

APPENDIX II
Contributions from Other Donors
Section 2207 Report to Congress
April 2008

Summary Overview of International Donor Performance

Pledges

At the Madrid Conference in October 2003, 37 foreign countries, the European Commission, the World Bank, and the IMF pledged a total of about \$13.58 billion to Iraq's reconstruction. The total amount included pledges for grants and technical assistance totaling \$4.53 billion and soft loans totaling \$9.05 billion. And since the launching of the International Compact with Iraq in May 2007, foreign countries pledged an additional \$2.3 billion, including about \$610 million in assistance and \$1.70 billion in soft loans. The soft loan pledges include \$1.0 billion from Iran, \$600 million (€400 million) from Italy, and \$100 million from South Korea. The total pledges of assistance of all kinds is about \$15.89 billion, including about \$5.14 billion in assistance and \$10.75 billion in soft loans.

Soft Loans

Iraq took little action on the \$10.75 billion in soft loans available to it until 2007, except for accepting a \$475 million International Monetary Fund (IMF) Emergency Post-Conflict Agreement facility, which it has since repaid. Iraq recently reached agreements on accepting soft loans from Japan, the World Bank, and Italy for \$2.1 billion, \$399 million, and \$150 million, respectively. Japan, Italy, and Korea are working to issue another \$1.4 billion, \$450 million, and \$100 million in soft loans, respectively.

Bilateral Grants and Technical Assistance

Against pledges of assistance totaling \$5.14 billion, countries have committed \$4.86 billion in grants or assistance programs, accounting for 94.5 percent of total pledges. Individual countries and the European Commission have granted \$1.82 billion to the International Reconstruction Fund Facility for Iraq (IRFFI), the multilateral mechanism for managing reconstruction assistance. About \$3.04 billion has been provided through bilateral donor assistance programs.

A number of donor countries have recently provided updates on their assistance to Iraq since 2007. Norway reported disbursements of assistance totaling \$80 million, well above its Madrid pledge of \$12.9 million. Sweden reported assistance of \$33 million, about equal to its Madrid pledge. Italy reported total assistance delivered of about €240 million or \$360 million, or \$124 million above its Madrid pledge; this includes its efforts in Iraq's provinces and soft loans in the process of disbursement. The Republic of Korea has provided \$275 million in grants, or \$75 million above its Madrid pledge.

Korea clarified that the pledge it made at the launching of the International Compact with Iraq (ICI) in May 2007 was for an additional \$100 million in grants and \$100 million in soft loans. South Korea's pledge had previously been reported to include \$200 million in soft loans with no grants.

The assistance committed by ten donors now exceeds their Madrid pledges. This is most notably the case for the European Commission, which disbursed a total of €829 million from 2003 to 2007, equivalent to more than \$1.04 billion at the exchange rates that were prevailing when the assistance was disbursed. This compares with the EC's Madrid pledge of \$235 million. The United Kingdom disbursed some \$807 million, compared to its Madrid Pledge of \$452 million. The grants and technical assistance amounts committed by Japan, Australia, Canada, Italy, Korea, Sweden, Norway, the Netherlands, New Zealand, and Denmark also exceed their Madrid pledges. The Arabian Gulf countries are lagging in terms of disbursement; together they are about \$1 billion behind in meeting their Madrid pledges.

The International Reconstruction Fund Facility for Iraq

IRFFI has been one of the principal vehicles for delivering international donor assistance to Iraq. The IRFFI is a multilateral mechanism made up of two Iraq Trust Funds, one managed by the United Nations Development Group and the other by the World Bank. There are currently nearly 200 IRFFI projects (178 UN, 16 World Bank) completed or underway. Current donor commitments to the UN and World Bank IRFFI trust funds total approximately \$1.829 billion (\$1.333 billion to the UN trust fund and \$497 million to the World Bank trust fund), of which donors had deposited a total of \$1.768 billion as of the end of November 2007. The European Union has provided more than 40 percent of the IRFFI's total resources. In 2007, the IRFFI received \$244 million in additional contributions from Australia, Canada, Denmark, the European Commission, Japan, Korea, Spain, and Sweden. This represents a 15 percent increase in the amount of funds in the IRFFI trust funds that are available for assistance to Iraq.

International Compact with Iraq

The United States and Iraq's other international partners have remained strongly supportive of effective implementation of the ICI. In December, the GOI reported good progress in setting up the mechanisms required to implement the Compact's reform benchmarks, including an ICI Secretariat, an Executive Committee, and Thematic Working Groups. These are the bodies that donors are asked to work with in support of the Iraq's reconstruction and reforms.

The ICI Secretariat published its first semi-annual ICI Progress Report in July, pointing to initial progress made by the Iraqi government in more than two-thirds of the more than 400 specific ICI benchmarks for 2007 and 2008. The first full annual ICI Progress Report is expected to be published by the beginning of May 2008, in time for review at the First Anniversary ICI Ministerial to be held in Stockholm, Sweden, on May 29.

