2,764 MW funded by US). However, this has largely been off-set by continued sabotage, inadequate fuel supplies, and lack of Iraqi capacity to operate and maintain the new systems (see diagram on last page).
- The funding gap of at least \$15 billion will require substantial private sector engagement which will only be forthcoming once the security situation improves.
- **DFID** work on electricity:
 - Repaired transmission lines from Hartha power station to Basra city – secured electricity supplies for 1.5 million residents.
 - Will improve power distribution to 13 areas of Basra (9 areas now 100% complete)
 - Will supply an additional 90MW of power at Khor Az Zubayr power station
 - Point power generators have added 15MW to the grid in Basra.
- **UN agencies:**
 - Emergency interventions include: repairing 18 key transmission lines, installing 51 diesel generators as back-up supply for essential humanitarian services, and delivering 126 generators for water pumping stations and hospitals.
 - Physical rehabilitation projects include: Hartha power plant, rebuilding the National Dispatch Centre, and dredging the approach channels to Um Qasr port.

Water and sanitation

- The US has completed 168 water and sanitation projects worth \$128 million, benefiting 11 million people, and employing 2,250 construction workers.
- 1.25 million more Iraqis have access to potable water than before the conflict; 9.6 million more have access to a sewerage system.
- **DFID** work on water and sanitation:
 - Repaired 4,880 leaks across the four southern governorates
 - Provided technical advice for a major sewage installation in Al Amarah, providing up to half the city's population with access to a piped system and replacing open sewage channels
 - Will provide better water supply to 60,000 people in Al Amtahiyah
 - Will establish reservoirs and water towers to benefit a further 200,000 people
- **UN agencies through the Iraq Trust Fund:**
 - Ongoing rehabilitation of water treatment units in Wassit Governorate to provide clean drinking water to more than 50,000 people.
 - Rehabilitation of Al-Thumuziya booster station in Babil Governorate
 - Installation of reverse osmosis units in Al-Talimi Hospital, Basra

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Employment

- Unemployment in Iraq remains high – the Iraqi Ministry of Planning estimates 28% unemployment, with significant under-employment and low labour participation rates. Real improvements will only be made in the medium to long term as the economy grows and diversifies.
- Many donors, including DFID, have run short-term employment generation programmes. DFID has reservations about such programmes which are notoriously difficult to monitor and where expectations are rarely met. This is certainly the case with the DFID programme in the South, where employment projects were implemented through local councils. Certainly some employment was generated but difficulties in monitoring due to security constraints meant that work days created are likely to have been significantly below the number planned.
- Other donors report:
 - US programmes employ over 120,000 Iraqis each week.
 - More than 77,000 jobs created through the **National Employment Programme**.
 - The **UNDP** Iraq Reconstruction and Employment Programme (part-funded by DFID) had generated 2.25 million working days on 363 projects, by April 2005.
- However, it is very difficult to judge whether this actually translated into work on the ground, and had any significant impact. Even if so, the impact will be very short-term and the employment created is not sustainable. The US is currently concerned about the problems it may face as funding runs out and large, employment-generating reconstruction projects come to an end, creating a sudden jump in unemployment levels.

Education

- 3,404 schools have been rehabilitated, and a further 721 are in progress.
- Over 860 secondary school master trainers were trained and passed on to train 31,777 secondary school educators nationwide.
- **UNICEF:**
 - Distributed education kits to over 6 million students in more than 17,000 schools.
 - Is rehabilitating 83 schools which will benefit over 85,000 pupils.
- **World Bank:**
 - Delivered 69 million textbooks to 19,000 schools.
 - Rehabilitating 137 schools in 14 governorates
- **USAID:**
 - Rehabilitated 2,717 schools, some of which through direct contracting and grants to communities
 - Trained 36,000 secondary school teachers and administrators
 - Conducted an accelerated learning programme for 550 out-of-school youth

