

Development Project Iraq 200104: ‘Capacity development to reform the Public Distribution System (PDS) and strengthen social safety nets for vulnerable groups in Iraq’.

Duration: 24 months (May 2010 to April 2012)

Total cost to WFP: US\$ 25, 391,910

Government contribution: US\$ 17,000,000

EXECUTIVE SUMMARY

Iraq is at a critical juncture in its progress towards political stability and socio-economic recovery, with challenges remaining from the ongoing political reconciliation process and fragile peace in parts of the country. Recent improvements in access to basic social services have not yet translated into significant welfare gains for the population. Stabilizing the situation in Iraq will require that the Government respond to growing demands to improve the quality of life of its people.

The existing government social safety net programmes are financially unsustainable, poorly targeted and inadequate to protect vulnerable groups. At present, the Iraqi Public Distribution System (PDS) is the largest element of the country’s social protection system and the main source of food for poor people. The PDS is affected by poor internal controls and accountability, and inefficiency in supply chain management. A comprehensive short- and medium-term plan to improve the efficiency of the PDS requires a comprehensive identification of its constraints and the establishment of an appropriate legal and regulatory framework for a gradual transition to liberalized markets.

The Government’s National Development Strategy (2007-2010), the International Compact for Iraq (2009), the new National Development Plan (2010 to 2014) and the United Nations Development Assistance Framework (UNDAF) 2011-2014 have prioritized reform of the PDS and social safety nets in order to better protect vulnerable groups. In addition, article 29 of the Government’s 2010 Budget Law has requested the Ministry of Trade to develop a detailed plan to reform the PDS, with a priority focus on the targeting of poor Iraqis. In parallel, a Procurement Law has been developed with the World Bank, which is currently being reviewed by the Government.

In line with WFP’s Country Strategy for Iraq (2010-2014), the overall goal of this development project is to support the Government of Iraq to strengthen social protection for vulnerable groups through reform of the PDS and development of a more diversified system of social safety nets linked to the productive sector. The expected outcomes of the project are: (i) strengthened capacity of the Government to manage effectively the supply chain of the Public Distribution System (PDS); and (ii) strengthened capacity of the Government to design and implement effective social safety nets to protect vulnerable groups.

This development project is consistent with WFP Strategic Objective 5 (strengthen the capacities of countries to reduce hunger, including through handover strategies and local purchase) and MDG 1 (eradicate extreme poverty and hunger).

PART 1-SITUATION ANALYSIS

1. According to the 2007/2008 Comprehensive Food Security and Vulnerability Analysis (CFSVA) conducted by the World Food Programme (WFP) and the Government of Iraq, the overall food security situation in Iraq improved between 2005 and 2008. However, an estimated 930,000 Iraqis are food-insecure and an additional 6.4 million Iraqis are on the threshold of food insecurity; these 6.4 million people would fall into food insecurity in the absence of the Public Food Distribution (PDS).
2. The PDS is the largest element of the country's social protection system and the main source of food for poor people in Iraq. It was introduced by the Government on 1 September 1990 following Security Council Resolution 661, imposing economic sanctions on Iraq. The PDS ensured equitable distribution of foodstuffs to all Iraqi citizens, Arabs and foreigners residing in Iraq at a nominal fee of 250 Iraqi Dinars per individual per month (\$0.21)¹ and in the past proved to be effective, fair, reliable and comprehensive.
3. Since 2003, there has been a progressive deterioration in the functioning of the PDS. The PDS is presently not functioning effectively due to inefficiencies in supply chain management, including procurement, quality control, shipping, commodity tracking, warehousing and storage, and distribution and monitoring. A substantial leakage has been reported in the supply chain of the PDS due to theft, compounded by the problems of: (a) irregular and late delivery and distribution of entitlements to beneficiaries; (b) poor quality of food commodities distributed; (c) substitution of commodities at entry points into Iraq; (d) poor targeting of the PDS; (e) poor storage facilities; (f) poor quality control due to corruption; (g) lack of a procurement law and procedures for tendering, processing of tenders and issuance of letters of credit; and (f) poor monitoring and breakdown in control measures against corruption.
4. According to a 2003 World Bank study, the PDS costs the Ministry of Trade (MOT) US\$6 for each US\$1 of food assistance distributed. Moreover, an analysis of the management of the PDS conducted by the World Bank in 2007 confirmed significant inefficiencies in supply chain management.
5. A recent survey by the Ministry of Planning and Development Cooperation in 2009 found that, out of a sample of 120,000 families who qualified for State food benefits through the PDS in 15 of Iraq's 18 governorates, a significant percentage of people had not received the nine-item food ration over the following periods: 18 percent for 13 months; 31.0 percent for seven to 12 months; 14.5 percent for four to six months; 22 percent for two to three months and 14.5 percent for one month. The PDS ration is also often incomplete; on average, PDS beneficiaries receive only 51 percent of their daily food entitlement of 2,200 kcal per person. The survey also revealed concerns about the quality of food items: 16 percent of the surveyed families said the ration items in April 2010 were of bad quality; 45 percent said they were acceptable quality; and 29 percent said they were of good quality. At the top on the list of bad items was tea, followed by rice, flour and sugar.

