

APPENDIX II

Contributions from Other Donors

International Resources for the Reconstruction of Iraq:

During this past quarter, the United States has continued to work closely with Iraq and international donors to broaden and deepen international assistance for Iraq. A major development was launching the International Compact with Iraq (ICI) on July 27. Iraq and the United Nations, in close cooperation with the World Bank, share the lead in developing this new agreement. Under the Compact, the Iraqi government will undertake a series of economic reforms and initiatives for good governance (for example, combating corruption) in return for commitments of financial and other forms of foreign assistance. On the margins on the 2006 UN General Assembly and the IMF/World Bank Annual meetings in New York and Singapore, the Iraqi Government shared their vision with the international community. The Foreign and Finance Ministers of more than 35 countries and international organizations expressed their support for the Compact. Final work on the Compact is expected to be completed in time for formal adoption before the end of 2006, by Iraq and an even larger group of countries and organizations. Deputy Secretary of the Treasury Robert Kimmitt and State Department Counselor Philip Zelikow are co-leads in USG efforts to support 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 August 2006, disbursements of non-U.S. assistance had increased significantly, to about \$3.7 billion; approximately \$3 billion of this was from other donor governments, either in bilateral projects, or through the World Bank and UN-administered International Reconstruction Fund Facility for Iraq (IRFFI). (Currently, managed by the United Nations and World Bank in the sectors of water, electricity, education, health and other areas are in various stages of completion.) By the end of August 2006, \$861 million had been committed to specific projects and \$534 million disbursed. Of the \$456.8 billion pledged to the World Bank, \$395 million had been committed and \$67.5 million disbursed. The IMF approved \$436 million in balance-of-payments support in September 2004 and an additional \$685 million of such support in December 2005.

Since Madrid, donors have pledged an additional \$652 million. A number of countries and institutions have disbursed assistance above and 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.

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. These were mostly new pledges since the Madrid Conference, and most have already been deposited into the IRFFI. The World Bank and Iraq agreed in principle on an up to \$500 million framework program for concessional IDA 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. In December 2005, 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 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 116 IRFFI projects (103 UN, 13 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; \$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 August 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. As of the end of September 2006, the implementing UN agencies have legally committed \$644 million and disbursed \$546 million of total approved projects amounting to \$861 million. So far in 2006, the IRFFI has 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 continues its chairmanship of the IRFFI Donors' Committee, which it assumed from Japan in February 2005.

- At the Dead Sea meeting, the Iraqi Transitional Government (ITG) assumed its central role in soliciting and coordinating international support for Iraqi reconstruction. It presented an updated National Development Strategy and a series of new donor coordination mechanisms on the ground in Iraq. Together these efforts represented an important shift toward an Iraq-led reconstruction process, strongly supported by the international community. Chaired by the ITG, but supported by the UN and World Bank, these new coordinating 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 will be scheduled, after close consultation with the Iraqi Government, time will be dependent on developments with the International Compact with Iraq. The Donor Committee will discuss how to best align IRFFI with the Compact Process.

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. 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 from 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 US\$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, Japan confirmed with the new Iraqi government the decision to extend a loan up to 3,348 million yen (approximately \$28 million) for implementing another project in Samawah. Exchange of Notes will be signed with the new Iraqi government regarding the provision of these loans. The four 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 and its function as the 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-Muthanna. This sector loan aims to improve the agricultural production and increase employment in Iraq.
- **Al-Mussaib Thermal Power Plant Rehabilitation Project (~\$315 million):** to rehabilitate the existing Al-Mussaib thermal power plants (units 1 and 3), located in the Baghdad suburbs. This project aims to improve the power supply mainly targeting Baghdad.
- **Samawah Bridges and Roads Construction Project (\$28 million):** to construct a new bridge (Samawah North Bridge), rebuild provisional bridges (Mahdi Bridge and Hillal Bridge) to cross over the Euphrates and construct their connecting roads in Al-Samawah and its vicinity.

In December 2005, Japan decided to extend a grant of \$14.4 million to the UN Development Fund for the Iraqi Reconstruction and Employment Program and Electricity Network enforcement Program in Al-Muthanna.

In earlier disbursements of its grants 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 Samawah, 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 six water treatment units in the Al-Muthanna governorate. Provision of thirty compact water treatment units in Baghdad and rehabilitation of water and sewage facilities in schools in Baghdad and Nineveh.

- **Health:** Grant assistance for Japanese NGO projects to the Samawah 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 Al-Muthanna Governorate. Medical supplies and equipment also have been provided to the Samawah General Hospital and Al-Rumaytha and Al-Khidhur hospitals and to 32 primary health centers in the Al-Muthanna governorate. Rehabilitation and equipping of four general hospitals (Nasiriyah, Najaf, Diwaniyah and Samawah) in southern Iraq, four more in northern Iraq (Kirkuk, Irbil, Mosul, and Dahuk) and three in Central Iraq (Baghdad, Amarah, and Kut).
- **Roads and Bridges:** 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. Rehabilitation of 90 kilometers of roads in Al-Muthanna 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, Samawah, Nashiria and Amra and of about 3,000 houses and community facilities in Baghdad, Samawah and Kirkuk.
- **Security:** Donation of 1,150 police vehicles, 150 police buses, 500 police motorcycles and 20 armored vehicles. Donation of 70 fire trucks to Baghdad, Basrah and Al-Muthanna. Donation of 742 ambulances.
- **Capacity Building:** Training over 1,200 Iraqis, including Iraqi diplomats, staff of the Al-Muthanna TV station, museum officials, statisticians, election officials, medical staff, and hospital directors

The United Kingdom

At Madrid, the UK pledged £296 million (\$545 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 September 2006, the UK had disbursed £277 million (\$521 million) of its Madrid \$545 million reconstruction pledge.