The annual report is expected to record substantial progress by Iraq in the area of public financial management. Iraq's ministries and provinces have been working with the World Bank to implement the recommendations of a full Public Expenditures and Institutions Review. These recommendations aim to bring modern best practices and accountability to Iraqi fiscal and financial affairs. Progress is also expected in reducing subsidies and extending the new means-tested social safety net to provide relief to the poorest Iraqis as subsidies are reduced.

A full meeting of the international Donors Committee that oversees the IRFFI was held in Bari, Italy, on October 29. The Committee endorsed revisions to the Terms of Reference to ensure that IRFFI activities are aligned with and supportive of Iraq achieving its goals under the ICI and Iraq's National and Provincial Development Strategies.

International Agreements between Iraq and Other Countries

One of the main goals of the ICI is to support and encourage Iraq in its efforts to integrate its economy within its region and the world – overcoming its years of isolation under Saddam. During the current quarter, Iraq completed several international agreements. Iraq and Syria agreed in January to reopen a crude oil pipeline linking Kirkuk to the Mediterranean. In February, Iran and Iraq signed seven cooperation agreements covering education, customs, insurance, transportation, joint industries, and other industrial development, and the supervision of imports. Also in February, Russia and Iraq signed a memorandum of intent on trade, economic, and scientific cooperation intending to build favorable conditions for improved bilateral relations in all fields. In March, the European Union and Iraq held their fourth round of talks for a comprehensive Trade and Cooperation Agreement. Iraq also advanced to a new round of working party discussions in its efforts to become a member of the World Trade Organization. It is also working more closely with the Organization of Economic Cooperation and Development (OECD) project for the Middle East/North Africa (MENA) region. This project supports reform and aims to build private sector trade and investment.

Debt Reduction

Reducing Iraq's external debt burden to sustainable levels is key to Iraq's economic development and is a principal goal of the International Compact with Iraq. In November 2004, the Paris Club group of creditors, the members of which held approximately \$40 billion in Iraqi debt, agreed to reduce this sum by 80 percent in three phases.

The last few months have seen major progress in additional debt reduction. In February 2008, Russia became the last of the 18 Paris Club members to implement the Paris Club agreement. Russia reduced its claims by 93 percent, from \$12.9 billion to \$900 million, with the remainder to be repaid according to Paris Club terms through 2038. In January, the former Yugoslav republics agreed to reduce \$2.5 billion in Iraqi debt by 89.75 percent in return for a cash payment equal to 10.25 percent of the debt, or about \$260 million. In November, Bulgaria agreed to a similar debt-for-cash deal, reducing \$3.5 billion of debt in return for a cash payment equal to 10.25 percent of that amount. Taken altogether,

Iraq's official debts have been reduced by more than \$18 billion since the launching of the International Compact with Iraq in May 2007. The United States went beyond Paris Club terms and cancelled 100 percent of the \$4.1 billion in U.S.-held Iraqi debt in 2004.

In total, since the Paris Club reached its agreement with Iraq in 2004, \$50.5 billion in Iraqi debt to official creditors has been cancelled on terms at least as favorable to Iraq as those it agreed to with the Paris Club. In addition, about \$20 billion in debt to commercial creditors has been reduced by at least \$16 billion, much in the form of an innovative swap of debt-for-bonds that are structured to mirror Paris Club terms. Reflecting growing confidence in Iraq, the global market prices of Iraqi debt bonds have appreciated.

Between \$50 billion and \$100 billion in official debt remains unsettled; of this amount, Iraq owes about two-thirds to the countries surrounding the Persian Gulf. Technical-level debt-reconciliation discussions will be necessary to determine the precise amounts still owed.

Iraq's Donor Assistance Database and Capital Budget Request and Tracking System

U.S. advisors have joined with those from the UNDP and EU to help Iraq's Ministry of Planning and Development Cooperation improve its tracking of donor contributions to Iraqi reconstruction. Initial efforts focused on developing the Donor Assistance Database (DAD). The purpose of the DAD is to monitor, analyze, and prioritize aid rendered to Iraq by the international donor community, creating a credible and reliable source of information on overall aid received and expended in Iraq. The more recent efforts involve establishing a broader Capital Budget Request and Tracking System, which would capture all efforts for reconstruction, including those funded by Iraq's national and provincial budgets. However, the efforts to integrate the two systems have met with a number of logistical, operational, and organizational issues. In the meantime, maintenance of the DAD has fallen somewhat behind.

Updates on Major Donors

Japan

Japan has pledged and disbursed more assistance to Iraq than any other individual country except the United States. At Madrid, Japan pledged a total of \$5 billion for Iraq reconstruction assistance, including \$1.5 billion in grant aid and up to \$3.5 billion in yen-denominated concessional loans. By May 2005, Japan had entirely obligated the \$1.5 billion in grant aid to meet urgent Iraqi needs in areas such as electricity, water and sanitation, health, education, infrastructure, employment, and security.