¹ 1US\$ is equivalent to 1,180 Iraqi Dinar

6. The PDS also adversely affects markets, creates disincentives for local production and strains the government budget (US\$3.6 billion was budgeted for the PDS in 2009, representing 7.8 percent of the Government's operational budget). The principle of universal targeting of the PDS contributes very little to lowering the prevalence of food insecurity and poverty. Moreover, the high dependence upon the PDS as a major source of food is in itself inherently a source of vulnerability in Iraq and often leads to acute food insecurity and food deprivation at the national level due to poor functioning of the PDS.
7. There is a general consensus that indefinite maintenance of the policy of universal PDS coverage no longer fits within the country's economic recovery and development strategy. A more targeted and efficient system for providing needs-based social protection is therefore needed. However, PDS reform cannot be seen as just a financial and governance issue as it embraces large sections of Iraqi society and would have a dramatic impact on the most vulnerable segments of the Iraqi population. Reform (phase-down/phase-out) of the PDS must therefore be carefully evaluated and implemented before and/or in parallel with adequate and sustainable social safety nets.
8. A comprehensive short- and medium-term plan to improve the efficiency of the PDS will require a complete identification of its constraints and the establishment of an appropriate legal and regulatory framework prior to a gradual transition to liberalized markets. A successful plan to reform the PDS should also: (i) not affect the overall earnings of the poor; (ii) not result in high prices of food items and shortages on the local market; (iii) enable the private sector to take over foodstuffs trading currently undertaken by the public sector; (iv) provide a clear exit strategy for the Government from the PDS; and (v) be clear and easy to implement.
9. A breakdown in the food transfer and marketing system would be one of the worst events that could happen in the transitional situation the country is currently facing. In addition, stabilizing current conditions in Iraq will require that the Government respond to growing demands to improve the quality of life of its people. This creates an opportunity for WFP to work with the Government to reform the PDS, while strengthening the Government's capacity to protect vulnerable groups and test possible, national solutions to address food insecurity.
10. The after-effects of war, the general economic slowdown and 13 years of economic sanctions have adversely affected Iraq's capacity at the institutional and local level. WFP support through the development project therefore comprises significant technical assistance and capacity development on safety net programmes. The capacity development focus of the project will aim at unlocking Iraq's significant potential for national food security solutions.

Policies and actions of the Government

11. The Government's priorities are contained in the National Development Strategy (NDS 2007-2010) and the International Compact with Iraq (ICI), which focus on four pillars: (i) strengthening the foundations of economic growth; (ii) revitalizing the private sector as an engine of growth and job creation; (iii) strengthening good governance and improving security; and (iv) improving the quality of life of its people by meeting the Millennium Development Goals and establishing social safety nets for the poor and vulnerable to supplement and/or replace the PDS. The new 2010-2014 National Development Plan has specifically prioritized improved social safety nets and the reform of the PDS. Similarly,

the PDS reform and social safety nets are UNDAF priorities for 2011-2014 and one of four immediate priorities for the UN Integrated Mission in 2010.

