

**COUNTRY PROGRAMME
ACTION PLAN (CPAP)
2005 – 2009**

BETWEEN

**THE GOVERNMENT OF THE ISLAMIC
REPUBLIC OF IRAN**

AND

**UNITED NATIONS DEVELOPMENT
PROGRAMME (UNDP)**

(Final document)



The Framework

The Government of the Islamic Republic of Iran and the United Nations Development Programme (UNDP) are in mutual agreement regarding the contents of this document and their responsibilities in the implementation of the Country Programme.

Furthering their mutual agreement and cooperation for the realization of coherent and integrated United Nations system response to national priorities and needs within the framework of the Millennium Development Goals (MDGs) and the international conferences, summits and conventions of the UN system to which the Government of the Islamic Iran and UNDP are committed;

Building upon the experience gained and progress made during the implementation of the previous Country Programme - the Second Country Cooperation Framework (CCF II) (2000-2004);

And entering into a new period of cooperation – the Country Programme (2005-2009), declare that these responsibilities will be fulfilled in a spirit of friendly cooperation and have agreed as follows:

Part I. Basis of Relationship

1.1 WHEREAS the Government of the Islamic Republic of Iran (hereinafter referred to as “the Government”) and the United Nations Development Programme (hereinafter referred to as UNDP) have entered into Agreement concerning Assistance from the Special Fund, which was signed by the United Nations Special Fund and Iran, in New York, on 6 October 1959.¹ This Country Programme Action Plan (CPAP) together with the Annual Work Plans (AWPs) (which shall be deemed annexes to this CPAP, and incorporated herein by reference) concluded hereunder constitute together the basis upon which the project documents shall be prepared and signed, as referred to in the Agreement concerning Assistance from the Special Fund, between the Government and the UNDP.

1.2 This CPAP is a five-year framework defining mutual cooperation between the Government of Iran and the UNDP, covering the period 2005 - 2009. It is prepared based on development challenges identified in the UN Common Country Assessment (CCA) and the UN response as outlined in the United Nations Development Assistance Framework (UNDAF), which in turn take account of the conventions and the Millennium Development Goals, as well as the lessons learned from the Country Cooperation Framework experience (2000 - 2004). The CPAP, prepared in close consultation with key stakeholders, defines the broad outlines of the goals that the Government and UNDP jointly subscribe to, within agreed financial parameters.

¹ *Iran has not yet signed the UNDP Standard Basic Assistance Agreement (SBAA): consequently UNDP's programmes of operation are presently administered under the Agreement concerning Assistance from the Special Fund, which was signed by Iran and by the United Nations Special Fund in New York on 6 October 1959.*

Part II. Situation Analysis

2.1 The UN Common Country Assessment (CCA), a joint analysis of the country's development status by the various United Nations programmes and specialized agencies, identifies challenges and priorities that deserve new and continued programmatic focus by the UN System. The CCA uses human development as its guiding principle and the Millennium Development Goals (MDGs) as benchmarks of progress towards attaining the vision of the Millennium Declaration, and identifies ten human development challenges facing Iran. These challenges include: reaping the demographic bonus; improving economic performance; generating employment; reducing inequality and poverty; improving the education system; improving health and nutrition; putting gender in the centre; strengthening institutional transparency and accountability; enhancing political pluralism; and ensuring environmental stability.

2.2 At present, the 65 million inhabitants of Iran enjoy an average quality of life that is near the top of the middle-level development category, when quantified by the human development index (HDI). With a value of 0.72, Iran appears to be within reach of the level of high human development countries (starting at 0.8). Yet despite recent gains in life expectancy, literacy and educational attainment, current trends in income growth have resulted in small incremental increases in the HDI. Strengthening the economy therefore remains a crucial challenge.

2.3 During the last quarter century, there have been two major demographic changes in Iran, with a large increase in fertility rates during the 1980s, followed by an equally dramatic decrease during the 1990s. Population growth has since fallen to 1.6 percent a year, but a bulge in the population aged 15 – 25 now dominates the demographic structure of the population. This new demographic “bonus” could bring benefits in economic growth and prosperity. But such prosperity would require significant macro-economic reforms, job and investment opportunities, training and long-term financial commitment to human capital development.

2.4 The poverty situation in Iran is characterized by significant regional, rural-urban and gender differences; extreme poverty is sporadic. National averages conceal multiple inequalities – between men and women, young and old, rich and poor, employed and unemployed and the inhabitants of different regions. An assessment of national human development indicators and indices reveals wide inter-provincial disparities, consistent rural-urban differentials and unequal income distribution among the population. The Gini coefficient gives a value of about 44 per cent for the country (where 0 is complete equality and 100 maximum inequality). Nevertheless, the CCA assessed that the most vulnerable account for about 20 per cent or more of the population of 65 million. These disparities are evident when gender-disaggregated data are reviewed, suggesting that overall development indicators are shaped by how rapidly the lowest geographical and sectional groups, such as rural woman-headed households in Sistan and Baluchistan, catch up.