Japan has deposited a total of \$490 million with the IRFFI (\$360 million in the UN fund and \$130 million in the World Bank fund), as well as \$10 million with the International Finance Corporation's (IFC) Small Business Financing Facility. In addition, Japan has disbursed \$242 million directly to international organizations to implement projects such as restoration of water and sewage systems, garbage collection, and sanitation. The balance of Japan's disbursements, \$943 million, has been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

The major Japanese contributions (in grants) include:

- Electricity: Rehabilitation of three electrical power stations (Taji Gas Turbine, Mosul Gas Turbine, and Mosul Hydroelectric), construction of a diesel power station and provision of generators in Al Samawa, rehabilitation of the National Dispatch Center, and provision of 23 mobile electricity substations.
- Water and Sanitation: Provision of 38 water tankers, 311 water tanks, and six water treatment units in Muthana Governorate; provision of 19 compact water treatment units in Baghdad, and rehabilitation of water and sewage facilities in schools in Baghdad and Ninawa.
- Health: Procurement of 700 ambulances nationwide. Grant assistance for Japanese NGO projects for the Al Samawa Maternity and Children's Hospital for medical equipment, including infant incubators, phototherapy units and electrocardiographs. Medical supplies and equipment were also provided to the Al Samawa General Hospital, Al Rumaitha Hospital, and Al-Khidhir Hospital, and to 32 primary health centers in the Muthana province. Rehabilitation and equipment was provided to four general hospitals in southern Iraq (Nassriya, Najaf, Diwaniya, and Al Samawa), four in northern Iraq (Kirkuk, Erbil, Mosul, and Dahuk), and three in central Iraq (Baghdad, Amara, and Kut).
- Roads and Bridges: The repair of roads between Al Khidhir and Darraji and between Mahdi and Sawa, other roads in Muthana province, and the provision of construction equipment to restore damaged roads and bridges in the province. Rehabilitation of 90 kilometers of roads in Muthana province.

- Education and Culture: Contributions to UNESCO for its efforts to build capacity at the Ministry of Education and repair the Iraqi National Museum's restoration laboratory. Through UN HABITAT, assistance for rehabilitation of about 200 schools in Basrah, Al Samawa, and Kirkuk.
- Security: Donation of 1,150 police vehicles, 150 police buses, 1,080 police motorcycles, and 20 armored vehicles. Donation of 78 fire trucks to Baghdad, Basrah, and Muthana.
- Capacity Building: Training of 2,261 Iraqis, including officials from different ministries, election and museum officials, hospital directors, medical staff, Al-Muthanna television station staff and engineers, statisticians, and technicians in the fields of electricity, water, and agriculture.

At present, Japan is focusing on the preparation of soft loans totaling up to \$3.5 billion, mainly for infrastructure rehabilitation projects in the energy and other key sectors. The Exchanges of Notes (E/Ns) for ten Japanese Official Development Assistance (ODA) loan projects (up to \$2.1 billion) were signed by December 2007. These highly concessionary loans will help Iraq recover its industrial strength and provide necessary services such as electricity. The ten projects are:

- Umm Qasr Port Sector Rehabilitation Project (\$259 million): to dredge the port and surrounding shipping lanes, remove wrecked ships, rehabilitate the port facilities, and to provide equipment and materials such as dredgers and other items. This project aims to reconstruct the Port of Umm Qasr as a transportation and distribution network hub;
- Irrigation Sector Loan (\$81 million): to provide irrigation drainage pumps and equipment and materials for maintaining the operation of irrigation channels in some sites where agriculture is important, including in Muthana Governorate. This loan aims to improve agricultural production and employment in Iraq;
- Al Musayab Thermal Power Plant Rehabilitation Project (\$315 million): to rehabilitate the existing Al Musayab thermal power plant (units 1 and 3), located in the Baghdad suburbs. This project aims to improve the power supply;
- Al Samawa Bridges and Roads Construction Project (\$28 million): to construct a new bridge (Al Samawa North Bridge), rebuild provisional bridges (Mahdi Bridge and Hillal Bridge) to cross over the Euphrates, and construct their connecting roads in Al Samawa and its vicinity;
- Engineering Services for Basrah Refinery Upgrading Project (\$20 million): to increase yield of oil products for consumers by constructing a new plant in the existing Basrah Refinery. This loan is intended for engineering services for the design and construction of the new plant;

- Khor Al Zubair Fertilizer Plant Rehabilitation Project (\$160 million): to supply urgently needed machinery for the factory to improve its production capacity and Iraq's agricultural productivity;
- Crude Oil Export Facility Reconstruction Project (\$447 million): to construct an on-shore/off-shore pipeline to export oil from a storage facility in Al Faw in southern Iraq and to install off-shore loading facilities to increase export capacity;
- Electricity Sector Reconstruction Project (\$291 million): to provide machinery and materials for high priority power supply and distribution systems;
- Basrah Water Supply Improvement Project (\$370 million): to improve water supply facilities such as water treatment plants, transmission lines, and distribution networks in Basrah and Hartha City; and
- Electricity Sector Reconstruction Project in the Kurdistan Region (\$130 million): to provide machinery and materials for reconstruction projects targeting high priority power supply and distribution systems in the Kurdistan region.

