

APPENDIX II

Contributions from Other Donors

International Resources for the Reconstruction of Iraq:

On July 27, 2006 UN Secretary General Kofi Annan and Iraqi Prime Minister Nouri Al-Maliki announced their jointly-led effort to formulate and launch a new International Compact with Iraq (“the Compact” or “ICI”). Patterned somewhat after the International Compact for Afghanistan, the ICI provides a framework for broadening and deepening international involvement in Iraq’s reconstruction. Under the Compact, donor countries will pledge their support to help Iraq achieve commitments to an extensive program of economic initiatives and reforms that promise to lead Iraq to economic self-sufficiency within about five years. While the commitments and benchmarks are primarily economic in nature, the Compact acknowledges the political and security context and sets priorities that aim to improve conditions in Iraq overall.

The work to draft the Compact document and annexes was performed in Baghdad by officials from Iraq, the UN and the World Bank (WB). The process of shaping the documents and negotiating commitments was guided by a Preparatory Group comprised of countries and international organizations that have demonstrated their support for Iraq’s reconstruction.

A number of key events record steady progress for the Compact: In Abu Dhabi on September 10, 2006, the Preparatory Group met to agree upon the direction and process of the ICI as presented by the Government of Iraq (GOI). On September 18, 2006, alongside the UN General Assembly and IMF/World Bank Annual Meetings in New York and Singapore, United Nations and Iraqi officials briefed the Foreign and Finance Ministers of more than 35 countries on the Compact and received their comments and expressions of support. In Kuwait, on October 31, 2006 the Preparatory Group met to endorse the work of Iraq, the UN and the World Bank on the Compact and to affirm their pledges of support. On November 13, 2006 in New York, Iraq and the UN briefed an assembly of all of the United Nations Permanent Representatives on the Compact. In Baghdad on December 4, 2006 Iraq’s Council of Ministers formally approved the Compact document, thereby endorsing Iraq’s commitments under the Compact, and on December 10, 2006 Prime Minister Nouri Al-Maliki personally delivered copies of the final Compact document to ambassadors from all the donor countries that participate in the International Reconstruction Fund Facility for Iraq (IRFFI). At year-end 2006, Iraq and the United Nations were considering when and where to hold the final adoption event at which more than seventy countries and international organizations are expected to join the Compact.

In addition to the ICI initiative, the GOI continues to work with other international partners to fulfill their pledges from the 2003 Madrid International Donors’ Conference. Donors other than the United States pledged over \$13.5 billion in assistance for the

reconstruction of Iraq. This included \$8 billion in assistance from foreign governments and \$5.5 billion in lending from the World Bank and International Monetary Fund (IMF) – all to be disbursed between 2004 and 2007. In January 2006, \$3.2 billion of the pledges of non-U.S. assistance had been disbursed. By December, disbursements of non-U.S. assistance had increased significantly, to about \$3.73 billion; approximately \$3 billion of this was from other donor governments, either in bilateral projects, or through the World Bank and UN-administered IRFFI. IRFFI is managed by the United Nations and World Bank and supports projects in the sectors of water, electricity, education, health and other areas in various stages of completion. By the end of December 2006, \$1.116 billion had been committed to specific projects and \$586 million disbursed. Of the \$456.8 million pledged to the World Bank, \$411 million had been committed and \$83 million disbursed. The IMF approved \$436 million in balance-of-payments support in September 2004 and an additional \$685 million in December 2005.

Since Madrid, donors have pledged an additional \$652 million. A number of countries and institutions have disbursed assistance beyond what they pledged at the 2003 Madrid Conference, including Australia, the European Commission, Finland, Greece, Hungary, Iceland, the Netherlands, New Zealand and Norway.

Donor government disbursements are defined here as funds that have left government treasuries. Because, however, much of the assistance is being channeled for implementation through trust funds, contractors, NGOs, international organizations and Iraqi institutions, there is normally some time between disbursement by the donor and impact on the ground in Iraq.

Donors committed an additional \$235 million in new contributions to the IRFFI at the July 2005 meeting of the IRFFI Donors' Committee at the Dead Sea in Jordan. Most of this was new pledges since Madrid, and most has already been deposited in the IRFFI. The Islamic Development Bank agreed that it would make \$300 million in new concessional financing available in November 2005. The World Bank and Iraq agreed in principle on an up to \$500 million framework program for concessional International Development Association lending. The World Bank Board has approved two IDA loans under this program: a \$100 million education project and a \$135 million transportation project, approved in June 2006, that will help rehabilitate roads and bridges.

