

INFORMATION NOTE

EUROPEAN COMMISSION ASSISTANCE TO IRAQ 2007

The environment for reconstruction assistance to Iraq remains very challenging; the security situation continues to impede the implementation of assistance. The insecurity is severely limiting the mobility for staff, especially expatriates though also locals, making it very difficult to implement and monitor programmes. A 'brain drain' of Iraq professionals continues. The Iraqi Government is not unified and is split on sectarian lines. The Administration's capacity, governance and planning processes are all very weak. Iraqi capacity to absorb external assistance is therefore low. Because of the security conditions, the presence of the Commission's key partners (UN and World Bank) in Iraq is limited, constraining their capacity to operate.

The purpose of this note is to provide advance information to the DCI Committee and EP Development Committee on the Commission's plans for assistance to Iraq in 2007, which aims to respond to the fluid situation in Iraq. At the moment, Iraq is not sufficiently stable or settled, for the Commission to adopt a multi-annual strategy or programme. In 2007 therefore, the Commission will take recourse in the Special Measures provision (Article 23) in the DCI regulations, to finance activities which have not been programmed in accordance with a medium term country strategy approach. In line with Article 23, an Annual Action Plan will be prepared and presented as per normal management procedure.

Analysis of the reconstruction context (including risks; implementation constraints; country analysis), and identification of key policy issues, are captured in the Commission's Annual Assistance programme to Iraq for 2006¹, and the 2006 Communication: Recommendations for renewed European Union engagement with Iraq². Though the situation in Iraq has deteriorated since 2006, this broad analysis and assessment is still relevant to the situation today. The 2006 Communication on Recommendations for renewed European Union engagement with Iraq provides the basis for dialogue and cooperation between the EU and Iraq. This Communication put forward a number of specific recommendations for EU engagement. Two critical factors for EU engagement are highlighted: *firstly*, inclusiveness in the political process and in the government, and *secondly*, the security situation in the country. The specific recommendations for EU engagement are, to:

- Endorse and support a democratic government that overcomes sectarian divisions;
- Support rule of law and promote a culture of respect for human rights;
- Support the delivery of basic services, and in promoting job creation;
- Support Iraq's economic recovery and prosperity;
- Promote the development of an effective and transparent administration.

Proposed intervention areas and proposed financing

The national socio-economic reform priorities, policies and objectives of the Iraqi Government are laid out in the International Compact with Iraq (ICI) which was launched in Sharm el-Sheikh on 3 May 2007. The Commission has assessed the ICI document, as well as held discussions with members of the Iraqi Government in Baghdad and Amman. The proposed areas of EC intervention that have been chosen are self-standing reform priorities; so that EC assistance could continue, even if there were changes in Government.

¹ C(2006)864 28.03.2006

² COM(2006) 283 dated 7 June 2006

The basis' for Commission Assistance are the 2005 Consensus for Development³; and the DCI Financing Regulations. The 2005 Consensus proposes support to fragile states through *relief, rehabilitation and development*⁴ integrated interventions: short-term interventions to facilitate the return to normal lives; coupled with long-term actions for sustainable development. The Consensus also proposes that the Community should *support conflict prevention and resolution*, and peace building by addressing the root-causes of violent conflict and supporting dialogue, participation and reconciliation to promote peace and prevent violence. Proposed Commission interventions will therefore follow two tracks: firstly addressing the needs of the Iraqi population by continuing support to basic services and promoting an inclusive political process; and secondly building Iraqi institutions and promoting economic sustainability.

In parallel, the Commission is responding to the humanitarian situation that is unfolding. In February 2007, DG ECHO announced an initial decision of €10.2m, to support Iraqi refugees and internally displaced, in response to the worsening humanitarian situation. DG ECHO is closely monitoring the situation, to determine whether further interventions might be required.

The International Reconstruction Fund Facility for Iraq (IRFFI) has been the Commission's main channel for delivering assistance. IRFFI has proved to be an expeditious mechanism for delivery in a difficult environment, and has played an important role in bringing donors together and coordinating their assistance. The IRFFI Donor Committee meeting in March 2007 realised that the Fund needs to better reflect the current situation in Iraq. The Commission will therefore work in close association with the Italian and Iraqi Co-Chairs and the other IRFFI Donors (notably EU Member States), to re-align the Fund to the ICI priorities, in accordance with the conclusions reached at the Donor Committee meeting. The Commission will also progress the development of bilateral assistance programmes, notably in the fields of energy and rule of law.