Moreover, based on the Paris Club agreement concerning the treatment of Iraq's debt, the Government of Japan and the Government of Iraq agreed upon the details of the conditions for debt relief. Notes to this effect were exchanged on November 24, 2005, in Tokyo between both Ministers for Foreign Affairs. The Japanese government planned to cancel 80 percent of Iraqi debt in three stages, with a value of \$6 billion.

On February 23, 2007, Japan decided to extend emergency grant aid totaling \$104.5 million, apart from the \$1.5 billion grant aid pledged at Madrid. This decision reflects Japan's resolution to support the newly established Iraqi Government's nation-building efforts, including the formulation and implementation of the International Compact with Iraq. This assistance covers such categories as Basic Human Needs (health, displaced persons, and food assistance), Security (capacity building of police and agencies engaged in border control, and socio-economic reintegration of veterans and militias), and Capacity Building in areas including Muthana province.

On November 6, 2007, Japan decided to extend emergency grant aid of about \$5.18 million for humanitarian assistance to Iraqi refugees and internally displaced persons in Iraq. The aid consisted of \$1.18 million dollars to internally displaced persons in Iraq through the International Committee of the Red Cross (ICRC) and about \$4 million to Iraqi refugees in Syria and Jordan through the United Nations High Commissioner for Refugees (UNHCR).

On February 26, 2008, Japan decided to extend, through the United Nations Development Program (UNDP), a grant aid for conflict prevention and peace building of about \$16.35 million to Iraq for a project to establish a Maternity and Children's Hospital in Falluja.

From March 20-28, 2008, Japan held a follow-up Seminar on National Reconciliation of Iraq, inviting 13 influential Iraqis, including the heads of parties of both Shiite and Sunni affiliations and other members of the parliament. The delegation had meetings with Japanese government officials as well as the members of the Japanese Diet. The participants also discussed among themselves the current issues of Iraq such as the Oil and Gas Law, constitutional amendments and federalism. They visited Hiroshima and shared the experiences of Japan's post-war democratization, peace building, and reconstruction.

The United Kingdom

At Madrid, the United Kingdom (UK) pledged £296 million (\$452 million) for the Iraq reconstruction effort for 2004 through 2006. This was included in the UK's total pledge of £544 million (\$920 million), which included both the UK's previously announced assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. When the ICI was established in May 2007, the UK pledged an additional £200 million (\$380 million) in assistance, which increases its total pledge to £744 million (\$1.3 billion).

The UK is one of the first major donors to fully disburse its Madrid pledge. Since 2003, the UK has disbursed £210 million (\$410 million) for projects in support of reconstruction in southern Iraq, governance and economic capacity building, the justice sector, independent media, and civil society; and more than £147 million (\$270 million) towards emergency humanitarian assistance. The UK's Department for International Development (DFID) is responsible for these projects. The UK also deposited \$127 million in the IRFFI, including \$71 million to the World Bank Iraq Trust Fund and \$56 million to the UN Iraq Trust Fund.

The DFID program in 2006 and 2007 was entirely bilateral and focused on economic reform; infrastructure (improving power and water services in the south); governance and institutional building in Baghdad and in the south; and support for civil society and political participation. This assistance will help the Iraqi government, at the provincial and national levels, to plan and deliver investments in basic services (electricity, hospitals, etc.) and improve oil production while generating jobs and managing its own resources more effectively.

Working closely with the UK military and other donors in southern Iraq, the UK has provided support to: rehabilitate emergency infrastructure; improve power and water services; build institutional capacity of the four southern governorates; support private sector development and the establishment of economic initiatives; advise local councils with technical specialists; and strengthen independent broadcasting.

In central Iraq, the UK has provided support to: the Iraqi government on economic reform issues; the Center of Government Programs to improve the functioning of government; the justice sector; the Civil Society Fund for the development of legitimate

and representative Iraqi NGOs; and the Political Participation Fund to encourage poor and marginalized sections of Iraqi society to engage in the constitutional process.