2.5 Stimulating and stabilising rural development would improve standards of living, and the demographic equilibrium, and help alleviate poverty. The challenge of eradicating extreme poverty (MDG 1) is to identify and aid those 20 or more percent of people who are the most vulnerable, either because they currently suffer hardship or are likely to suffer with any worsening of the economic situation.

2.6 Just as poverty is a contributing factor to disease and mortality, so poverty is perpetuated by disease and mortality. In this regard, an emerging area of concern is HIV/AIDS. Halting and reversing the HIV/AIDS epidemic represents one of the challenges facing Iran on the road to development. Official figures indicate that the rate of HIV infection is currently very low but rising, and is closely associated with intravenous drug use. Until March 2003, a total of 4,846 HIV infections were detected and 678 were diagnosed with AIDS, mostly among people who had voluntarily sought testing. An alarming jump in the number of reported infections and AIDS cases from 2001 to 2002 should be seen as a warning to tackle the epidemic with urgency. In addition, a large cohort of the population is now entering the reproductive age, and increased services will be required to promote sexual health along with moral values.

2.7 Good governance is increasingly recognized as important for achieving the MDGs. Greater transparency and accountability in public administration, policy choices and decision-making, while furthering decentralization and establishing the rule of law, require close attention. The Fourth National Development Plan highlights capacity development and knowledge sharing as crucial in this effort. There is a need to focus on fairness, gender equity and social justice and implement a development-based approach further to ensure equal opportunities in development. Extending the practice of democratic participation and promoting and stimulating the growth and activities of civil society organizations (CSOs) will help to expand political pluralism and human rights.

2.8 Decentralising economic governance and planning is already under way as part of the Third National Development Plan. Removing a distorting system of incentives will unleash the initiative both of private entrepreneurs and of provincial, city and village authorities to pursue explicit human development goals at all levels of government. As one of the world's largest oil and gas producers, a key challenge for Iran is maximising the benefits of these resources. This can be achieved by directing the benefits of its hydrocarbon wealth towards the most productive sectors of the economy in such a way as to stimulate human development, create employment and eliminate poverty.

2.9 Despite the relative wealth enjoyed by Iran through its vast oil and gas reserves, improving economic performance remains a significant challenge. Recent growth has been insufficient either to create employment on the scale needed or to provide the tax base to finance necessary state efforts in health, education, welfare, infrastructure and environmental protection. Although Iran has sought to assess the impact of globalization on certain groups in Iran and

opportunities for greater trade diversification, slow economic growth in the last decade and continued dependence on oil exports caused further employment opportunity losses. Imbalances between government expenditure and revenue tend to produce uncertainty, which discourages productive investment and often encourages unproductive rent seeking. Successful reduction of inflation, without a recession, would punish speculators and redistribute income and demand in favour of the poor, stimulating both growth and employment.

2.10 A major aim of investment policy must be the creation of employment. Unemployment remains high, and the persistent high rate of unemployment in the 15-24 age group remains a top priority for Iran. Developing and implementing strategies for decent and productive work for youth is also one of the targets of MDG 8. Employment creation strategies should ensure improvements in human capital and should address the prevalence of the informal sector. Information and new communication technologies also offer an exciting opportunity to influence growth and employment. Finally, effective planning choices that emphasise labour intensive industries, activities and techniques, will help to contribute to employment generation.

2.11 Successes in health, education and the economy are under threat from environmental deterioration. The Government has taken a series of measures to address environmental problems, making progress in the last decade in raising public awareness. But the country is still beset by desertification, air and water pollution, soil erosion, deforestation, loss of biodiversity, and under-utilization of renewable resources.

2.12 Excessive consumption and the wastage of water, especially in agriculture, has become a critical problem. Long-term drought and a growing number of flooding incidents are creating new environmental planning needs and require further development of the country's already large and experienced disaster mitigation institutions and programmes. Raising environmental consciousness and adopting stronger policies may enable Iran to reduce or reverse the damage already done and ensure environmental sustainability (MDG 7). Current energy use trends and inefficiency require greater attention to energy efficiency and resource management and planning.

2.13 Natural disasters remain a major threat and a constant hazard to development and environmental sustainability, as witnessed by the catastrophic earthquake in Bam in December 2003. Iran is one of the most disaster prone countries in the world, and is extremely vulnerable to natural disasters, particularly earthquakes and extreme climatic events such as droughts and floods. The last decade has seen a number of natural disasters, including four major earthquakes, a number of devastating floods and the worst drought in the last thirty years.