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, while working closely with its military, the UK has provided support to rehabilitate emergency infrastructure; 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; and supported the justice sector. In addition, the UK has provided funds for a Civil Society Fund (CSF) to develop legitimate and representative Iraqi NGOs and provided funds for a Political Participation Fund (PPF) 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. UK support will add or secure an additional 470 MW of power equivalent to a 24 hour supply to over 235,000 households.
- **Water and Sanitation:** Replaced 800 km of water mains, repaired over 5,000 leaks, cleared out 7,000 septic tanks and cleared over 40 km of drains across the four southern governorates; constructed a water training center in Basrah to increase the skills of Iraqi engineers in water treatment and leakage repair, and improved water supply to 60,000 people in Al-Amtahiyah. Current activities include refurbishing a reverse osmosis unit, building water towers and reservoirs, and refurbishing a pump station. These will directly benefit up to 1 million people in Basrah.
- **Capacity Building:** Supported new Provincial Development Committees in producing Iraq-led draft Provincial Development Strategies, which included resource statements to bid for funding from the central government. 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. Through DFID funding, new, independent TV and radio programs in southern Iraq went on air during summer 2005.
- **Supporting Iraqi Humanitarian Response:** DFID consultants to the IIG Fallujah Core Coordination Group from December 2004 helped set up mechanisms for the Iraqi Government to respond to future crises.

- **Macroeconomic Reform:** 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.
- **Support to the Political Process:** Helped to promote the political process through support for the electoral commission (~\$10 million; including 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, including quarterly updates, 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 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 (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. CIDA 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; \$C2 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\$700,00 million (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\$7 million (about \$5.8 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, 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)

There have been several notable developments in EC assistance to Iraq. Since April, the EC has 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 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
- To the development of a functioning administration

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

Following discussions among member states, 120 million euros of the EC's €200m allocated for 2006, was designated for IRFFI, to support provision of basic services, as was previous financing. At the same meeting, a six million euro proposal to provide a technical assistance facility was agreed upon. The EC entered discussion in October with member states on the balance of the 200 million euro pledge for 2006.

The Head of the EC Delegation has been in Baghdad for the past few months and the Commission is in the process of training and deploying additional staff. In addition, with the Iraqi Government in place, the EC expects to soon launch negotiations for a Trade and Cooperation Agreement.

United Nations (UN)

As of August 31, 2006, donors had committed approximately \$1.1 billion to the UN trust fund of the IRFFI. Of this, about \$1 billion 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 August 2006, the UN had developed 103 projects, valued at \$861 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 the end of August 2006, the UN trust fund had obligated \$644 million in binding contracts for implementation and had disbursed \$546 million. A full list of the U.N.'s IRFFI projects is available at the www.irffi.org website.

World Bank

As of September 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 implementing the following 13 projects amounting to US \$401 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

Ten of the thirteen World Bank trust fund-financed projects, valued at US \$388 million, are grants implemented directly by Iraqi governmental authorities. Three projects, amounting to US \$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, telecommunications, and water supply systems in Iraq. The latest World Bank ITF-financed projects focus on helping Iraq develop strategic approaches to reducing poverty, protecting the vulnerable, and designing sustainable economic programs. These new projects support the Bank's core objective to help Iraq develop institutional frameworks, policies, and systems for a more effective and transparent use of Iraq's resources.

The World Bank relies mainly on a cadre of high-level Iraqi staff providing daily support in Iraq to protect management teams. The World Bank also has two contracted international staff in Baghdad's International Zone, and is in the process of further strengthening its presence in Baghdad. The World Bank has several video-conferencing facilities in Baghdad and an office in Amman that supports the Iraqi program.

The World Bank places a major emphasis on capacity building, policy advice, and economic and sector work, which are funded from the Bank's own budget. 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, which was 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 is currently providing technical support to the Iraqi Government in the formulation of the International Compact. In 2007, the World Bank plans to undertake, in partnership with the Iraqis, 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.

At Madrid, the World Bank announced an anticipated lending envelope of \$3 to \$5 billion, conditional on Iraq's creditworthiness. In December 2004, Iraq cleared its arrears to the World Bank, one of the requirements to resume lending. The World Bank provides a framework for up to \$500 million of IDA (International Development Association) concessional lending. The strategy also provides for up to \$500 million in IBRD (non-concessional) lending, assuming Iraq makes critical progress regarding IBRD creditworthiness. In November 2005, the World Bank Executive Board approved the first \$100 million IDA loan within the \$500 million program. The \$100 million Third Emergency Education Project (TEEP) will help the Iraqi Government alleviate school

overcrowding and lay the groundwork for educational reform. In June 2006, the Bank approved a \$135 million IDA transportation project that will help rehabilitate Iraqi roads and bridges.

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.

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, such as the World Bank, the United States, and the UK.

Debt Forgiveness

Another top priority for Iraq's economic development, reduction of Iraq's external debt burden to sustainable levels, is a key component of U.S. donor coordination. In November 2004, the Paris Club group of creditors agreed to forgive, in phases, 80 percent of approximately \$40 billion in Iraqi debt held by its members. As of July 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 United States 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 \$30 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 United States 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 are being implemented to provide security, housing and office space to potential donors inside the International Zone. The accommodations, called "Donor Village," are inside the secure Army Corps of Engineers/PCO compound. Donors can occupy space, for which they will reimburse the USG for billeting arrangements, office space and meals. The cost-prohibitive nature of setting-up individual offices and providing security for accommodations had previously been a major impediment to obtaining further donor assistance. This integrated plan has been well-received and coordinated.

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>