Major UK contributions include:

- Electricity: Repaired transmission lines from Hartha Power station to Basrah city, securing electricity supplies for 1.5 million residents; improved power distribution to 13 areas of Basrah. By early 2008, UK support will add or secure power equivalent to a 24-hour supply for one million people in Iraq.
- Water and Sanitation: Replaced 200 km of water mains, repaired over 5,000 leaks, cleared out 7,000 septic tanks and more than 40 kms of drains across the four southern governorates, constructed a water training center in Basrah to increase the skills of Iraqi engineers in water treatment and leakage repair, and improved water supply to 60,000 people in Al Amtahiyah. Current activities include refurbishing a reverse osmosis unit and pump station and building water towers and reservoirs to directly benefit up to one million people in Basrah.
- Capacity Building: Supported new Provisional Reconstruction Development Committees, which produced Iraq-led draft Provincial Development Strategies (including resource statements) to bid for funding from the central government. Trained more than 10,000 Iraqi police officers and 680 prison officers from Basrah. Trained more than 50 governorate officials through study tours to England, Northern Ireland, and Egypt. Trained 217 Iraqi judges, 288 lawyers, and 71 prosecutors in human rights, international humanitarian law, and independence of the judiciary. Trained 182 journalists, editors, and media managers on humanitarian and independent reporting. New, independent TV and radio programs in southern Iraq went on air during the summer of 2005.
- Economic: Assisted the Iraqi government in drawing up its annual budget, reaching agreement with the IMF on its Emergency Post-Conflict Agreement and subsequent Standby Arrangement, negotiating the Paris Club debt reduction deal, and drafting the first National Development Strategy. More than 3,000 women and young people in southern Iraq were trained in business and enterprise skills. The UK is working to realize Basrah's economic potential by working with the Basrah Provincial Council and the central Iraqi Government to improve funding flows from Baghdad to provincial government and to support private sector development in Basrah. The UK's Provincial Reconstruction Team (PRT) is assisting Basrah Provincial Council to produce a new Strategy and Resource Statement. Our support in the establishment of two institutions, the Basrah Investment Promotion Agency and the Basrah Development Fund, will identify and promote investment opportunities while providing loans to small and medium sized enterprises.
- Regional Economic Initiatives: The Basrah Development Commission, launched in December 2007, will bring senior Iraqi, regional and international business

leaders together to provide advice on how to increase investment and economic growth. The Commission will also lead in the development of an economic master plan for Basrah province.

- Support to the Political Process: Helped to promote the political process through support for the electoral commission (\$10 million plus advisors on security and public information), civil society organizations (\$8.7 million), and public participation in the elections (\$12.6 million). Helped to set up the Prime Minister's office and the Cabinet and Committee system. Helped achieve continuity in the transition to the new elected administration.

Further information on the DFID program in Iraq is available at <http://www.dfid.gov.uk/countries/asia/iraq.asp>.

Canada

Canada has pledged \$230 million for Iraq's economic reconstruction and humanitarian relief, including \$187 million pledged at Madrid in 2003 and an additional \$42 million in urgent humanitarian assistance disbursed through multilateral relief agencies in response to the UN Humanitarian Appeal. (Canada's pledges were denominated in Canadian dollars and converted for this report at the rates prevailing when the pledges were made.)

Canada has played a leading role in helping to organize and coordinate international donor assistance for Iraq, holding the chairmanship of the IRFFI Donors' Committee for the two years (2005 to 2007).

Canadian disbursements and allocations of assistance to Iraq exceed the amounts Canada pledged at and after Madrid. Canada deposited \$90.45 million into the IRFFI Iraq Trust Funds operated by the World Bank and Madrid conference. Canada has also allocated approximately \$100 million to non-IRFFI assistance, including about \$50 million to UNHCR, ICRC, WFP, and UNMAS and other assistance delivered bilaterally through CARE-Canada to improve basic services in water and sanitation, basic health and education, and child protection. Another \$40 million was given to UNICEF to support the recovery of Iraq's social sector. An additional \$5.5 million was provided in 2007 for further humanitarian assistance.

The Canadian International Development Agency (CIDA) has supported projects with a total value exceeding \$50 million. It allocated about \$7 million to assist in the restoration and management of the ecological health of the Mesopotamian marshes. To support capacity building project in the Office of the Prime Minister and Council of Ministers Secretariat, CIDA transferred about \$7 million to the UK Department for International Development. In the area of governance, human rights, and civil society capacity building, Canada supported a number of projects including: \$4 million for the Rapid Civilian Deployment Mechanism for capacity-building; about \$8.5 million for a civil society capacity building fund, including media and human rights training; \$4.2 million to the Middle East Good Governance Fund; \$1.7 million for human rights and diversity management training; about \$1.7 million for support to the constitutional process and

federal systems; \$600,000 to the UNDP for research on governance questions; and a small fund for building a culture of human rights in Iraq and the Middle East. Canada also supported elections with \$2.4 million allocated to the International Mission for Iraq Elections. In the security sector, Canada allocated about \$8 million over two years for deployment of Canadian police instructors to assist in the training of Iraqi police at the Jordan International Police Training Center (JIPTIC) as well as funding to deploy senior police advisors to the Ministry of Interior. Total Canadian assistance to the security sector exceeds \$15 million. Canada is also providing \$700,000 for a diplomatic training program for Iraqi Foreign Service officers held at Carleton University in Ottawa.

