

Annex E - Prepare For Phased Cessation of the UN Food for Oil Program

The impact of the dependency culture created by the UN Food for Oil program, coupled with massive distortions in the market prices of agricultural inputs and outputs, will greatly hinder the formation of a viable agricultural production sector. However, the UN food program currently provides an extremely important source of support to a large portion of the population. In the short term, the Food for Oil program can be adjusted so that it supports the introduction of market based prices for agricultural commodities and production inputs. Careful management of humanitarian assistance programs, coordinated with macro economic policies, will be required to enable the private sector to begin operating in a market driven economy.

The Contractor will coordinate with the humanitarian assistance providers and the efforts to support an improved agriculture sector to provide follow on assistance to the Food for Oil Program. Specifically, the Contactor will develop techniques and recommendations for follow on activities to the current Food for Oil program (and its US government funded follow on humanitarian activities) to prepare for and fund support for food for those Iraqis who are judged unable to support themselves due to youth, illness or age in the market-based economy that is to be put into effect. The current Oil for Food program is managed by the Ministry of Trade. Follow on activities will need to be designed in collaboration with that Ministry. The pace of transition needs assessment and structure from the Oil for Food program so that (1) assessments are made and identification is carried out of the current recipients of Oil for Food program recipients who will be able eventually to fend for themselves in the private sector, (2) assessments are made and identification is carried out of those members of the current Oil for Food program who will be unable eventually to fend for themselves in the private sector; and (3) assessments are made and identification is carried out of those members of the current Oil for Food program of those about whom it is uncertain as to which will be able to fend for themselves in the private sector. The third group is likely to be large at first and will decline over time as the transition to the private sector continues. Contractor will help the GOI design a system for providing support for the provision of nutrition on a permanent basis for those Iraqis in (2) and on a transition basis if possible for those Iraqis in (3). Contractor will support the implementation by the GOI of a system that will carry out the program implied by GOI acceptance of the above program.

- In collaboration with donor funded humanitarian programs and the GOI, review option of purchasing humanitarian food supplies locally to support market driven domestic production of wheat, rice, sugar, and oil.
- Coordinate proposed activities with the Iraqi Ministry of Agriculture in collaboration with USAID selected and other donor contractors and grantees selected to assist the Ministry of Agriculture. Recommend programs to improve targeting the humanitarian assistance to the most needy.

Anticipated outputs from this effort would include the following:

- Humanitarian assistance programs will be purchasing domestically produced wheat, oil, sugar and rice at prices that are market driven.

- Prices for locally produced foods will be relatively stable and at a level that covers the cost of production and provides a reasonable profit for the producer.
- Programs designed to provide a targeted food safety net for the most needy will be developed by Contractor.

Volume of imported food aid distributed under the UN oil for food program will be reduced by at least 15 percent in the first year.