

APPENDIX II
Contributions from Other Donors
Section 2207 Report to Congress
Through June 30, 2008

Overview of International Donor Performance

Pledges

At the Madrid Conference in October 2003, 37 foreign countries, the European Commission, the World Bank, and the International Monetary Fund (IMF) pledged a total of about \$14.58 billion to Iraq's reconstruction. The total amount included pledges for grants and technical assistance totaling \$4.53 billion and soft loans totaling \$10.05 billion. In conjunction with the International Compact with Iraq (ICI) meetings in May 2007 and May 2008, foreign countries pledged an additional \$2.42 billion, including about \$723 million in assistance and \$1.70 billion in soft loans. The soft loan pledges include \$500 million in trade credits from Saudi Arabia and \$500 million in soft loan programs from the Islamic Development Bank (both mentioned in Madrid and refreshed in May 2008), \$1.0 billion in soft loans from Iran, \$600 million (€400 million) from Italy, and \$100 million from South Korea. As of June 30, 2008, the total of pledges by international donors of assistance of all kinds stood at about \$17.06 billion, including about \$5.26 billion in assistance and \$11.75 billion in pledged soft loans and trade credits.

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's and the World Bank's loans are for major infrastructure and energy sector projects. Italy's loan will go to support Iraq's agricultural sector. Japan, Italy, and Korea are working to issue another \$1.4 billion, \$450 million, and \$100 million in soft loans, respectively.

Bilateral and Multilateral Grants and Technical Assistance

Against earlier pledges of assistance totaling \$5.26 billion, countries have since committed \$5.55 billion in grants and technical assistance programs, or 105.7% 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 \$3.42 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. The assistance committed by twelve donors now exceeds their Madrid

pledges. This is most notably the case for the European Commission, which disbursed a total of \$1.18 billion from 2003 through mid-2008. This is more than four times the EC's Madrid pledge of \$235 million. The United Kingdom disbursed some \$807 million, compared to its Madrid pledge of \$452 million.

Australia increased its pledge for economic assistance by about \$115 million to a total of \$182 million, and increased its assistance program commitments by a similar amount to a total of \$191 million (a total of \$76 million greater than its pledges). Denmark reported that its total commitments reached about \$230 million, compared to its Madrid and ICI pledges totaling \$62 million. Norway reported disbursements of assistance totaling \$80 million, well above its Madrid pledge of \$12.9 million. Sweden reported assistance commitments of \$86 million, or more than twice its Madrid pledge of \$33 million. Italy reported total assistance delivered of about €240 million or \$360 million, \$124 million above its Madrid pledge. The Republic of Korea has provided \$235 million in grants, \$35 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. Japan, Canada, the Netherlands, and New Zealand have also exceeded their Madrid pledges. The Arabian Gulf countries are lagging in terms of disbursements. Together they are about \$1 billion behind in meeting their Madrid pledges.

The International Reconstruction Fund Facility for Iraq

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 (ITFs), one managed by the United Nations Development Group (UNDG) and the other by the World Bank. There are currently 157 IRFFI projects (141 UNDG, 16 World Bank) completed or underway. (If counted by individual UN agency, the number of UNDG projects is 180, as some projects involve the work of multiple agencies.) Donor commitments to the UN and World Bank IRFFI trust funds total approximately \$1.835 billion (\$1.338 billion to the UN trust fund and \$497 million to the World Bank trust fund), of which donors had deposited a total of \$1.771 billion as of the end of May 2008. In addition, the two ITFs have accumulated about \$72 million in interest earnings that can be applied to ITF activities. The European Union/European Commission has provided more than 42% of the IRFFI's total resources. In 2007 and the first half of 2008, the IRFFI received \$244 million in additional contributions from Australia, Canada, Denmark, the European Commission, Japan, Korea, Spain, and Sweden. With the interest earnings, this represents a 20% increase since 2006 in the amount of funds in the IRFFI trust funds that are available for assistance to Iraq.

International Compact with Iraq

More than 90 countries and international organizations met in Stockholm, Sweden, on May 29 to show their support for Iraq achieving its goals under the ICI. Iraq presented its first "Annual Progress Report for the ICI," showing that the Government of Iraq (GOI) is

making substantial progress in meeting three-quarters of the more than 400 specific ICI benchmarks for 2007 and 2008. Prime Minister Maliki emphasized the progress Iraq is making with each of the major three pillars of the ICI: security, politics, and economics. Along with Deputy Prime Minister Salih, Prime Minister Maliki noted that high oil revenues have now made it possible for Iraq to pay for much of its own economic reconstruction. Nevertheless, Iraq will continue to require international partnerships for technical assistance to build ministerial and provincial capacity and, in the long-term, for greater private sector trade and investment. The conference took note of the progress Iraq is making in establishing the rule of law, improving its rate of budget execution, decreasing inflation, and accomplishing its legislative agenda, including passage of the Accountability and Justice Law and the Pension Law. To promote transparency and accountability in its vital oil sector, Iraq joined the Extractive Industries Transparency Initiative (EITI). To emphasize its ownership over its own development process, Iraq also adopted the Organization for Economic Cooperation and Development's (OECD) Paris Principles on Aid Effectiveness and offered to develop a co-financing mechanism that would be available for new programs undertaken with international partners. Finally, in a strong sign of Iraq's increasing resolve to tackle corruption, Iraq signed the UN Convention Against Corruption (UNCAC),