Canada plans to focus the remainder of its assistance on good governance and the promotion of human rights, including women's rights.

More details on Canadian assistance to Iraq are available at: www.acdi-cida.gc.ca/iraq.

The European Commission

The objective of the European Union's policy towards Iraq is to contribute to a safe, stable, unified, prosperous, and democratic Iraq that upholds human rights and protects its minorities. To contribute towards this objective, the EC is fully engaged in the reconstruction of Iraq.

Between 2003 and 2007, the European Commission (EC) provided €29 million (approximately \$1.039 billion calculated at the average exchange rates prevailing during the years when funds were committed) to assist Iraq. These funds have focused mainly on the rehabilitation of basic services and support of the political process, including elections, support of job creation, Iraqi capacity building, and support to the rule of law. This included €711 million (\$895 million) to economic reconstruction and €18 million (\$143 million) for humanitarian assistance.

The Commission is by far the largest single donor of IRFFI funds, having contributed €604 million (\$771 million), or 42 percent of the total commitments to IRFFI. Adding up all the donations coming from EU countries, total European support to the IRFFI amounts to \$1.13 billion, or 61 percent of all contributions to the IRFFI.

On March 31, 2008, the European Commission issued its first of what are expected to be many quarterly "State of Play" reports on the EC's activities in support of Iraqi reconstruction and humanitarian relief. The statistics cited above are from this report.

Other highlights from the report include a breakdown of EC aid distribution by main category for the periods 2003 to 2007, more detailed discussions of what the EC has accomplished through its contributions to the IRFFI Iraq Trust Funds that are operated by the U.N. Development Group and the World Bank, a reaffirmation of EU/EC support for the International Compact with Iraq, and a discussion of actions the EC is taking bilaterally.

The EC and Iraq have held four rounds of negotiations for a Trade and Cooperation Agreement that aims to facilitate Iraq's engagement with the international community, contribute to ongoing institutional and socio-economic reforms, promote bilateral trade in accordance with WTO principles, and ensure predictability, transparency, and legal certainty for businesses and investors.

The EC delegation has been represented in Baghdad at the ambassadorial level since mid-2006. The delegation facilitates the deepening of EU-Iraq relations, such as engaging in political dialogue, coordination of Commission activities, and engaging with international partners on the ground.

For the period 2003-2007, 46 percent (about \$480 million) of the EC's financial contributions went to projects aimed at enhancing basic services. This included projects for education, health, infrastructure, water and sanitation. The EC's contributions for human development amounted to 24 percent of total contributions (about \$250 million). This included contributions to agriculture, rural development, poverty reduction, land mine action and durable solutions for refugees. About 19 percent (about \$200 million) of the EC's contributions went to supporting the political process, including for elections and the constitutional process. Finally, about 11 percent (\$115 million) went to capacity building in the areas of promoting a civil society, human rights, trade and customs services, justice and the rule of law, and other forms of technical assistance.

For 2008, the State of Play report notes that consideration is still being given as to the possible areas and sectors to receive European assistance. At the request of EC Commissioner Ferrero-Waldner, senior officials from the EC's External Relations division and EuropeAid visited Iraq during March. The objective of the mission was to reinforce the in-country dialogue, to underline the EC commitment to assisting Iraq and to consider how 2008 EC assistance will be allocated.

Additional information about EU assistance to Iraq can be found at:
http://europa.eu/external_relations/iraq/intro/index.htm

United Nations

As of February 29, 2008, donors had committed \$1.333 billion to the UN Development Group Iraq Trust Fund (UNDG-ITF) of the International Reconstruction Fund Facility for Iraq (IRFFI). This includes a \$5 million contribution from the United States. As of November 20, 2007 they had deposited \$1.274 billion. The four largest contributors to the UNDG-ITF are the European Commission (\$592 million), Japan (\$361 million), Spain (\$93 million), and the United Kingdom (\$56 million). New donor commitments to the UNDG-ITF during 2007 and the first quarter of 2008 totaled about \$205 million.

As stated in the revised IRFFI terms of reference that were adopted by the IRFFI Donors Committee in Bari, Italy, on October 29, the aims of the United Nations efforts are based in UN Security Council Resolutions, the most recent being UNSCR 1770. In line with

this and earlier guiding resolutions, the UNDG-ITF provides technical assistance and capacity building across the following areas:

1. Capacity and institution building for human development and social justice;
2. The delivery of essential services, in the area of health in particular;
3. The empowerment of civil society and local communities;
4. The protection and reintegration of and delivery of assistance to vulnerable groups including internally displaced persons and returning refugees;
5. Water resources and food security;
6. Infrastructure rehabilitation;
7. The promotion of human rights and the rule of law; and
8. Private sector development and employment generation with due regard to cross-sectoral issues including gender equality and environmental protection and management.