The International Reconstruction Fund Facility for Iraq (IRFFI)

The Madrid Conference authorized the establishment of the IRFFI, which gives donors a multilateral channel for their Iraq assistance in addition to their bilateral efforts. The IRFFI contains two primary trust funds, one managed by the World Bank, the other by the UN. Funds channeled through the IRFFI come from donors' pledges made at the Madrid Conference and those made subsequently. There are currently 118 IRFFI projects (103 UN, 15 World Bank) in various stages of completion. Details on the IRFFI can be found at www.irffi.org.

- Current donor commitments to the IRFFI total about \$1.6 billion. Of this amount, \$491 million is from Japan; \$620 million from the European Commission; \$127 million from the UK; \$69 million from Canada; \$40 million from Spain; \$36 million from Australia, \$29.8 million from Italy; \$13.7 million from Norway; \$12.9 million from the Netherlands; \$16.4 million from Sweden; \$15 million from the Republic of Korea; and \$10 million each from the United States, Denmark, Germany, India, Iran, Kuwait and Qatar. Belgium, Finland, Greece, Iceland, Ireland, Luxembourg, New Zealand and Turkey have committed varying amounts under \$10 million.
- Of the approximately \$1.6 billion in commitments, donors (including the U.S.) have deposited \$1.54 billion in the IRFFI trust funds as of December 31, 2006.
- The UN and World Bank submit their project proposals for approval to the Iraqi Strategic Review Board (ISRB). The ISRB is an Iraqi coordinating body chaired by the Minister of Planning and Development Cooperation that reviews requests for and offers of external donor assistance.
- The IRFFI Donors' Committee held its fourth meeting at the Dead Sea in Jordan on July 18-19, 2005. The Donors' Committee consists of 18 countries that have committed at least \$10 million to the fund facility and two rotating representatives (currently Finland and Turkey) from countries that have committed less than \$10 million. In 2006, the IRFFI received approximately \$168 million in new commitments (\$152 million from the EU, \$10 million from Germany, \$2.4 million from Spain, \$1.5 from Australia, \$1.1 from Luxembourg, \$1 million from New Zealand and smaller contributions from Finland, Greece, Hungary, Iceland, the Netherlands and Norway). Canada continued its chairmanship of the IRFFI Donors' Committee, which it assumed from Japan in February, 2005.
- At the Dead Sea meeting, the Iraqi Government presented an updated National Development Strategy and a series of new donor coordination mechanisms on the ground in Iraq, which includes a "Baghdad Coordination Group" of all donors on the ground and "Sectoral Working Groups." So far, Sectoral Working Groups have been established for Health, Education, Rule of Law and Electricity.
- The next IRFFI Donors' Committee meeting will be scheduled in coordination with developments on the International Compact with Iraq.

Updates on Selected Major Donors

The January 2004 report to Congress included a table of pledges made at the Madrid International Donors Conference. Since that report, donors have been disbursing and implementing their assistance. Below are major donor highlights:

Japan

Japan has pledged and disbursed more assistance to Iraq than any other country except the United States. By May 2005, Japan had entirely obligated the \$1.5 billion of grant aid that it had pledged in Madrid. Japan is currently in discussions with Iraq on the first projects to be implemented under its \$3.5 billion concessional loan program. Moreover, based on the agreement of the Paris Club 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 debt will be cancelled by 80% in three stages, which amounts to a reduction of approximately \$6 billion. In late March, Japan announced and notified the Iraqi side of its intention to provide yen loans up to the total amount of 76,489 million yen (approximately \$655 million) towards three projects in Iraq. On June 18, October 22 and December 10, 2006 Japan announced its intention to the new Iraqi government to provide yen loans, respectively, up to 3,348 million yen (approximately \$28 million), 20,199 yen (approximately \$180 million) and 82,644 yen (approximately \$738 million) for implementing five other projects in Iraq. The eight projects are:

- **Umm Qasr Port Sector Rehabilitation Project** (\$259 million): to dredge the port and surrounding shipping lanes, remove wrecked ships and rehabilitate the port facilities, as well as 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 the Governorate of Al-Muthana. This loan aims to improve the agricultural production and increase 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, mainly targeting Baghdad.
- **Samawa Bridges and Roads Construction Project** (\$28 million): to construct a new bridge (Samawa North Bridge), rebuild provisional bridges (Mahdi Bridge and Hilla 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, in order 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 reconstruction projects targeting high priority power supply and distribution systems.