2.14 Rapid urban growth, including growth caused by displacement of rural populations due to drought, together with inadequately regulated building and urban development, are factors that lead to the accumulation of earthquake

disaster risk. The need to strengthen national capacities further in disaster risk prevention and management, in raising awareness among decision-makers in key development sectors of disaster risk management issues, and adopting multi-disciplinary approaches to assess and manage disaster risk has become urgent, as evidenced in the United Nations Strategy for Support to the Government of the Islamic Republic of Iran following the Bam Earthquake of 26 December 2003.

Part III. Past Cooperation and Lessons Learned

3.1 The Second Country Cooperation Framework (CCF II) (2000 – 2004) saw major developments in the country. The Third National Development Plan for the first time recognized the principles of sustainable human development (SHD), and set ambitious goals for equitable social, economic development. The CCF II supported national efforts in attaining the country's development objectives with a strong emphasis on sustainable, equitable development.

3.2 In assessing past cooperation, the CCF II Programme Review of late 2003 recognized several achievements, in particular:

- a) programme coherence. CCF II strategies were mutually reinforcing and had strong internal and external links, including with the third five-year NDP;
- b) upstream policy interventions. Building on existing pressures within government for reform, the CCF II had opened new avenues of cooperation;
- c) programme impact. Achievements were noted in programmes in resource management, governance and participation of civil society. The Global Environment Facility (GEF) Small Grant Programme pioneered greater decentralization and engagement with local communities and non-governmental organizations (NGOs).

3.3 The independent review of the CCF II also identified notable lessons learned from previous cooperation strategies. These include the need to:

- a) enhance poverty reduction strategies and increase upstream policy dialogues through a comprehensive approach to poverty alleviation and sustainable human development;
- b) implement progressive programme consolidation in various areas of strategic support including more thematic integration between the wide range of dispersed initiatives and projects;
- c) establish realistic resource targets;
- d) ensure effective programme management and monitoring mechanisms and better communications and information sharing. Low programme delivery on core resources remained a long-standing issue.

3.4 Where specific programme areas were concerned, CCF II activities in **Poverty Alleviation and Sustainable Human Development** proved to be tentative and timid. Despite the consensus on poverty as a national priority issue, this was possibly due to a

lack of common language. The results of the employment generation initiative, in cooperation with the ILO, proved disappointing, despite its apparent potential impact on policy formation. Many UNDP activities in the country of course contribute to employment creation and to self-employment; employment generation thus constitutes a crosscutting element, and continued to be a top government priority.

3.5 In **Economic and resource-based management**, the record of project activities in the CCF II is mixed. Many of the projects financed by GEF in the environmental area and those of the Montreal Protocol should however be qualified as successful ventures that have contributed significantly to policy action in their respective fields. In particular, the GEF Small Grants Programme (SPG) has opened up a whole new avenue of development support, harnessing local energies and capacities in matters of interest to the rural communities themselves. The experience gained in operationalising these approaches is likely to have a major bearing on the shape of development cooperation in future, especially where poverty alleviation is concerned. Project activities embraced a variety of activities and outputs that have a bearing on crosscutting issues, environment concerns, gender aspects and poverty among them.

3.6 In **Governance and increased participation of civil society**, UNDP projects have broken new ground in the cooperation between UNDP and Iran, in areas that contribute to sustainable human development supporting national institutional reforms and capacity building. Governance projects have also been productive in creating new partnerships with government agencies and civil society organizations. It is noteworthy that governance projects have attracted the interest of several bilateral donors, giving practical meaning to and indeed enhancing existing partnerships.

3.7 **Special initiatives** - Special programme initiatives have been regarded as a supplement to other sections in CCF II, or as a place where to lodge crosscutting interests, such as disaster preparedness and emergency relief. They also impinge on poverty-related issues, on micro-credit, environmental conservation, and employment generation through cottage industries. However, UNDP-supported activities have often lacked the critical mass needed to achieve impact.

Part IV. Proposed Programme

4.1 UNDP Country Programme Document (CPD) 2005 - 2009 was developed through extensive consultations led by the Government involving UN organisations and other development partners including civil society. The draft Fourth National Development Plan from April 2004 to March 2009 aims to establish knowledge-based sustainable economic growth and development as an overarching national goal, with three objectives: (a) rapid expansion of growth rate; (b) a knowledge-based economy; and (c) global integration.

4.2 The CPD is based on the CCA analysis and on the lessons learned during the previous programming period. It aims to contribute to the realisation of Iran's sustainable human national development through the realization of the goals articulated in UNDAF for the period 2005 - 2009, in close collaboration with other concerned UN

agencies and development partners. In addition the programme responds to commitments endorsed under the Millennium Development Goals (MDGs).