12. The Government's current Poverty Reduction Strategy (PRS) 2010 - 2014 further envisages a reduction in beneficiaries receiving the PDS rations and a transfer of needy populations to other social safety nets over the course of a period of five years. The Council of Ministers has approved a plan presented by the Government's High Committee for PDS Reform that contains the detailed actions to be taken to implement the PRS. This includes a phased five-year plan to reduce the number of PDS beneficiaries to cover only the poor population by 2015, and in parallel, an expansion and improvement in the services provided through social safety nets. The first phase of this five-year plan includes the elimination from the PDS of public sector employees with salaries higher than approximately US\$1,250 per month, although application of this threshold will exclude only a small fraction of the wealthy from the PDS beneficiary list².
13. Article 29 of the Government's 2010 Budget Law has now requested the Ministry of Trade to develop a detailed plan to reform the PDS, including: (i) targeting the PDS based on socio-economic indicators and inclusion of all families below the poverty line and just above it; (ii) halting of PDS rations to Iraqis with a monthly income of 1.5 million Iraqi Dinars (US\$ 1,271); (iii) reducing the PDS food basket to five commodities, including wheat, rice, vegetable oil, sugar and infant formula in 2010 and 2011, and maintenance of a uniform food basket to 2014, with targeting based on socio-economic and nutritional information; (iv) implementation of a subsidy programme for wheat flour; and (v) building capacity at the decentralized level to transfer management of food-based social safety nets.
14. The Government has acknowledged the need to reform the PDS, while at the same time ensuring that Iraq's most vulnerable and food-insecure people remain protected. To pursue this effort, the Ministry of Trade signed a Memorandum of Understanding with the World Food Programme on 22 November 2009 to support the reform of the PDS and improve efficiency in managing the supply chain.

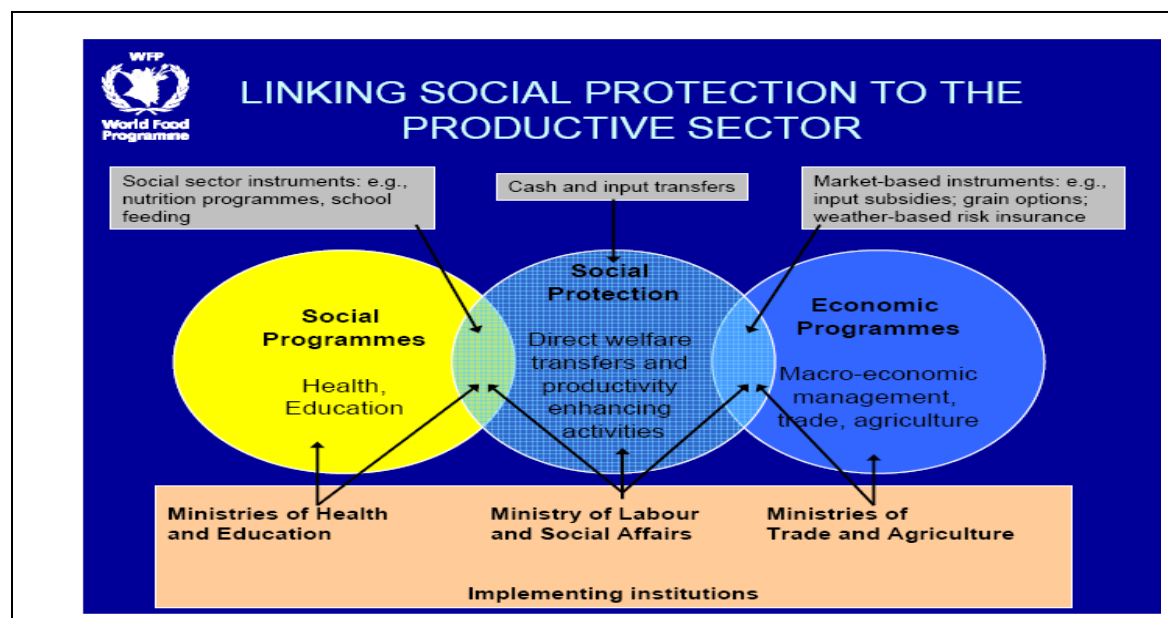
PART II-PAST COOPERATION AND LESSONS LEARNED

15. WFP was instrumental in preventing the collapse of the PDS supply chain in Iraq at a critical period in 2003. WFP re-negotiated PDS contracts for the delivery of food commodities into Iraq under the provisions of Security Council Resolution 1511, requesting the UN to strengthen its role in Iraq.
16. In 2004, WFP procured and delivered food commodities for the PDS valued at US\$ 910 million to 18 governorates in Iraq, following a tri-partite agreement between the Coalition Provision Authority (CPA), the MOT and WFP. More than 1.6 million tons of food were procured and delivered by WFP within four months.
17. WFP interventions were complemented with training and capacity development in supply chain management for selected MOT staff. However, since then, most of the staff trained by WFP no longer work for the MOT.