In December 2005, Japan decided to extend a grant of \$14.4 million to the UN Development Program (UNDP) for the Iraqi Reconstruction and Employment Program and Electricity Network Enforcement Program in Muthana.

In earlier disbursements of its grant assistance, Japan deposited a total of \$491 million to the IRFFI (\$361 million to the UN fund and \$130 million to the World Bank fund). Japan has also deposited \$10 million to the International Finance Corporation's (IFC) Small Business Financing Facility. In addition, Japan has disbursed \$116 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, \$938 million, have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation. Major Japanese contributions (in grants):

- **Electricity:** Rehabilitation of four electrical power stations (Taji Gas Turbine, Mosul Gas Turbine, Mosul Hydroelectric and Hartha Power), construction of a diesel power station and provision of generators in Samawa, rehabilitation of the National Dispatch Center and provision of 27 mobile electricity substations.
- **Water and Sanitation:** Provision of 38 water tankers, 311 water tanks and 6 water treatment units in the Muthana Governorate. Provision of thirty compact water treatment units in Baghdad and rehabilitation of water and sewage facilities in schools in Baghdad and Ninawa.
- **Health:** Grant assistance for Japanese NGO projects to the Samawa Maternity and Children's Hospital, which have provided medical equipment, including infant incubators, phototherapy units for incubators and electrocardiographs to the only children's and maternity hospital in the Muthana Governorate. Medical supplies and equipment also have been provided to the Samawa General Hospital and Al Rumaitha and Al Khidhir hospitals and to 32 primary health centers in the Muthana Governorate. Rehabilitation and equipping of four general hospitals (Nassriya, Najaf, Diwaniya and Samawa) in southern Iraq, four more 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 and other roads in Muthana governorate as well as the provision of construction equipment to restore damaged roads and bridges in the governorate. Rehabilitation of ninety kilometers of roads in Muthana Governorate.
- **Education and Culture:** Contributions to UNESCO, which are building capacity at the Ministry of Education and restoring the Iraqi National Museum's restoration laboratory. Through HABITAT, assistance for rehabilitation of about 200 schools in Basrah, Samawa, Nassriya and Amara and of about 3,000 houses and community facilities in Baghdad, Samawa and Kirkuk.
- **Security:** Donation of 1,150 police vehicles, 150 police buses, 500 police motorcycles and twenty armored vehicles. Donation of seventy fire trucks to Baghdad, Basrah and Muthana. Donation of 742 ambulances.
- **Capacity Building:** Training over 1,200 Iraqis, including Iraqi diplomats, staff of the Muthana TV station, museum officials, statisticians, election officials, medical staff and hospital directors.

The United Kingdom

At Madrid, the UK pledged £296 million (\$452.33 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 counted the UK's previously announced assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. As of December 2006, the UK had fully disbursed its Madrid pledge. In late 2006 the UK pledged a further £100 million (\$196 million).

The UK has disbursed approximately £193 million (\$360 million) for projects in support of reconstruction in southern Iraq, governance and economic capacity building, the justice sector, independent media and civil society. The UK's Department for International Development (DFID) is responsible for these projects. The UK also deposited \$127 million in the IRFFI – \$71 million to the World Bank Trust Fund and \$56 million to the UN Trust Fund.

The DFID program in 2006-2007 is entirely bilateral and focuses 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.

In southern Iraq, the UK has provided support to rehabilitate emergency infrastructure, working closely with the UK military; an infrastructure project to deliver improved

power and water services; support to build the institutional capacity of the four southern governorates and private sector development; a team of technical specialists to advise local councils, UK military and other donors on infrastructure rehabilitation and construction; and support to strengthen independent broadcasting.