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 Hussein. During June, Iraq completed its fifth round of negotiations with the European Commission for a comprehensive Trade and Cooperation Agreement (TCA). Through the TCA the Commission aims:

- To facilitate Iraq's engagement with the international community and with the EU in particular, to the benefit of the internal and regional stabilization process.
- To stimulate and anchor on-going institutional and socio-economic reforms.
- To contribute to the socio-economic development of Iraq and to the improvement of living conditions in the country.
- To promote bilateral trade relations in accordance with WTO principles.
- To ensure a minimum level of predictability, transparency and legal certainty for economic operators.
- To improve the trade arrangements between Iraq and the European Union.

At the end of June, Oman's Minister of National Economy made an official visit to Baghdad accompanied by leading Omani businessmen. Prime Minister Maliki took the occasion to urge all of Iraq's Persian Gulf Arab neighbors to seek out trade and investment opportunities in Iraq. Delegations from Syria and Iraq met to discuss greater cooperation among chambers of commerce and schools and universities. Iraq and Syria agreed in January to reopen a crude oil pipeline linking Kirkuk to Syria's Mediterranean coast.

Debt Reduction

Since the Paris Club reached its agreement with Iraq in 2004, through June 30, 2008, \$50.5 billion in Iraqi debt to official creditors has been cancelled or will be cancelled on terms at least as favorable to Iraq as those it agreed to with the Paris Club. (The final tranche of Paris Club debt relief will be provided in December 2008, provided that Iraq continues to perform on its IMF reform program). In addition, \$16 billion in debt to commercial creditors, of a total of about \$20 billion, has been reduced, 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 in value.

Between \$50 billion and \$75 billion in official Saddam-era debts remain unsettled. The largest amounts are owed to Saudi Arabia (estimated to range between \$15 and \$40 billion), China (estimated \$8.5 billion), Kuwait (estimated \$8.2 billion), the United Arab Emirates (UAE) (estimated \$7 billion) and Qatar (estimated \$5 billion). Jordan, Turkey, Egypt, Poland, Brazil, Greece, Pakistan, Tunisia and Morocco are also owed smaller amounts. In July 2008, during the visit of Iraqi Prime Minister Maliki to the UAE, the government of the UAE pledged to cancel its claims on Iraq.

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

U.S. advisors have joined with those from the UN Development Program and the European Union 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. 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. Efforts continue to integrate the two systems.

Updates on Major Donors

Japan

Japan has pledged and disbursed more assistance to Iraq than any other individual country except the United States. At the Madrid Donors' Conference, 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.

Earlier editions of this report provide considerable detail on Japan's contributions to Iraq in the form of grants and loans. While working to balance its contributions among Iraq's geographic regions, Japan made substantial contributions to every major economic sector in Iraq, including electricity (three power stations), water and sanitation (numerous water tankers and facilities), health (more than 700 ambulances, medical supplies, and rehabilitation and equipment for many hospitals), extensive road and bridge repairs, educational and cultural centers, police vehicles, buses, motorcycles, armored vehicles, and fire trucks. In addition, the Japanese trained more than 2,200 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 to rehabilitate the Port of Umm Qasr, improve irrigation in the Muthanna Province, rehabilitate the power plant at Al-Musayab, repair roads and bridges in Samawa, upgrade the Basrah refinery, rehabilitate the Khor al-Zubair fertilizer plant, construct oil export facilities at al-Faw, reconstruct parts of the national electricity supply system, improve water supplies in Basrah, and reconstruct parts of the electricity sector in Kurdistan.

Japan agreed to cancel 80% of Iraq's Saddam-era debt of \$6 billion in 2005. 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 GOI's efforts, including the formulation and implementation of the ICI. 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 extended grant aid of about \$16.4 million through UNDP for a maternity and children's hospital in Fallujah.

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 the Madrid Donors' Conference, the United Kingdom (U.K.) pledged £296 million (\$452 million) for the Iraq reconstruction effort for 2004 through 2006. This was included in the U.K.'s total pledge of £544 million (\$920 million), which included both the U.K.'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 U.K. pledged an additional £200 million (\$380 million) in assistance, which increases its total pledge to £744 million (\$1.3 billion). During the second quarter of 2008, the U.K. gave about \$25 million to humanitarian appeals for the benefit of Iraqi refugees.

The U.K. is one of the first major donors to fully disburse its Madrid pledge. Since 2003, the U.K. 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 U.K.'s Department for International Development (DFID) is responsible for these projects. The U.K. 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 GOI, at the provincial and national governments 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 U.K. military and other donors in southern Iraq, the U.K. has provided support to rehabilitate emergency infrastructure; improve power and water services; build institutional capacity of the four southern provinces; support private sector development and the establishment of economic initiatives; and advise local councils with technical specialists; and strengthen independent broadcasting.

In central Iraq, the U.K. 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.