² The poverty line in Iraq at US\$ 63 /person/month (US\$ 2 per person per day).

PART III-PROJECT STRATEGY

18. In line with WFP's Country Strategy for Iraq (2010-2014), the overall goal of this project is to support the Government of Iraq to strengthen social protection for vulnerable groups by reforming the PDS and developing a more diversified system of social safety nets linked to the productive sector (see diagram below).



19. WFP's approach will be to support improvements in the efficiency of PDS supply chain management, regardless of the size of the beneficiary caseload (the caseload would be 30 million if the total population is covered or 7 million if only the poor population is covered). Second, the WFP approach should also seek to link the PDS reform process to the wider social protection reform agenda in Iraq, especially expansion and improvement of social safety nets.
20. This will require strengthening of the capacity of the MoT and other line ministries to improve targeting and the efficiency of the supply chain management of the PDS, which would greatly reduce costs and improve accountability. Moreover, these measures would also ensure the timely delivery of commodities with shorter and more predictable lead times through the integration of pipeline management, procurement, shipping and transport processes.
21. An initial task of the project will be to develop a joint operational plan with Government counterparts that will further outline the various steps of the reform process and clarify the roles and responsibilities of the Government, WFP and other partners. The Ministry of Trade, which has requested WFP assistance in the reform process, sees a WFP role in identifying critical areas within the Ministry that require immediate attention, and identifying and prioritizing appropriate solutions through technical assistance and technologies that are relevant to PDS reform.
22. Implementation of the project will adopt a phased approach, starting with an assessment phase, followed by a design phase and ending with an operations phase (see implementation plan in annex). The successful completion of activities in the early phases would trigger the commencement of the subsequent phases. The results of the

assessment phase will also largely determine the details and pace of implementation of activities in the subsequent phases, and therefore, an extension in the timeframe of the project may be required.

23. The activities of this project are consistent with WFP Strategic Objective 5 (strengthen the capacities of countries to reduce hunger, including through handover strategies and local purchase) to support the Government's efforts to achieve Millennium Development Goal (MDG) 1 (eradicate extreme poverty and hunger).

24. The expected outcomes of the project are:

- (i) strengthened capacity of the Government to reform the PDS and efficiently manage its supply chain; and
- (ii) strengthened capacity of the Government to design and implement effective social safety nets to protect vulnerable groups.

25. The main outputs of the project are:

- An operational plan to reform the PDS and improve the efficiency of its supply chain;
- Targeting of the PDS to poor people;
- Modern food procurement systems, including electronic tendering, bidding, credit and transaction risk mitigation;
- Improved monitoring of global, regional and domestic food supply and demand;
- Systems to improve efficiency in managing the supply chain in procurement, shipping, quality control, pipeline management and logistics, (including land transport, warehousing and commodity tracking), as well as monitoring of the PDS and strategic grain reserves;
- Piloted biometrics methodology to register beneficiaries for the PDS;
- Training modules in value-added procurement, shipping, pipeline management, logistics and monitoring;
- Trained government staff in supply chain management, Comprehensive Food Security and Vulnerability Analysis (CFSVA) methodologies and food security monitoring;
- Geographic targeting of food-based safety nets;
- Improved design of safety nets, including targeting, payments, control of error, fraud and corruption, performance monitoring and impact evaluation, through provision of technical assistance;
- Review and design of a strategic grain reserve for the Government.³

26. The primary beneficiaries of this project will include (i) vulnerable groups entitled to PDS rations and other social safety nets; (ii) staff of the Ministry of Trade engaged in managing the PDS at the central and governorate levels; (iii) staff of the Ministry of

³ Support to Government capacity in the management of Strategic Grain Reserves is part of support to the PDS reform plan; the State plans on continuing to subsidize market prices of wheat flour during the reform process in order to ensure a smooth transition and prevent major shocks to market prices.

Planning and Development Cooperation engaged in food security monitoring and vulnerability analysis and mapping; and (iv) staff of the Ministry of Labour and Social Affairs who engage in the design and implementation of social safety net programmes.