In central Iraq, the UK has supported the Iraqi government on economic reform issues; supported the Center of Government Program to improve functions of government; supported the justice sector; provided funds for a Civil Society Fund to develop legitimate and representative Iraqi NGOs; and provided funds for a Political Participation Fund to encourage poor and marginalized sections of Iraqi society to engage in the constitutional process. Major UK contributions:

- **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 summer 2007, UK support will add or secure power equivalent to a 24-hour supply for a million people in Iraq.
- **Water and Sanitation:** Replaced 200 kilometers of water mains, repaired over 5,000 leaks, cleared out 7,000 septic tanks and cleared over 40 kilometers of drains across the four southern governorates, constructed a water training center in Basra 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, building water towers and reservoirs and refurbishing a pump station. These will directly benefit up to one million people in Basra.
- **Capacity Building:** Supported new Provincial Development Committees which produced Iraq-led draft Provincial Development Strategies, including resource statements, to bid for funding from the central government. Trained over fifty governorate officials through study tours to England, Northern Ireland and Egypt. Trained 216 Iraqi judges, lawyers and 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 summer 2005.
- **Supporting Iraqi Humanitarian Response:** DFID consultants to the Falluja Core Coordination Group from December 2004 helped set up mechanisms for the Iraqi Government to respond to future crises.
- **Economic and Private Sector:** Assisted the Iraqi government in: drawing up its 2006 budget, reaching agreement with the IMF on a \$436 million Emergency Post-Conflict Assistance package, negotiating the Paris Club debt reduction deal and drafting a National Development Strategy. Over 3,000 women and young people in southern Iraq trained in business and enterprise skills. Set up local Basra business journal and the Basra Information Centre.

- **Support to the Political Process:** Helped to promote the political process through support for the electoral commission (\$10 million plus advisers 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 C\$300 million (about \$230 million) for Iraq's humanitarian relief and reconstruction, including C\$245 million (\$187 million) pledged at Madrid and C\$55 million (\$42 million) in urgent humanitarian relief disbursed through multilateral relief agencies in response to the UN Humanitarian Appeal. Canada became Chair of the IRFFI Donors' Committee in 2005. Canada has committed C\$100 million (about \$76 million) to the IRFFI, of which it initially deposited C\$60 million (\$44.7 million) equally divided between the UN and the World Bank Trust Funds. In September 2004, Canada deposited another C\$20 million (\$15.3 million) in the UN Trust Fund to be used to support Iraqi elections. In December 2005, an additional C\$10 million (about \$8.5 million) was deposited to support United Nations elections and human rights efforts.

In addition to funding to IRFFI, Canada has allocated over C\$100 million in other, non-IRFFI assistance. This includes C\$40 million (about \$34 million) to UNICEF for social sector funding and bilateral assistance through CARE Canada for reconstruction work to improve basic services in water and sanitation, basic health and education and child protection. The Canadian International Development Agency also allocated C\$3 million (about \$2.6 million) to assist in the restoration and management of the ecological health of the Mesopotamian marshes.

In the area of governance, human rights and civil society capacity building, Canada is supporting a number of projects including: C\$15 million (about \$12.8 million) for the Rapid Civilian Deployment Mechanism for capacity-building, including governance; C\$10 million (about \$8.5 million) for a civil society capacity building fund, including media and human rights training; C\$5 million (about \$4.2 million) to the Middle East Good Governance Fund; C\$2 million (about \$1.7 million) for human rights and diversity management training; C\$2 million (about \$1.7 million) for support to the constitutional process and federal systems; C\$700,000 (about \$600,000) to 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 an additional C\$2.9 million (about \$2.4 million) allocated to the International Mission for Iraq Elections. In the security sector, Canada allocated C\$10 million (about \$7.9 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. Since January 2006 Canada has provided an

additional C\$7.5 million (about \$6.4 million) to these activities. Total Canadian assistance to the security sector is now C\$17.5 million (about \$15 million). 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 (EC)

The European Commission has been actively engaged in Iraq since 2003 and will be an active partner to Iraq in the future. In mid-2006 the EC prepared a Communication entitled, "The EU and Iraq: A Framework for Engagement," which is intended to provide the basis for an EU-wide strategy and proposes EU support to the new Iraqi Government in five areas:

- To further an inclusive democracy;
- To strengthen rule of law and respect for human rights;
- To support basic services and job creation;
- To economic recovery and reform; and,
- To the development of a functioning administration.

Additional information on the EU Framework for Engagement can be found at: <http://europa.eu.int>.

The Head of the EC Delegation has been in Baghdad since mid-2006 and the Delegation is now fully staffed and operational. The Delegation will facilitate the deepening of EU-Iraq relations, such as engaging in political dialogue, coordination with Commission activities and engaging with international partners on the ground.