- Earlier editions of this appendix give ample details about the major U.K. contributions. In summary, the U.K.'s efforts have focused on electricity (repairing transmission lines, securing generation, improving distribution in the Basrah region), water and sanitation (replacing mains, training staff, refurbishing and repairing systems in Southern Iraq), provincial and ministerial capacity development (supporting the Provincial Reconstruction Development Committees and the Provincial Reconstruction Teams in Southern Iraq, particularly), and economic assistance (helping Iraq in its relationship with the International Monetary Fund and to develop its National Development Strategy).

The United Kingdom has been particularly effective with its Basrah regional development strategy. It supported the establishment of two institutions, the Basrah Investment Promotion Agency and the Basrah Development Fund which work to identify and promote investment opportunities while providing loans to small and medium sized enterprises. The Basrah Development Commission, launched in December 2007, brings 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.

The U.K. also supports the political process through support for the electoral commission, civil society organizations, and public participation in the elections. It helped to set up the Prime Minister's office and the Cabinet and Committee system and to achieve continuity in the transition to the new elected administration.

U.K. Prime Minister Gordon Brown emphasized that these sorts of assistance efforts would continue, and urged U.K. private sector businesses to pay attention for emerging opportunities as they develop in Iraq.

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

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 European Commission (EC) is fully engaged in the reconstruction of Iraq.

Between 2003 and 2007, the EC provided €829 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 €118 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% of the total commitments to IRFFI; adding up all donations coming from the EU and EU member countries, total European support to the IRFFI amounts to \$1.13 billion or 61% of all contributions to the IRFFI.

On May 31, 2008, the EC updated its quarterly “State of Play” report 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 from 2003 to 2007 and 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.

The EC is a strong supporter of the ICI. Given the importance of the ICI, the EC has decided to align its cooperation priorities to the Compact. It also decided to provide financial support to the Compact Secretariat, and in this way to send a strong signal of support to the GOI and the United Nations (the co-chairs of the Compact).

As discussed above, the EC and Iraq have held five rounds of negotiations for a Trade and Cooperation Agreement. The EC delegation has been represented in Baghdad at the ambassadorial level since mid-2006.

From 2003 to 2007, 46% (about \$480 million) of the EC’s financial contributions to Iraq 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% 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% (about \$200 million) of the EC’s contributions went to supporting the political process, including for elections and the constitutional process. Finally, about 11% (\$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.

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

United Nations

As of May 31, 2008, donors had committed \$1.338 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, donors 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 half of 2008 totaled about \$210 million.

The UNDG ITF funds programs and projects that support a strategic framework of development priorities for Iraq. The strategic framework reflects priorities expressed in a number of documents:

- Iraq's National Development Strategy (NDS)
- The International Compact with Iraq (ICI)
- UN Security Council Resolution (UNSCR) 1770
- The UN Millennium Development Goals as expressed in Iraq's National Development Goals (MDG and INDG)

The NDS and ICI aim to strengthen the foundations for economic growth, revitalize the private sector, improve quality of life, strengthen good governance, and improve security. UNSCR 1770 defines the mandate of the UN Assistance Mission to Iraq (UNAMI) which includes providing advice, support and assistance to the GOI and advancing an inclusive national dialogue and political reconciliation. The resolution calls for UN efforts to provide humanitarian assistance, as well as support for reconstruction and development. The Millennium Development Goals and Iraq National Development Goals aim to mitigate poverty, achieve primary education for all, enhance gender equality, improve the health of children and mothers, combat common diseases, provide decent housing, and control corruption.

To meet these challenges, the United Nations Country Team (UNCT) for Iraq was reorganized from a system of seven functional clusters (education, agriculture, etc.) to a new coordination structure based on four types of outcomes:

- Improved and equitable access to essential and social services
- Strengthened protection of civilians and civil rights
- Accelerated and inclusive economic development
- Strengthened governance

UNAMI also established a Policy Group in Baghdad charged with performing the following tasks:

- Providing technical assistance to the GOI in the areas of governance, economic development, protection and basic services
- Through negotiations with GOI, identifying assistance needs to be addressed by the UNDG ITF
- Providing onsite support of on-going UNDG ITF programs
- Assisting the GOI in implementing the Compact
- Supporting initiatives for accelerating the transition to a functional market economy.

The Seventh Six-Month Progress Report on the UNDG ITF, dated May 1, 2008, with all of its annexes, 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: (1) analytical and advisory activities, especially in the area of public finance management; and (2) 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 of 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 16 grant-based projects amounting to \$437 million:

World Bank projects, including those financed through the Iraq Trust Fund, are implemented by government agencies. This approach represents 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.

The Emergency Household Survey and Policies for Poverty 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 most recent IDA project to be approved is for emergency water supplies. It was approved by the World Bank's Board of Executive Directors on June 10, 2008, in an amount of \$109 million.

The World Bank provides technical support to the GOI 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, and then repaid 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.

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% of debt reduction under its Paris Club agreement (equivalent to about \$13 billion of the total \$66.5 billion of debt reduction that has been agreed with official and commercial creditors as of June 30, 2008). The IMF's most recent mission to consider Iraq's progress took place in June 2008.

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.

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