

APPENDIX II

Contributions from Other Donors

International Resources for the Reconstruction of Iraq:

During this past quarter, the United States has continued to work with Iraq and international donors to maximize effective international reconstruction assistance for Iraq. At the October 2003 Madrid International Donors' Conference, donors other than the United States pledged over \$13.5 billion in assistance for the reconstruction of Iraq. This includes \$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. As of December 2005, over \$3.2 billion of the pledges of non-U.S. assistance had been disbursed. About \$2.7 billion of this was from other donor governments, either in bilateral projects or through the International Reconstruction Fund Facility for Iraq (IRFFI). The IMF approved \$436 million in balance-of-payments support in September 2004 and an additional \$685 million of such support in December 2005. Donor government disbursements are defined here as meaning that the funds 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.

At the July meeting of the IRFFI Donors' Committee at the Dead Sea in Jordan, donors committed an additional \$235 million in new contributions to the IRFFI. Most of this was in new pledges since Madrid, and most has already been deposited in the IRFFI. At the meeting, the Islamic Development Bank agreed that it would make \$300 million in new concessional financing available, and the World Bank and Iraq agreed in principle on a \$500 million program for concessional IDA lending. The World Bank Board on November 29 approved the first IDA loan under this program – the first World Bank loan to Iraq in over thirty years. The \$100 million IDA education project will help the Government of Iraq alleviate school overcrowding and lay the groundwork for educational reform. In December, the IMF agreed to a Stand-By Arrangement (SBA) with Iraq that makes \$685 million available for balance-of-payment support.

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 assistance to Iraq -- in addition to donors' own bilateral assistance activities. The IRFFI is a mechanism for the joint management of World Bank and United Nations (UN) reconstruction trust funds. As with bilateral assistance, funds channeled through the IRFFI are funded with donors' pledges made at the Madrid Conference and subsequently. Details on the IRFFI can be found at www.irffi.org.

- The Donors' Committee of the IRFFI held its fourth meeting at the Dead Sea in Jordan, on July 18-19, 2005. The Donors' Committee consists of 17 countries that have committed at least \$10 million to the fund facility and also includes two rotating representatives (currently Finland and Turkey) from countries that have committed less than \$10 million. In February 2005, Canada assumed chairmanship of the IRFFI Donors' Committee from Japan.
- At the Dead Sea meeting, the Iraqi Transitional Government (ITG) operationalized its central role in soliciting and coordinating international support for Iraqi reconstruction. It also presented an updated National Development Strategy, which was well received by donors. Donors, in addition to the new \$235 million in commitment to IRFFI noted above, reaffirmed their support for Iraqi reconstruction. The ITG also presented a series of new donor coordination mechanisms on the ground in Iraq, chaired by the ITG, but supported by the UN and World Bank. The new bodies, which include a "Baghdad Coordination Group" of all donors on the ground and "Sectoral Working Groups," have been holding meetings since August 2005. So far, Sectoral Working Groups have been established for Health, Education, Rule of Law, and Electricity.
- The next IRFFI Donors' Committee meeting is scheduled for early 2006 in Iraq or Turkey.
- Current donor commitments to the IRFFI total about \$1.33 billion. Of this amount, \$490 million is from Japan; \$414 million from the European Commission; \$127 million from the UK; \$68 million from Canada; \$40 million from Spain; \$33 million from Australia, \$29.8 million from Italy; \$13.8 million from Norway; \$12.9 million from the Netherlands; \$12.2 million from Sweden; \$11 million from the Republic of Korea; \$10 million each from the United States, Denmark, India, Iran, Kuwait, and Qatar. Belgium, Finland, Greece, Iceland, Ireland, Luxembourg, New Zealand, and Turkey are committing amounts less than \$10 million each.
- Of the \$1.33 billion in commitments, donors (including the U.S.) have deposited \$1.28 billion in the IRFFI trust funds as of November 2005.
- 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.