To date, EC efforts in Iraq amount to €720 million. During 2003 the EC humanitarian agency provided humanitarian assistance amounting to €100 million, targeting the most vulnerable in Iraq. Around 85 humanitarian aid projects were implemented through NGOs and international organizations during this period. IRFFI has been the instrument of delivery for most of the European Commission's assistance to Iraq. All EC financial resources allocated so far have been committed to projects. Key EC contributions include:

- **Education:** The total EC contribution from 2003 to 2005 was €99 million, of which €9 million has been channeled through the UN and €40 million through the World Bank. Key accomplishments include rehabilitation of 73 schools, provision of educational materials to 4.5 million primary school children, establishment of new educational software and training of trainers.
- **Health:** The total EC contribution from 2003 to 2005 was €9 million, of which €4 million has been channeled through the UN and €15 million through the World Bank. Key accomplishments include: boosting of immunization services,

including vaccination campaigns for childhood diseases which encompassed 5 million children; training of over 2,000 health personnel in a wide range of subjects in health and human rights areas; provision of equipment, from ambulances to safety kits, oxygen cylinders for key health facilities, information equipment and 19 mobile clinics and rehabilitation and construction of key health facilities including 272 primary health care facilities, 19 training centers for continuing education, 17 mental health care facilities, 21 maternity wards and the national drug quality control laboratory.

- **Boosting Employment and Reducing Poverty:** The total EC contribution for 2003 to 2005 was €54 million, of which €39 million has been channeled through the UN and €15 million through the WB. The EC is now the largest donor to IRFFI in this sector. Through its support to job creation programs such as the Iraq Reconstruction and Employment Program the EC has also contributed to the creation of 3.4 million working days for nearly 100,000 Iraqis. The EC has promoted a coordinated approach between the UN and WB on poverty analysis and organized, with UNDP, a major seminar on employment creation and income generating activities. For the first time, this has allowed several Iraqi governors, ministers, field workers and international experts to meet and discuss these issues.
- **Electoral/Constitutional Process:** The total EC contribution for 2003 to 2005 was €6.9 million, of which all was channeled through the UN. The Commission has been the major international donor in support of the UN's work.
 - **January 2005 Elections** (€1.5 million): The EC supported the elections with a wide spectrum of support, from information technology to voter outreach and media development, including training programs for journalists. Three experts were deployed to Baghdad to support the work of the UN Election Assistance Division. The EC also ran a training program for 170 Iraqi election observers.
 - **October 2005 Referendum** (€20 million): The Commission funded 100% of the UN's work in preparing the Constitutional referendum, ensuring that Iraqi voters were able to make informed choices. Voter outreach activities included hundreds of thousands of posters and pamphlets, public information films on TV and radio, as well as newspaper ads. The EC supported the translation of the Constitution into four languages and made millions of copies available.
 - **December 2005 Elections** (€2.4 million): EC supported the electoral commission's preparatory activities and the deployment of four EU experts to assist in the international monitoring of the elections.
- **Capacity Building:** Since 2004, the EC has assisted the WB in delivering training for Iraqi administrators. So far, more than thirty training courses for 700 administrators have been delivered (comprising activities ranging from

procurement procedures, assessment of environmental and social impacts of projects, pension reform, labor markets, social safety nets, statistics, fiscal decentralization, etc.)

In 2006, the EC allocated a further €200 million to Iraq. Nearly €180 million of this is going to provide continued support to basic services. The balance of €20 million will be used to provide a technical assistance facility to build Iraqi capacity and support policy planning; as an immediate response to the mounting humanitarian situation; and to provide capacity building to the Trade & Customs Administration to complement negotiation of the EU/Iraq Trade and Cooperation Agreement (TCA).

On November 20, the EC and the Iraqi Government opened negotiations for a TCA. The TCA will help to progressively strengthen the EU's relations with Iraq and integrate Iraq into the world economy. The TCA aims to improve the trade arrangements between Iraq and the EU, covering a wide range of issues, including trade in goods, services, measures to encourage investment, customs, intellectual and industrial property rights and public procurement rules. Cooperation could cover a number of key aspects in the economic area, as well as in the human development and poverty reduction field, environment, culture and education. All EC agreements with third countries now feature human rights, terrorism and WMD as important elements.