1. Addressing the needs of the population and promoting an inclusive political process :-

(i) Response to the ICI (€7.5 million, withheld from the 2006 budget) : The ICI was originally scheduled to be launched at the end 2006, though took place on 3 May 2007. €7.5m was allocated from the 2006 budget to support the priorities of the ICI. Community support will address immediate capacity building, basic service needs as well as supporting the implementation Secretariat for the Compact.

(ii) Supporting the democratic process (+/- €20 million) : The EC has been a main sponsor of the UN, in its support of the political process in Iraq. This has included the January and December 2005 elections; and October 2005 Constitutional referendum. The Constitution foresees several political events in 2007 (local elections, referendum on Constitutional amendments, referendum on the status of Kirkuk), though the timetable has not yet been put forward by the Council of Representatives. These events could be highly contentious, and it is critical to ensure that the process is truly inclusive and that all interests and concerns are heard. Events need to be driven by due process, dialogue and consensus building. To do otherwise may lead to further destabilisation. UNSC resolution 1546 (2004) mandated the UN to assist the democratic transition in Iraq, which has now taken place. The UN mandate needs to be updated as foreseen in UNSC resolution 1700 (2006) in August this year, though it is expected that the UN will continue to play a key role in supporting the democratic process. The new Independent High Electoral Commission (IHEC) will be central to future electoral activity. IHEC Commissioners were appointed at the end April 2007 and their training has already commenced. The workplan for the IHEC has not yet been prepared though priorities for support are expected

³ European Union Development Policy: 'The European Consensus' (2006/C 46/01)

⁴ 23.04.2001 COM (2001) 153 Communication: Linking Relief, Rehabilitation and Development

to include: institutional development (including support to the development of a legal framework); operational assistance (supporting electoral operations and assisting the IHEC in the process of electoral events); and civic electoral education (working with the civil society to promote electoral awareness and to foster a democratic environment and increase participation).

2. Building Iraqi institutions and promoting sustainable development :-

(iii) Rule of Law (+/- €14 million) : The Rule of Law sector is critical to good governance, to ensure: equitable use of resources; accountability of the government; and the promotion and protection of human rights. The establishment, and operation, of effective rule of law institutions, is identified as a main objective in the Compact. The EU is already heavily engaged in the sector through the ESDP EU JUSTLEX mission. The proposed Community programme would complement EU JUSTLEX, focussing on three areas: [1] Institutional Reform and Capacity Building. To enhance the capacity of the judiciary in effective case management, to deliver fair and equitable justice. The High Judicial Council and the Judicial Training Institute have been identified as potential beneficiaries of support. [2] Support and capacity building for civilian Iraqi actors involved in the rule of law. Possible beneficiaries of support could be the Iraqi Bar Association. [3] National Human Rights protection System and defence mechanisms. Continuation of current Community initiatives to promote human rights culture through supporting civil society.

(iv) Support to the public financial management (+/- €20 million) : Iraq is a recipient of a substantial amount of international assistance. At the same time Iraq is not able to use its own funds and had a budget surplus in 2005 and 2006. Government revenues, principally from oil and natural gas, are not being spent. The reasons for this include: a lack of proper planning and budgeting at central and provincial level; weak procedures for procurement and contracting; and poor spending capacity. Community funds will be used to implement public financial management reforms at national and sub-national level. Support could also be extended to the reform of the public procurement system and the restructuring of the banking system - two areas which are closely linked and complement the public finance system. These measures should contribute to the improved execution of the Iraqi budget.

(v) Support to the energy sector (+/- €1 million) : Following contacts with the Minister for Oil, the Commission proposes to support the technical feasibility study of gathering gas from the Akass field, close to the Syrian border, and its connection to the Syrian pipelines. This initiative would complement existing EU/Mashrek gas cooperation, which is supporting the development of the Syrian pipeline network and the cooperation between Mashrek countries. This study will give the EC a first entry into the Iraqi energy sector and may help foster regional integration between Iraq and the Mashrek countries.

(vi) Reserve (€10 million) : To respond to unforeseen eventualities and unanticipated requests for assistance.

Other Community activities

A new €3m Erasmus Mundus programme is being launched for Iraq, Iran and Yemen for the school year 2007-2008, which will facilitate exchanges of students and academic staff between Iraq and the EU, to promote teaching, training and research. The Commission is currently providing, through the AENEAS Programme, €1 million to enhance protection and to provide targeted emergency assistance to the most vulnerable Iraqi refugees (mainly in Syrian and Jordan) and to prepare refugees for resettlement.