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 begun disbursing and implementing their assistance.

Japan

Japan has pledged 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. Approximately \$1.55 billion had been allocated, and approximately \$1.54 billion disbursed. Japan is currently in discussions with Iraq on the first projects to be implemented from its \$3.5 billion concessional loan program.

Most recently, on December 13, 2005, Japan has decided to extend a grant of \$14.4 million to UNDP for Iraqi Reconstruction and Employment Program and Electricity Network Reinforcement Program in Al-Muthanna.

Of its disbursements, Japan has deposited a total of \$490 million to the IRFFI (\$360 million to the UN fund and \$130 million to the World Bank fund). Japan has also deposited \$10 million to the 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, \$910 million, have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

Among examples of Japanese projects are:

- 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 Samawah, and rehabilitation of the National Dispatch Center.
- Provision of 38 water tankers, 311 water tanks, and 6 water treatment units in Al-Muthanna governorate.
- 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 Al-Muthanna Governorate. Medical supplies and equipment have also been provided to the Samawa General Hospital and Al-Rumaytha and Al-Khidhur hospitals and to 32 primary health centers in Al-Muthanna Governorate.
- The repair of roads between Al-Khidhur and Darraji and between Mahdi and Sawa and other roads in Al-Muthanna Governorate as well as the provision of construction equipment to restore damaged roads and bridges in the Governorate.
- Contributions to UNESCO, which are building capacity at the Ministry of Education and restoring the Iraqi National Museum's restoration laboratory. .

- Donation of 1,150 police vehicles, 150 police buses, 500 police motorcycles, and 20 armored vehicles.
- Donation of 70 fire trucks to Baghdad, Basra, and Muthanna.
- Donation of 742 ambulances.
- Rehabilitation and equipping of four general hospitals (Nasiriyah, Najaf, Diwaniyah, and Samawah) in southern Iraq, four more in northern Iraq (Kirkuk, Erbil, Mosul, and Dahuk), and three in Central Iraq (Baghdad, Amarah, and Kut).
- 27 mobile electricity substations.
- 30 compact water treatment units in Baghdad and rehabilitation of water and sewage facilities in schools in Baghdad and Nineveh.
- Through HABITAT, assistance for rehabilitation of about 200 schools in Basrah, Samawa, Nashiria, and Amra, and of about 3,000 houses and community facilities in Baghdad, Samawa, and Kirkuk.
- Rehabilitation of 90 kilometers of roads in Al-Muthanna governorate.
- Training over 1050 Iraqis, including Iraqi diplomats, staff of Al-Muthanna TV Station, museum officials, statisticians, election officials, medical staff, and hospital directors.

The United Kingdom

At Madrid, the UK pledged \$452 million for the Iraq reconstruction effort through 2006. This was in addition to the UK's previously announced assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. As of December 2005, the UK had disbursed over \$300 million of its Madrid pledge.

The UK has deposited over \$127 million in the International Reconstruction Fund Facility for Iraq (IRFFI) - \$71 million to the World Bank Trust Fund and \$56 million to the UN Trust Fund. The UK also made a \$7 million contribution to the IFC's Small Business Financing Facility and is contributing to an International Monetary Fund (IMF) Program.

In addition to the \$135 million in multilateral contributions, the UK is implementing bilateral projects for reconstruction. As of December 2005, the UK had disbursed approximately \$165 million for bilateral projects in support of reconstruction in southern Iraq, governance and economic capacity building, and support to the justice sector, independent media, and civil society. The UK's Department for International Development (DFID) is responsible for these projects.