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Health

- The rehabilitation of over 150 healthcare facilities is now complete; many more are in progress
- Through significant disease control programmes there has been a decline in the prevalence of polio, measles, mumps, rubella, Leishmaniasis, and malaria.
- **USAID:**
 - Funding the construction of a pediatric hospital in Basra
 - Vaccinated over 3.2 million children under five and 700,000 pregnant women with vaccination campaigns and monthly immunization days.
 - Screened more than 1.3 million children under five for malnutrition and distributed high protein biscuits to more than 450,000 children and 200,000 pregnant and nursing mothers.
 - Provided skills training for 2,500 primary health care providers and 700 physicians. Trained 2,000 health educators, teachers, religious leaders and youth to mobilize communities on hygiene, diarrhoea, breastfeeding, nutrition and immunization issues.
 - Renovated 110 primary health care centres
 - Re-established the national disease surveillance system.
- Through the **UN Trust Fund** (DFID contributed £30 million):
 - Over 1,500 health personnel trained inside and outside Iraq
 - Successful nationwide immunisation and disease control programmes
 - Procurement of: 40 ambulances, 300 portable food safety kits, 1,086 oxygen cylinders daily for key health facilities, 19 mobile clinics, and emergency medical supplies and equipment to support areas under crisis such as Fallujah, Najaf, and Tal Afar.
 - Ongoing rehabilitation of facilities includes: 272 primary health care facilities, 19 training centres, the national drug quality control laboratory, 17 mental health care facilities, and 21 maternal health wards.

Transport and Telecommunications

- 105 transport projects completed, 80 in progress
- Iraqi Airways restarted commercial flights after 14 years of being grounded. Baghdad International Airport, Basra Airport, Erbil Airport and Mosul Airport have begun commercial flights
- New mobile phone network with over 3.5 m subscribers – an eight fold increase in a year
- Internet subscribers more than doubled since June 2004
- **USAID:**
 - Rehabilitated Umm Qasr seaport - \$45m programme completed in June 2004
 - Rebuilt three major bridges – Khazir, Tikrit, and Al Mat bridges – critical to moving people and commercial products throughout the country
 - Restored rail line connecting Umm Qasr port with Basra city

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- Installed satellite gateway system at Baghdad's largest telecom exchange and restored international service.

Some areas where the reconstruction effort has been hindered:

- Security fears and related costs mean that few other donors have a development presence on the ground in Iraq. The UN has only this year started to increase its presence - which is still very limited - and the World Bank has yet to establish any international staff presence in Iraq.
- Reconstruction has sometimes been ill-coordinated, with little buy-in from the Iraqi Government and local authorities.
- Iraqi political figures have been temporary and have often been more interested in their political future than in running an effective reconstruction programme. The capacity of line ministries and provincial institutions has been very weak. There has been little understanding on the Iraqi side of how to deal with donors, and little recognition of the need to prioritise. A lot of money has been spent, but absorptive capacity has been weak.
- Large additional funds to Iraq are unlikely to accelerate progress on reconstruction without corresponding policy and institutional reform and capacity building.
- The cost of providing adequate security has eaten into reconstruction funding.
- The US, as the major donor in Iraq, has been distracted by hotspot cities (eg. Fallujah, Najaf) and has tended to respond to crises rather than plan a strategic reconstruction programme. Significant amounts of funding for basic services (electricity, water etc.) were re-allocated to tackle security issues and oil.
- There are serious issues around the sustainability of many large-scale projects, requiring continued operations and maintenance funding which has not always been factored into the Iraqi budget. Risk that large investment does not make any real difference.
- Expectations of reconstruction progress - Iraqi and international - have been unrealistic. In other parts of the world, DFID plans 5-15 years for the first phase of governance projects. Experience shows that it takes this period of time to change institutional culture. In Iraq, we have tried to reform the centre of government institutions in less than 2 years.
- A carefully balanced approach is needed: on the one hand, an acceptance of the realistic pace of reconstruction will help to manage expectations and encourage more sustainable, long-term projects; on the other hand, some continuation of high-profile, short-term activity will be needed to provide signs of visible progress while longer-term activity is under way.

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Electricity Profile