The latest report on UNDG activities goes through the end of November 2007. The UN had developed 178 projects valued at \$1.079 billion, all of which had been approved for implementation by the Iraqi government. The UN agencies responsible for implementing the projects had committed \$716 million and disbursed \$612 million. Among these projects, the UN has provided school supplies, rehabilitated schools, provided vaccines, supported internally displaced persons (IDPs) and refugees, conducted capacity-building training programs for Iraqi officials, and assisted in the elections. The largest commitments were made by UNDP (for reconstruction and essential services), UNICEF (for children), UNOPS (for UN operations including some emergency humanitarian relief), UN HABITAT (for housing), WHO (for health), and UNHCR (for refugees). UNHCR issued an appeal for funds early in 2007 to aid Iraq refugees both outside and inside Iraq and is working to strengthen its presence in Baghdad and in Iraq generally.

A full list of the UN's IRFFI projects is available at the www.irffi.org website.

World Bank

The World Bank's assistance to Iraq is based on the second Interim Strategy Note (ISN) discussed by the Bank's Executive Directors in September 2005. The overall objective of the second ISN is to help Iraq develop institutional frameworks, policies, and systems that allow for more transparent and effective use of Iraq's own financial resources and help Iraq deliver basic services in a sustainable manner.

To this end, the World Bank's program is two-pronged: (i) analytical and advisory activities, especially in the area of public finance management; and (ii) investment projects for the reconstruction and provision of basic services.

The ISN includes a financial assistance framework utilizing the grant resources from the World Bank Iraq Trust Fund and up to \$500 million International Development Association (IDA) credits. The ISN also potentially provides for up to \$500 million in International Bank for Reconstruction and Development (IBRD) lending, assuming

critical progress regarding creditworthiness. The Bank is currently initiating the preparation of its third ISN to review progress under the second ISN, and to update the World Bank's strategic focus to reflect the current situation and Iraqi priorities.

As of January 2008, donors had pledged approximately \$496.9 million to the World Bank Iraq Trust Fund of IRFFI, of which \$494.4 million had been deposited. With these deposits, the World Bank Iraq Trust Fund finances the following 16 grants amounting to \$437 million:

Operation	Projected Costs
Emergency Textbooks	\$40 million
Emergency School Rehabilitation	\$60 million
Emergency Baghdad Water Supply and Sanitation	\$65 million
Emergency Water Supply, Sanitation, and Urban Reconstruction	\$110 million
Emergency Health Rehabilitation	\$25 million
Emergency Private Sector Development I	\$55 million
Capacity Building I	\$3.6 million
Capacity Building II	\$7 million
Emergency Community Infrastructure	\$20 million
Emergency Disabilities	\$19.5 million
Emergency Social Protection	\$8 million
Emergency Household Survey, Technical Assistance	\$1.5 million
Emergency Household Survey and Policies for Policy Reduction	\$5.1 million
Additional Grants for School Construction in the Marshlands	\$6 million
Environment Management Project	\$5 million
Emergency Electricity Rehabilitation	\$6 million

Two projects, the Emergency Textbooks Provision Project and Capacity Building I Project, are completed and closed. World Bank projects, including those financed through the Iraq Trust Fund, are implemented by government agencies, an important tool to build capacity and institutions and, thus, the sustainability of project outcomes. Of the 14 active projects, twelve, valued at \$385 million, are projects implemented directly by Iraqi governmental authorities. The other two projects, amounting to \$8.5 million, finance capacity building and technical assistance activities implemented by the World Bank, at the request of the Iraqi Ministry of Planning and Development Cooperation.

World Bank Iraq Trust Fund projects have financed more than 82 million textbooks, rehabilitated or constructed close to 150 schools, trained more than a thousand Iraqi officials, and rehabilitated over 20 rural irrigation or drainage schemes.

The Emergency Household Survey and Policies for Policy Reduction Project has recently completed the first comprehensive household survey undertaken since 1988. The survey includes detailed income and expenditure information, which will enable the Iraqi government to analyze poverty and improve social safety net targeting mechanisms.

Projects financed through the World Bank Iraq Trust Fund are also rehabilitating and upgrading hospitals and centers for the disabled, improving water and power networks, installing a high-capacity telecommunications system, assisting Iraq to formulate sustainable social protection policies, and laying the framework for improved environmental protection. Capacity building activities, coupled with the Iraqi-implementation of investment projects, help to strengthen the skills of ministry staff in project management, procurement, and financial management procedures.

The World Bank has also resumed lending to Iraq for the first time in more than 25 years. The Bank has approved \$399 million in concessional lending from IDA: the \$100 million Third Emergency Education Project approved in November 2005; the \$135 million Emergency Road Rehabilitation Project approved in June 2006; the \$40 million Dokan and Derbandihkan Emergency Hydropower Project approved in December 2006; and the \$124 million Emergency Electricity Reconstruction Project approved in March 2007. Iraq's Council of Representatives ratified the four IDA loans in late July 2007, and all four were subsequently declared effective by mid-December 2007.