Among examples of UK projects are:

Southern Iraq

- 2003/04, initial infrastructure regeneration projects: more than \$54 million to employ several thousand Iraqis in repairing key infrastructure.
- \$12 million for employment generation in 2004/05: 1.6 million workdays in the pipeline to undertake local improvement projects with an immediate impact on communities.
- \$32 million in further funding for emergency infrastructure rehabilitation from mid-2004 – e.g., repairing the transmission lines from Hartha power station to Basra city.
- \$13 million to fund a team of technical advisers to help coordinate reconstruction projects in line with Iraqi priorities in areas such as energy, water and sanitation, and transport.
- \$37 million to help the four southern governorates manage donor and domestic funding effectively themselves, and provide support for private sector development and civil society.
- A new \$73 million infrastructure rehabilitation project began in April 2005. 75% of the funds will be earmarked for power, the rest for water and fuel services. Priority will be given to capital works that will have an impact within 6-12 months and generate significant local employment.

Central Iraq

- A \$9 million Emergency Public Administration Program in Baghdad supporting central government management processes.
- An \$8.5 million program to provide macro-economic advice to the Iraqi Government.
- Support to the justice sector has trained 216 Iraqi judges, lawyers, and prosecutors in human rights, international humanitarian law, and independence of the judiciary.
- Support for the Independent Electoral Commission of Iraq (\$10 million plus advisers on security and public information), civil society organizations (\$9 million) and public participation in the elections (\$11 million).

Further information on the program in Iraq, along with a monthly DFID update, is available at <http://www.dfid.gov.uk>.

Spain

In addition to \$80 million it provided in 2003, largely for humanitarian needs, Spain pledged another \$220 million in reconstruction assistance at the Madrid Donors' Conference for 2004-7. Of this amount, \$60 million was intended for 2004. Out of this \$60 million, Spain deposited \$20 million to the World Bank trust fund within the IRFFI, as well as \$5 million for the IFC's Small Business Financing Facility. It also provided \$18 million for the production of new Iraqi dinars. At the Dead Sea meeting, Spain committed an additional \$20 million contribution to the IRFFI (for the United Nations trust fund) to support elections and governance, which it has since deposited.

Canada

Canada has pledged C\$300 million (about \$230 million) for Iraq's humanitarian relief and reconstruction, 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 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 was deposited to support United Nations support to elections and human rights.

In addition to funding to IRFFI, Canada has allocated over C\$100 million in other, non-IRFFI assistance. This includes C\$40 million to UNICEF for social sector funding and bilateral assistance to CARE Canada (C\$5 million) for reconstruction work to improve basic services in water and sanitation, basic health and education, and child protection. CIDA also allocated C\$3 million to assist in the restoration and management of the ecological health of the "Marsh Arabs." In the area of governance, human rights and civil society capacity building, Canada is supporting a number of projects including: C\$15 million for the Rapid Civilian Deployment Mechanism for capacity-building, including governance; C\$10 million for a civil society capacity building fund, including media and human rights training; C\$5 million to the Middle East Good Governance Fund; C\$2 million for human rights and diversity management training; C\$2 million for support to the constitutional process and federal systems; C\$0.7 million 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\$7 million (\$5.8 million) allocated to the International Mission for Iraq Elections.

In the security sector, Canada allocated C\$10 million (\$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 as well as funding to deploy senior police advisors to the Ministry of Interior.

Canada's priorities for the remainder of its assistance include: social and economic needs of Iraqis; good governance, in both Iraq and in the Middle East; the promotion of human rights and gender equality; and helping to re-establish an effective and responsible Iraq security sector. More details on Canadian assistance to Iraq are available at www.acdi-cida.gc.ca/iraq.

The European Commission (EC)

By the end of 2004, the EC had pledged 200 million euros (then worth \$235 million) at the Madrid Donors' Conference -- all of which it has disbursed. At the end of 2003, the EC provided \$47 million for UN-implemented activities and \$3 million to the World Bank for Iraqi capacity building training. In June 2004, the EC deposited \$100 million in the World Bank portion of the IRFFI and \$58.6 million in the UN portion. It deposited another \$43.2 million in the UN portion in December 2004, and another \$23.4 million in March 2005. The EC in November 2004 also announced 30 million euros of elections support. Half of this was new funding, while the other half was reprogrammed funding from its earlier IRFFI contribution.