4.3 The United Nations Development Assistance Framework (UNDAF) approved in August 2004 identified five key priority areas, closely aligned with the priorities of the Fourth National Development Plan and the MDGs. These objectives are: (a) strengthening capacities for achieving the MDGs; (b) enhancing good governance; (c) improving economic performance and management and creating employment; (d) prioritizing sustainable development, disaster management and energy efficiency; and (e) facilitating transfer of science and technology.

4.4 In harmony with the thrust of the MDGs and contributing directly to the objectives of the Fourth National Development Plan, the new Country Programme will, within the framework of the UNDAF and in line with UNDP practice areas, focus on cooperation in mutually reinforcing objectives – with the cross-cutting themes of knowledge networking, gender equity, promotion of human rights, and information and communication technology (ICT) for development. UNDP' programmes will be closely aligned against the five key outcome areas of the UNDAF, namely:

- strengthening capacities for achieving the MDGs
- enhancing good governance
- improving economic performance and employment generation
- sustainable development, disaster management and energy efficiency
- facilitating transfer of science and technology

4.5 Given the programme focus, and based on lessons learned in CCF II to further enhance programme impact and programme integration, cooperation strategies will tackle related constraints along the following lines:

- a) make achieving MDGs the core objectives in all priority areas, with strong emphasis on linking upstream policy with pilot alternative pro-poor downstream development-based approaches;
- b) emphasize problem analysis, strategy development, capacity assessment and action planning - where relevant, across sectors - involving all key stakeholders;
- c) mainstream gender in all areas, ensuring that it is an integral part of the design, implementation, monitoring and evaluation of all programmes and projects;
- d) adopt innovative, strategic and coherent programme approaches exploring cross-sectoral linkages and programme synergies for programme integration and coherence;
- e) identify and disseminate good practices, and connect national partners to global knowledge, experience and resources through global and regional cooperation, networking, new ICT technologies, and South-South cooperation.

4.6 Strengthening capacities for achieving the MDGs. In keeping with UNDP's mandate, the Country Programme will support the Government through policy advisory services to localize and achieve the MDGs, its monitoring and reporting, in particular by supporting the establishment of effective implementation and monitoring mechanisms, statistical capacity, and proper national mechanisms to integrate the



MDGs into the National Development Plan framework. Working closely with the Government and other UN agencies, UNDP programmes will aim at strengthened national capacity for integrating the MDGs into national planning and statistical frameworks through macro-micro projects and living standards measurement surveys.

4.7 An HIV/AIDS programme will focus on data collection with particular attention to gender disaggregated data, awareness raising, strategic planning, and policies for improved national response to HIV/AIDS. Programmes will be implemented to help improve co-ordination and collaboration between Government entities, UN agencies and NGOs working on HIV, and broaden the coverage and programmatic areas of their work. In line with the objectives of controlling and prevention of HIV/AIDS, UNDP supports approaches with human resources, technical capacity building, and infrastructure to help address the problem and strengthen national responses. National counterparts are involved in implementation of the project and ownership and commitment in the quality improvement process. The approach promotes teamwork and cost-consciousness, and helps build steps to institutionalise a process of continuous improvement.

4.8 Enhancing good governance. The good governance strategy is to provide support to strengthen national governance institutions, promote national law reforms, and empower transparent, accountable and merit-based governance. Promoting human rights culture, increased participation of CSOs in national development processes through advocacy and awareness raising campaigns, decentralization and capacity building will be key components.

4.9 In the second generation of UNDP-Iran's work on governance for the period 2004 - 2009, a programmatic approach has been adopted with inter-linkages and partnerships emphasized. For achieving these intended results and in response to nation priorities, a framework governance programme, in line with the Country Programme will focus on: 1) parliamentary development with the Majlis Research Centre; 2) promoting access to justice as a strategy to initiate user and demand driven judicial and justice sector reform; 3) support to decentralization, public administration reform, and capacity building for good governance for youth affairs; 4) strengthening the Islamic Human Rights Commission and national human rights centers; 5) promoting legal education; 6) empowerment of women; 7) strengthening the community of NGOs in a way to contribute to the realization of national development plans; 8) strengthening the independence, effectiveness and good governance of professional associations; and 9) corporate good governance.

4.10 The programme will help strengthen national capacities for a transparent and accountable governance system, adhering to the rule of law taking into account the government's commitments to the relevant international and UN conventions. This involves major governance institutions, such as the Judiciary, Legislative, and Executive branches of the Government, civil society organizations, academia, private sector, and professional associations.

4.11 Improving economic performance and employment generation. Country programme strategies in this area will focus on supporting the establishment of a