The World Bank provided technical support to the Government of Iraq in the formulation of the ICI and continues to support its implementation. The ICI recognizes that Iraq has had difficulty in utilizing its own resources, and places improving public resource management and strengthening institutions and governance at the heart of its socio-economic development. The World Bank places a major emphasis on policy advice and economic sector work, and is undertaking a large program of advisory and technical assistance work to help Iraq build its institutional capacity for more effective and transparent use of Iraq's own resources. This work focuses on public sector governance; poverty and social safety nets; and growth and private sector development.

The most important on-going activity is the Public Expenditure and Institutional Assessment that the Bank and the government are jointly undertaking to provide the analytic basis for Iraqi-led public finance reform. In this context, since July 2007, the Bank has organized a series of ten workshops in Baghdad to document the status of Iraq's Public Financial Management system; analyzed the sub-national Public Financial Management system, following a series of workshops with provincial and regional officials; and conducted a workshop to help officials improve the internal controls of the food distribution system. In addition, the Bank is supporting the development of a new procurement law, and has organized workshops with the Board of Supreme Audit and the Iraq Higher Judicial Council on audit and legal and judicial reform. In December 2007, the World Bank and the European Commission signed an agreement for an additional contribution to the World Bank Iraq Trust Fund of €20 million (\$29.8 million) to support public financial management and banking reform.

To support project management teams and supervise project implementation, the World Bank engages a cadre of professional-level Iraqi staff. In addition, the World Bank Iraq Trust Fund employs a Fiduciary Monitoring Agent to help monitor project implementation and compliance with the Bank's fiduciary procedures. The Agent employs about 25 Iraqis who visit project sites and meet with ministry staff on a daily

basis. The Agent provides monthly project reports that document project progress through the use of digital photos and convey valuable information about the status and quality of project implementation.

To enhance the policy dialogue with the government and improve donor coordination, in 2007, the World Bank appointed a country manager for Iraq, who is located in the Bank's Baghdad Office in the International Zone. The recruitment of a new Public Sector Specialist to be located in the Baghdad office to support the increased emphasis on public sector reform is underway. The World Bank's Amman Office provides critical logistical support for travel, security, and medical emergencies for staff based in Iraq as well as visiting missions for the Iraq program. The Amman office also provides an important venue for activities that require long hours and intensive work of large teams over several days, such as project negotiations and supervision missions, training, and workshops. More information is available at www.irffi.org.

IMF

At the Madrid Donors' Conference in October 2003, the IMF pledged to provide up to \$2.55 billion in financial facilities to Iraq if needed under Iraq's agreements with the IMF. On September 29, 2004, the IMF Board approved the first of such agreements, an Emergency Post-Conflict Assistance (EPCA) package that provided Iraq the equivalent (at the time) of \$430 million in special drawing rights for balance-of-payments support. Iraq drew upon this facility but left the funds on deposit with the IMF, repaying the loan in full on December 12, 2007. The main goals under the EPCA were to maintain macroeconomic stability and to lay the groundwork for a long-term development and reform program. On December 23, 2005, the IMF approved a Stand-by Arrangement (SBA) for Iraq that provides special drawing rights equivalent to approximately \$685 million in balance-of-payments support. As a result of satisfactory performance implementing reforms required under the previous SBA, the IMF Executive Board approved a new SBA for Iraq on December 19, 2007. The SBA provides a comprehensive framework of policies for economic reform and growth. In view of its healthy balance of payments and foreign exchange reserves position, Iraq has not drawn on any of the balance of payments support available under its Stand-By Arrangements.

The IMF also provides technical assistance to Iraq, including training in such policy areas as public expenditure management, fiscal federalism, tax policy, tax and customs administration, monetary operations, banking supervision, payments system reform, and statistics. Some of this training has been done jointly with the World Bank, and the IMF has helped to coordinate macroeconomic training with other major providers including the World Bank, the United States, and the United Kingdom.

For Iraq to receive the full benefit of its debt reduction agreement with the Paris Club, it must successfully perform under its SBA through December 2008. Once it has completed the SBA, Iraq will receive the final 20 percent of debt reduction, for a total reduction of 80 percent of debt held by all Paris Club members.

Useful Web-Based References for International Donor Assistance to Iraq:

- The International Compact with Iraq:
<http://www.iraqcompact.org/> and
<http://www.uniraq.org/ici.asp>
- The Donor Assistance Database (still under development):
<http://www.mop-iraq.org/dad>
- The UNDG Iraq Trust Fund and the World Bank Iraq Trust Fund Newsletters, updated every two to three months and both accessible at: <http://www.irffi.org>
- Japanese assistance to Iraq:
http://www.mofa.go.jp/region/middle_e/iraq/issue2003/assistance/index.html
- United Kingdom assistance to Iraq:
<http://www.dfid.gov.uk/countries/asia/iraq.asp>
- European assistance to Iraq:
http://europa.eu/external_relations/iraq/intro/index.htm