In late January 2005, the EC announced another 200 million euros in assistance for 2005. At the Dead Sea IRFFI meeting, the EC confirmed its allocation of this additional 200 million euros: 130 million euros to be channeled through the IRFFI (95 million euros to UN trust fund and 40 million to World Bank trust fund) to support activities to restore and strengthen delivery of education and health services, increasing employment opportunities, improving livelihoods and reducing poverty, and developing administrative capacity in the Iraqi administration. The EC deposited the 95 million euros (\$118 million) to the UN trust fund in August 2005 and the 40 million euros (\$47 million) to the World Bank trust fund in November 2005. Another 15 million euros will go to bilateral technical assistance in the energy and trade sectors and a further 20 million euros to support the constitutional process. Another 5 million euros will support the development of civil society, democratization, and human rights. The remaining 30 million euros is being held in reserve for future priority needs that arise.

Additional information about the EC's assistance to Iraq can be found on the internet at: http://www.europa.eu.int/comm/external_relations/iraq/intro/index.htm.

United Nations

As of November 2005, donors had committed \$868 million to the UN trust fund of the IRFFI. Of this, \$831 million had been deposited. The UN has developed a strategic planning framework and organized their 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, lettered clusters adopted 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 November 2005, the UN had developed 80 projects, valued at over \$726 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. By end November 2005, the UN trust fund had obligated \$531.5 million in binding contracts for implementation and had disbursed \$361.6 million. A full list of the UN's IRFFI projects is available at the www.irffi.org website.

World Bank

As of the end of December 2005, donors had pledged \$456 million to the World Bank trust fund of the IRFFI, of which \$454 million had been deposited. With these deposits, the World Bank is implementing the following projects:

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

As of the end of December 2005, the ITG and World Bank had signed grant agreements for all of the projects above totaling \$385 million. These projects are now in the implementation phase. As of the end of November 2005, the World Bank had disbursed \$41.5 million for work already completed.

The World Bank is operating from Amman, Jordan, and has established a videoconference link between its Amman office and the Iraqi government to facilitate project development and coordination.

Funded by \$3.6 million from the EC, the World Bank conducted training for Iraqi officials addressing the environmental and social impact of development projects, infrastructure regulation, restructuring of state-owned enterprises, investment climate issues, and financial sector reform. The World Bank also provided a range of policy advice.

At Madrid, the World Bank pledged to offer at least \$3 billion in lending to Iraq. In December 2004, Iraq cleared its arrears to the World Bank, making it eligible for lending again. The World Bank staff on September 15, 2005 presented to its Board an Interim Strategy Note that includes the commencement of the \$500 million IDA (International Development Association) concessional lending program. The strategy discussed by the Board also envisions up to an additional \$500 million in IBRD (non-concessional) lending, assuming Iraq makes critical progress regarding IBRD creditworthiness. The World Bank Board, on November 29, 2005, approved the first \$100 million IDA loan within the \$500 million program. The \$100 million Third Emergency Education Project (TEEP) will help the Government of Iraq alleviate school overcrowding and lay the groundwork for educational reform.

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 \$436 million in balance-of-payments support. The main goals under the EPCA were to maintain macroeconomic stability, lay the groundwork for the development of a reform program that could be undertaken in years to come, and begin the process of restoring Iraqi's fiscal and external debt sustainability. The IMF Board on December 23, 2005, approved a historic Stand-by Arrangement (SBA) for Iraq that provides approximately \$685 million in balance-of-payments support. The 15-month SBA provides a comprehensive framework of policies intended to ensure continued economic stability. It also outlines a reform program designed to promote growth in coming years. The SBA triggers the second tranche of debt reduction under the Paris Club agreement.

The IMF has also been providing technical assistance to Iraq. This has included training in the macroeconomic policy areas of 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, United States, and United Kingdom.