United Nations

As of December 2006, donors had deposited approximately \$1.116 billion to the UN Trust Fund of the IRFFI. By the end of the first 2006 reporting period (January-June 2006), the four largest contributors to the UN Trust Fund continued to be the European Commission (\$460.8 million), Japan (\$361 million), the United Kingdom (\$56 million) and Canada (\$46 million). The UN has developed a strategic planning framework and organized its programs into "clusters" with various UN specialized agencies working together under a cluster lead agency in each. Originally comprised of eleven clusters, the UN reorganized the clusters into seven clusters in July 2005. The clusters are:

- A. Agriculture, Food Security, Environment and Natural Resource Management
- B. Education and Culture
- C. Governance and Human Development
- D. Health and Nutrition
- E. Infrastructure Rehabilitation
- F. Refugees, IDPs and Durable Solutions
- G. Support to Electoral Process

As of December 2006, the UN had developed 110 projects, valued at \$886 million, all of which have been approved for implementation by the Iraqi government. 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. In January 2006, the UN Trust Fund had legally committed \$564 million and disbursed \$430 million of the

total approved funding. By December 2006, the UN Trust Fund had obligated \$688 million in binding contracts for implementation and had disbursed \$586 million. A full list of the UN's IRFFI projects is available at the www.irffi.org website.

World Bank

The Bank has scaled up its assistance to Iraq in accordance with 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. To accomplish this, the ISN provides the framework for continued resources from the World Bank Iraq Trust Fund, up to \$500 million in International Development Association (IDA) lending and expanded analytical and advisory activities. It also provides for up to \$500 million in International Bank for Reconstruction and Development (IBRD) lending, assuming critical progress regarding creditworthiness. The Bank's program of support emphasizes Iraqi ownership.

As of November 2006, donors had pledged approximately \$457 million to the World Bank Trust Fund of the IRFFI, of which approximately \$454 million had been deposited. With these deposits, the World Bank is financing the following 15 projects amounting to \$411 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 | \$90 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 & Policies for Policy Reduction | \$5.1 million |
| Additional Grants for School Construction in the Marshlands | \$6 million |
| Environment Management Project | \$5 million |

Three projects, valued at \$399 million, are grants implemented directly by Iraqi governmental authorities, which helps ensure ownership and sustainability. Three

projects, amounting to \$12 million, are capacity building and technical assistance activities implemented by the World Bank.

Through these projects, the World Bank has financed more than 79 million textbooks, rehabilitated or constructed more than a hundred schools, trained hundreds of Iraqi officials and rehabilitated dozens of rural irrigation or drainage schemes. The World Bank is also rehabilitating and upgrading hospitals, centers for the disabled and telecommunications and water supply systems in Iraq. The projects are introducing and training line ministry staff in new systems for procurement and financial management. The most recent trust fund projects will finance a comprehensive household survey, help formulate sustainable social protection policies and begin laying the framework for environmental protection.

The Bank has also begun lending to Iraq for the first time in over twenty-five years. The Bank has approved \$275 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; and the \$40 million Dokan and Derbandikhan Emergency Hydropower Project approved in December 2006. The government of Iraq has not yet taken the legal steps necessary to ratify the loans.

The World Bank places a major emphasis on policy advice and economic and sector work, given the importance of assisting Iraq to use its own resources more transparently and effectively. The World Bank has prepared policy papers for the Iraqi Government on a wide range of topics, responding to urgent Iraqi Government requests for policy advice. In July 2006 the World Bank provided the Iraqi Government with a Briefing Book on core reforms, prepared in close cooperation with Iraqi authorities. The Briefing Book gives priority to strengthening governance and institutions, modernizing social safety nets and accelerating economic reforms. The World Bank has provided technical support to the Iraq Government in the formulation of the International Compact. The World Bank has launched a Public Institutional and Expenditure Assessment to outline the steps for strengthening the transparency and accountability of Iraq's public finance policies and institutions, as well as helping Iraq meet the goals set in the Iraq Compact. The Bank is providing related policy advice and capacity building in anticorruption, procurement reform and local government public finance management.