27. The benefits of the project are:

- Enhanced capacity of the Government to target the PDS ration to the poor and maximize the impact of investments;
- Enhanced capacity of the Ministry of Trade to manage the supply chain of the PDS effectively, including procurement, shipping, quality control, pipeline management, logistics (including land transport, warehousing and commodity tracking), as well as monitoring of the PDS and management of strategic grain reserves;
- Enhanced national capacity to design and implement effective social safety nets;
- Reduction in the public budget allocated to the PDS and availability of additional resources to support economic reform and the rehabilitation of basic social services.

28. The implementation strategy of the project will include: (i) provision of technical assistance in supply chain management and the design and implementation of effective social safety nets; (ii) technology transfer to improve the efficiency of managing the supply chain of the PDS; and (iii) training of Government staff in supply chain management and design of social safety nets.

29. The project will comprise two components:

A. Improving efficiency in managing the supply chain of the PDS.

30. This activity will aim at improving the timeliness of deliveries of commodities with shorter and more predictable lead times. It will also maximize the use of available resources through the integration of pipeline management, procurement, shipping and transport functions. The goal is to have the right commodity for beneficiaries in the right quantity and quality, at the right place in the most cost-effective and timely manner. Each element of the supply chain (pipeline management, procurement, shipping, land transport and warehousing) will need to be considered to achieve optimal results.

31. WFP and partners will provide technical assistance to assess the status of the supply chain of the PDS and develop an operational plan to build on existing skills, knowledge and systems to manage it effectively. A transfer of technologies to improve the efficiency of managing the supply chain will complement this assistance.

32. The areas for capacity development will include the following:

33. **Supply chain design:** Supply chain design includes an outline of the structure of the supply chain, its management, as well as the different functions of the supply chain process, including its level of integration and the importance of defining lead times for each step in the process.

34. **Value-Added procurement:** Value-added procurement ensures that food commodities and other goods and services are sourced during the early stage of planning and followed through to the final settlement of invoices and the release of performance guarantees.
35. Capacity development in value-added procurement will focus on the following areas: (i) improving legal frameworks using internationally recognized trade associations for commodities, including wheat flour, sugar, vegetable oil etc. (GAFTA, FOSFA, Refined Sugar Association, ICC, etc.); (ii) better understanding the role of the various market players, including buyers, sellers, cargo surveyors/inspection companies, the banking system, chambers of commerce, phyto-sanitary services, insurance, shipping and logistics, as well as the importance of good and sound vendor management; (iii) the different options for the procurement of goods and their advantages and risks; (iv) the process from issuing a tender invitation to the final awarding of contracts and their execution; and (v) possible disputes and arbitration and how to deal with them.
36. **Shipping:** WFP will share its expertise in shipping by updating information on the shipping industry, including the major parties involved in shipping, such as ship-owners, charterers, agents, port operators and the legal and insurance framework under which they operate, including: (i) contracting procedures within the different shipping processes including the booking of containers to voyage charter negotiations; (ii) legal principles to ensure a thorough analysis and understanding of contracting procedures; (iii) analysing the operational activities required to plan and execute a shipment; and (iv) marine cargo insurance that covers cargo damage and the responsibilities and obligations of the various parties involved to ensure a quick resolution of cargo damage and the role of cargo surveyors.
37. **Pipeline management:** An effective pipeline ensures coordination of the entire supply chain from supplier to end-user. The primary focus is to ensure that sufficient and adequate commodities are made available at the right place at the right time. Pipeline management emphasizes the need for timely and accurate information and reinforces the requirements for clear and simple methodologies and procedures.
38. **Logistics:** WFP is internationally recognized for its expertise in logistics and will support logistics arrangements, including land transport, warehousing, commodity management and tracking, for multiple parties. Capacity development will be provided by WFP in the following areas to expedite the movement of cargos, while maintaining transparency and minimizing losses: (i) land transport: ensuring efficient and cost-effective land transport by analysing and assessing available ports and corridors, identifying and classifying transport companies, issuing contracts, ensuring the correct use of allocation plans, port/border procedures, truck capacity, axial limitations, tariffs, loading/offloading of trucks and lost/damaged cargo; (ii) warehouse management: warehouse organization, commodity management, controls and procedures, planning processes for commodity movement, shelf-life and the disposal of cargo unfit for human consumption; and (iii) commodity tracking is an important management tool for planning and decision-making. The control of stocks and commodity movements will be analysed; WFP has developed a commodity tracking software that can assist the Government in tracking commodities. The relationship between the movement of cargo and contractor payments will also be analysed.