To support and supervise project implementation, the World Bank relies mainly on a cadre of professional-level Iraqi staff who provide daily support to Iraqi government project management teams. In addition, about two dozen Iraqi staff work for a Fiduciary Monitoring Agent contracted by the Bank to conduct site visits and help monitor projects financed by the trust fund. The World Bank also has two international staff in Baghdad's International Zone (IZ) and is in the process of further strengthening its IZ presence to enhance the policy dialogue with the government and improve donor coordination. The World Bank has several video-conferencing facilities in Baghdad and an office in Amman that supports the Iraqi program. More information is available at www.irffi.org.

IMF

At the Madrid Donors' Conference, the IMF pledged to provide over \$2.55 billion in lending to Iraq. On September 29, 2004 the IMF Board approved an Emergency Post-Conflict Assistance (EPCA) package that provided Iraq SDR 297.1 million (about \$430 million) in balance-of-payments support. The main goals under the EPCA were to maintain macroeconomic stability and 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 SDR 475 million (about \$685 million) in balance-of-payments support. The 15-month SBA provides a comprehensive framework of policies for economic reform and growth in coming years. The first tranche of the SBA, worth \$114 million, became available to the Iraqi government at the time of SBA approval. To date, Iraq has not drawn against the funds in either the EPCA or SBA programs. The IMF was to do quarterly reviews of Iraq's progress under the SBA. The first such review, scheduled for March 2006, was postponed because of the lengthy Iraqi government formation process. IMF Executive Board consideration of the combined first and second quarterly reviews took place August 2, 2006. The next review will occur in March 2007.

Reaching the SBA also triggered the second 30% tranche of debt reduction under Iraq's agreement with the Paris Club. To obtain the final 20% tranche of Paris Club debt relief, Iraq must complete three years of successful performance under the SBA.

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. The IMF has assisted in coordinating macroeconomic training with the other major providers: the World Bank, the U.S. and the UK.

Debt Forgiveness

Reduction of Iraq's external debt burden to sustainable levels, another top priority for Iraq's economic development, is a key component of U.S. donor coordination. In November 2004 the Paris Club group of creditors agreed to forgive, in phases, eighty percent of approximately \$40 billion in Iraqi debt held by its members. As of December 2006, 17 of 18 Paris Club signatories of that agreement have signed bilateral debt agreements with the Iraqis implementing the 2004 agreement. Russia is the only remaining Paris Club signatory not to have signed a bilateral debt agreement with Iraq; Russia has indicated it could conclude an agreement soon. The U.S. itself went beyond Paris Club terms and has forgiven 100 percent of the \$4.1 billion in U.S.-held Iraqi debt. In total, over \$32 billion in Iraqi debt either has been forgiven, or will be, by Paris Club and several non-Paris Club countries, provided Iraq meets agreed-upon conditions, including three years of successful performance under the SBA. The U.S. continues to encourage non-Paris Club countries to provide debt reduction to Iraq at terms at least comparable to those offered by the Paris Club. The terms for forgiveness of what Iraq

owes to non-Paris Club countries and commercial creditors are closely tied to the Paris Club deal. Iraq has completed a debt exchange with its commercial creditors on terms comparable to the Paris Club deal. One hundred percent of eligible large commercial creditors contacted accepted Iraq's offer. Iraq offered smaller creditors cash for debt, rather than new debt. Altogether, an overwhelming majority of commercial claimants has accepted Iraq's offer, covering about \$20 billion in debt, which will result in approximately \$16 billion in debt reduction over time.

Other Major Efforts

With the help of U.S. advisors, the Ministry of Planning and Development Coordination has completed plans to eliminate the major hurdles faced by donors on the ground in Baghdad. Plans have been implemented to provide security, housing and office space to potential donors inside the International Zone. The accommodations, called "Freedom Village," are inside the secure Army Corps of Engineers/PCO compound. Currently, the World Bank and the International Management Group, an implementing arm for the EC, have established formal offices in the Freedom Village. Canada, Sweden, Japan, and Croatia have toured the compound and are considering formal moves. Though the Freedom Village has removed significant logistical roadblocks for donor presence, deterioration in the security situation is still keeping most donors on the fringes. We anticipate that the International Compact for Iraq will rejuvenate donor commitment and that the Freedom Village will provide a viable means of supporting short- and long-term international initiatives.

Useful References for International Donor Assistance to Iraq:

- The Donor Assistance Database: <http://www.mop-iraq.org/dad>
- The UNDG Iraq Trust Fund and the World Bank Iraq Trust Fund Newsletters, updated every two-three months and both accessible at: <http://www.irffi.org>