39. **Monitoring of the PDS:** Monitoring of all phases of the supply chain is critical to ensure the efficiency of PDS operations. The current monitoring system of the PDS will be reviewed to identify areas for improvement and capacity development.
40. **Strategic grain reserves:** WFP support will include an assessment of needs and a review of government practices regarding grain reserves and capacity development for MoT staff in stockpiling/strategic reserves and the use of financial risk hedging instruments.

B. Technical assistance to support government social safety net programmes

41. The Ministry of Development Planning and Cooperation (MODPC) oversees the National Development Plan and is the coordinating body for development activities and social safety nets in the country. WFP will work with counterparts in MODPC and other relevant ministries, including the Ministry of Labour and Social Affairs, that provides social assistance for the most vulnerable, the Ministry of Health in support of their development of a national health plan and the Ministry of Education in its efforts to devise a national school feeding programme.
42. The provision of technical assistance will focus on the following areas:
43. **Food security monitoring and vulnerability analysis and mapping (VAM):** WFP support will build on ongoing technical assistance to support the Ministry of Planning and Development Cooperation in food security monitoring and VAM to understand better food insecurity and vulnerability patterns in Iraq and to identify populations in need of safety nets.
44. Diagnostic tools, including poverty analysis and risk and vulnerability analysis, will be used to understand the level of poverty, the characteristics of the poor, trends in poverty, the duration of poverty and its dynamics, factors associated with poverty, the main risks faced by poor and populations at risk and the nature of their vulnerability.
45. WFP will adapt VAM tools to the needs of the Government and hand over this technology at the end of the project.
46. **Design and implementation of effective social safety nets:** The operational plan will explore the roles that WFP and partnerships with the World Bank and sister UN agencies play in providing technical assistance to strengthen the capacity of the Government to design and implement effective safety nets to complement the reform of the PDS. This will include: (i) targeting of safety net programmes (using data from the 2008 Comprehensive Food Security and Vulnerability Analysis as well as newly collected data); (ii) payments for safety net programmes; (iii) control of fraud, error and corruption in safety net programmes; and (iv) performance monitoring and impact evaluation.
47. These activities will cut across all safety net interventions and complement other elements of an improved social protection system for vulnerable groups, including: (i) identification of population groups in need of safety nets; (ii) design of in-kind transfer safety net programmes; (iii) design of public works programmes; (iv) design of cash transfer programmes; and (v) design of post-natural disaster safety nets.
48. WFP's goal is to use its expertise to strengthen government counterparts, provide technical assistance to enhance capacities to design and implement effective social safety

net programmes and to closely monitor the progress made to inform the social protection policy of the Government for a timely and effective handover of activities. WFP will phase out its activities in line with the Government's capacity to reform the PDS and design, implement and fund effective safety nets to protect vulnerable Iraqis.

PART IV- MANAGEMENT, MONITORING AND EVALUATION

Management

49. A project office will be established in Baghdad to manage the project under the direct supervision of the WFP Country Director. The project will be implemented in collaboration with the ministries of Trade, Development Planning and Cooperation, and Labour and Social Affairs.
50. WFP will recruit a Project Coordinator to provide substantive leadership and technical direction to a multidisciplinary team recruited for the project. The Project Coordinator and the team will develop an operational plan to reform the PDS, coordinate the preparation of technical service proposals, and ensure that products and services are of high quality and meet project objectives.
51. The Project Coordinator will also work closely with the Government's High Committee for PDS reform that acts as a coordinating body for ministries (Finance, Labour and Social Affairs, Trade, Planning and Development Cooperation, and Health) that form part of the Committee. It is expected that the Project Coordinator will strengthen this High Committee by providing facilitation support for a regular forum for information sharing and the management of implementation modalities and timeframes, as outlined in the operational plan.
52. The core project team will include specialists in supply chain management; procurement; shipping; warehouse management and storage; pipeline management and commodity tracking; food distribution monitoring; strategic grain reserves; public information; training; information and communication technology; social safety nets; and VAM. This assistance will be complemented with short-term consultants in biometrics, payments for safety nets (introduction of smart cards), targeting of social safety nets, performance evaluation and control of error, fraud and corruption.

Monitoring and Evaluation

53. The project is designed within the framework of WFP Strategic Objective 5, and will be monitored and reported using results-based management principles. The logical framework provides the impact, outcome and output level indicators that will be included in the monitoring system. The project will be reviewed on a six-monthly basis to ensure that expected results are achieved within the budget and proposed timeframe. At the end of the project, an evaluation is planned to examine the results of WFP interventions in the context of WFP's Strategic Objective 5 and the WFP role in capacity development.

Partnerships

54. WFP will work closely with a range of partners for the implementation of the project, with the details of cooperation defined in the operational plan. Cooperation with strategic partners, such as the World Bank, sister UN agencies, the International Monetary Fund, donors, academic institutions, the private sector and governments with experience in managing large-scale public distribution systems, will be sought to ensure that the necessary technical assistance, technology transfer and capacity development are provided.

Coordination

55. WFP will ensure coordination of project activities with the UN Assistance Mission for Iraq (UNAMI) and other partners to avail of technical support for project activities.
56. The project will be implemented in collaboration with the Ministry of Trade (MOT), Ministry of Development Planning and Cooperation (MOPDC), Ministry of Labour and Social Affairs (MOLSA) and the Ministry of Finance (MOF), in coordination with the World Bank and sister UN agencies.
57. Planning, decision-making, monitoring and overall supervision, will be conducted by the Project Steering Committee (PSC). The PSC will be co-chaired by the MoT and WFP, with the remaining membership composed of representatives of the MoPDC, MOLSA and MOF, as well as representatives of partner UN agencies, the World Bank and other international organizations.
58. WFP will also work to revive the role of the UNCT PDS reform task force. The UNCT task force, established by the Deputy Special Representative of the Secretary-General (DSRSG), includes FAO, UNDP, ILO and UNAMI and is led by WFP. The task force serves as a coordination forum for agencies to present technical perspectives on PDS reform and will also serve as a forum to coordinate UN engagement with the Government on the issue of PDS reform and social protection issues.

Consultations

59. The vision and strategy for WFP in Iraq (2010-2014) has benefited from extensive consultations and inputs from government counterparts in Baghdad and the Kurdistan Region (KRG), donors, UN agencies and partners on the way forward for WFP in Iraq. This development project is the product of this vision and strategy to strengthen the capacity of the Government of Iraq to design and implement effective social safety nets.

Security Considerations

60. Iraq is going through a complex political and economic transition, compounded by a difficult security situation. The outcome of the national elections in March 2010 and the drawdown of multi-national forces pose continuing challenges to the political transition process.
61. The key security risks for this project include: (i) reversal of the security situation or increased political instability that could delay implementation of the project; (ii) fragile operating environments in pockets of the country could expose staff to security risks and

limit access; (iii) capacity of the Iraqi forces and police to protect WFP staff and partners with the drawdown of multinational forces from urban centres.

62. Security risk assessments will be undertaken to guide the implementation of this project until an enabling environment is created by the Government to protect WFP staff and property. In the interim, implementation of this project will require investments in security measures to complement those of the UN Department for Safety and Security (UNDSS) to increase access and reduce risks to staff.

Resource mobilization

63. The Ministry of Trade has signed a Memorandum of Understanding (MOU) with the World Food Programme on 22 November 2009 to support capacity development for the supply chain of the PDS and other reforms. The MOU has committed the Government to work together with WFP to mobilize resources for this project including funds held in a WFP account from a previous bilateral operation.

APPROVAL

64. The Executive Director, under her delegated authority, approves the proposed development project Iraq 200104.

Signature: _____

Date: _____

Annex I

Budget Summary			
	Quantity (mt)	Average cost (US\$) per mt	Value (US \$)
COSTS			
A. Direct operational costs			
Commodity 1			
Commodity 2			
Commodity 3			
...			
...			
...			
Total commodities			
External transport			
Total LTSH			
LTSH (cost per mt)			
Other direct operational costs			7,781,000
Total direct operational costs			7,781,000
B. Direct support costs			15,949,757
C. Indirect support costs ⁵ (7 percent of total direct costs)			1,661,153
TOTAL WFP COSTS			25, 391,910
D. Government Contribution			17,000,000

⁵ The ISC rate may be amended by the Executive Board during the period covered by the project.

ANNEX II – Summary of Results and Resources Matrix of Iraq Development Project 200104 (2010-2012)

<p>WFP Strategic Objective 5: Strengthen the capacities of countries to reduce hunger, including through handover strategies and local purchase</p> <p>GOAL 3 To strengthen the capacities of countries to design, manage and implement tools, policies and programmes to predict and reduce hunger</p>		
Results-Chain (Logic Model)	PERFORMANCE INDICATOR	Risks, Assumptions
<p>OUTCOME 1</p> <p>Strengthened Government capacity to reform the PDS and manage the supply chain efficiently.</p>	<p>1.1. PDS reform Operational Plan and Milestones approved by GoI</p> <p>1.2. Percentage of PDS rations targeted to poor Iraqis below the poverty line and just above it. (Target: 100)</p> <p>1.3. PDS commodity basket reduced from 11 to 5 core commodities including wheat Rice, Vegetable Oil, Sugar and Infant formula.</p> <p>1.4 Percentage of timely deliveries of PDS ration (Target: improved from 51 to 80 percent)</p> <p>1.5. Percentage of delivered PDS rations that are complete and of good quality (Target: 80%)</p>	<ul style="list-style-type: none"> - Commitment by the Government to reform the PDS and control corruption in social safety nets. - Security situation improved. - Stable Government revenues - Countercyclical financing of social protection. - Global food prices do not increase to 2008 baseline prices

<p>Output 1.1</p> <p>Capacity and awareness developed through WFP organized actions including technical assistance, technology transfer and training.</p>	<p>1.1.1. Number of policy paper on the impact of PDS reform options endorsed by GoI and planned for implementation in the reform of the PDS, management of Strategic Grain Reserves and maintenance of wheat flour subsidy</p> <p>1.1.2. Number and type of training modules developed in supply chain management</p> <p>1.1.3. Number and type of trainings conducted for government counterparts</p> <p>1.1.4. Number of government counterparts trained in procurement, shipping, warehouse management, pipeline management and commodity tracking, food distribution and monitoring, public policy reform; disaggregated by sex</p> <p>1.1.5. Number and type of transferred technologies implemented by MOT to improve efficiency in managing the supply chain.</p> <p>1.1.6. Number and type of management systems developed and utilized to streamline and upgrade existing systems to manage the supply chain.and strategic grain reserves</p>	<ul style="list-style-type: none"> - Security Situation improved - Timely availability of resources. - Availability of trainers. - Travel and accommodations in Baghdad and Erbil available
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<p>OUTCOME 2</p> <p>Strengthened Government capacity to design and implement effective safety nets</p>	<p>2.1. Percentage of safety net beneficiaries meeting official selection criteria (target to be determined).</p> <p>2.2. Percentage of safety net programmes with functioning performance monitoring systems</p> <p>2.2. Percentage of targeted groups receiving social transfers (100%).</p>	
<p>Output 2.1</p> <p>Capacity and awareness developed through WFP organized actions including technical assistance, and training to design and implement effective safety nets</p>	<p>2.1.1. Level and type of technical assistance provided to design and implement social safety nets.</p> <p>2.1.2 Number of government counterparts trained in Comprehensive Food Security and Vulnerability Analysis, food security, market analysis, targeting, monitoring and evaluation and Results-Based Management.</p> <p>2.1.2 CFSVA tools adapted to needs of GoI and handed over.</p> <p>2.1.3 Number and type of transferred technologies implemented by GOI to efficiently manage social transfers through the SSN.</p>	

ANNEX III - List of Acronyms

CCA	Common Country Assessment
CFSVA	Comprehensive Food Security and Vulnerability Analysis
COSIT	Central Organization for Statistics
GOI	Government of Iraq
ICI	International Compact for Iraq
MNFI	Multinational Forces for Iraq
MCHN	Maternal Child Health and Nutrition
MOLSA	Ministry of Labour and Social Affairs
MOPDC	Ministry of Planning and Development Cooperation
MOSS	Minimum Operating Security Standard
MOT	Ministry of Trade
NDS	National Development Strategy
ODOC	Other Direct Operational Costs
PDS	Public Distribution System
PRRO	Protracted Relief and Recovery Operation
RBM	Results Based Management
SF	School Feeding
SSN	Social Safety Net
SN	Safety Net
UNCT	United Nations Country Team
UNDSS	UN Department for Safety and Security
UNDAF	United Nations Development Assistance Framework
VAM	Vulnerability Analysis and Mapping

ANNEX IV - MAP OF IRAQ

