

APPENDIX II

October 2007

Contributions from Other Donors

International Cooperation and Resources for the Reconstruction of Iraq

Following the launch of the International Compact with Iraq (ICI) in May, the United States and Iraq's other international partners have remained strongly supportive of effective implementation, which will be crucial to the success of the Compact. An Executive Committee led by the Government of Iraq (GoI) coordinates the work of ICI Sectoral Working Groups, which are chaired by GoI line ministers and responsible for identifying projects for support from ICI donors. The Sectoral Working Groups for Energy and Human Development have met and begun their work. Donor inputs are coordinated through the Baghdad Coordination Group (BCG), which comprises donor country representatives who reside in Baghdad.

The ICI Secretariat published its first semi-annual ICI Progress Report in July. The report pointed to initial progress being made by the Iraqi government in more than two-thirds out of more than 400 specific ICI benchmarks for 2007 and 2008. In the area of public financial management, for example, Iraq's ministries and provinces are working with the World Bank to complete a full Public Expenditures and Institutions Review with the aim of bringing modern best practices and accountability to Iraqi fiscal and financial affairs. Progress was also reported in reducing subsidies, particularly for fuel, and extending the means-tested Social Safety Net that provides relief to the poorest Iraqis as subsidies are reduced.

International Donor Performance

In Madrid at the end of October 2003, donors other than the United States pledged more than \$13.5 billion in assistance for the reconstruction of Iraq. This included about \$10 billion in soft loan assistance from foreign governments, the World Bank, and the International Monetary Fund (IMF), and about \$3.5 billion in grant or technical assistance.

By January 2006, \$3.2 billion of the non-U.S. pledges had been disbursed. By March 2007, \$3.8 billion in non-U.S. assistance had been disbursed, either bilaterally or through the multilateral Iraq Trust Funds operated by the World Bank and United Nations under the International Reconstruction Fund Facility for Iraq (IRFFI).

The IRFFI trust funds are managed by the United Nations and World Bank. They support projects in the sectors of water, electricity, education, health, and other areas in various stages of completion. There are currently 151 IRFFI projects (135 UN, 16 World Bank) underway. Current donor commitments to the UN and World Bank IRFFI trust funds total about \$1.759 billion (\$1.288 billion to the UN trust fund and \$461 million to the World Bank trust fund), and as of September, donors had deposited a total of \$1.715 billion into the funds. So far in 2007, the IRFFI received additional contributions from Denmark, Australia (\$3.7 million), and Canada (C\$15 million, equivalent to about \$14 million). By the end of May, \$1.178 billion had been committed by the UN-administered trust fund to specific projects and \$612 million disbursed; donors had pledged \$462 million to the World Bank trust fund and deposited \$460

million. Contracts worth \$193 million had been awarded and \$104 million disbursed. The IMF approved balance-of-payments support facilities for \$436 million in September 2004 and an additional \$685 million in December 2005.

Since Madrid, a number of donors have increased their pledges and some have made disbursements in excess of their Madrid pledges. Donors committed \$235 million in new contributions to the IRFFI at the July 2005 meeting of the IRFFI Donors Committee at the Dead Sea in Jordan. In March 2007, Turkey announced a \$10 million increase in its pledge in the form of a contribution to the IRFFI. Australia, China, Denmark, South Korea, Spain, and the United Kingdom announced new pledges totaling \$686.5 million at the launching of the International Compact with Iraq to be delivered bilaterally or through the IRFFI. Countries that have made disbursements in excess of their prior pledges include Australia, the European Commission, Finland, Greece, Hungary, Iceland, the Netherlands, New Zealand, and Norway.

For purposes of this report, disbursements by donor governments are recognized when the funds leave government treasuries. Because assistance is often channeled through trust funds, contractors, NGOs, international organizations, and Iraqi institutions, some time may elapse between the disbursement of funds and evidence of impact on the ground in Iraq.

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

Japan has deposited a total of \$491 million to the IRFFI (\$361 million to the UN fund and \$130 million to the World Bank fund), as well as \$10 million to the International Finance Corporation's (IFC) Small Business Financing Facility. In addition, Japan has disbursed \$221 million directly to international organizations to implement projects such as restoration of water and sewage systems, garbage collection, and sanitation. The balance of Japan's disbursements, \$943 million, have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

The major Japanese contributions (in grants) include:

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

- Roads and Bridges: The repair of roads between Al Khidhir and Darraji and between Mahdi and Sawa 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 90 kilometers of roads in Muthana Governorate.
- Education and Culture: Contributions to UNESCO for its efforts to build capacity at the Ministry of Education and repair the Iraqi National Museum's restoration laboratory. Through HABITAT, assistance for rehabilitation of about 200 schools in Basrah, Al Samawa, and Kirkuk.
- Security: Donation of 1,150 police vehicles, 150 police buses, 1,080 police motorcycles, and 20 armored vehicles. Donation of 78 fire trucks to Baghdad, Basrah, and Muthana.
- Capacity Building: Training of around 2,000 Iraqis, including officials from different ministries, election and museum officials, hospital directors, medical staff, Al-Muthanna television station staff and engineers, statisticians, and technicians in the fields of electricity, water, and agriculture.

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

- Umm Qasr Port Sector Rehabilitation Project (\$259 million): to dredge the port and surrounding shipping lanes, remove wrecked ships, 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 Muthana Governorate. This loan aims to improve agricultural production and employment in Iraq;
- Al Musayab Thermal Power Plant Rehabilitation Project (\$315 million): to rehabilitate the existing Al Musayab thermal power plant (units 1 and 3), located in the Baghdad suburbs. This project aims to improve the power supply;
- Al Samawa Bridges and Roads Construction Project (\$28 million): to construct a new bridge (Al Samawa North Bridge), rebuild provisional bridges (Mahdi Bridge and Hillal Bridge) to cross over the Euphrates, and construct their connecting roads in Al Samawa and its vicinity;
- Engineering Services for Basrah Refinery Upgrading Project (\$20 million): to increase yield of oil products for consumers by constructing a new plant in the existing Basrah

Refinery. This loan is intended for engineering services for the design and construction of the new plant;

- Khor Al Zubair Fertilizer Plant Rehabilitation Project (\$160 million): to supply urgently needed machinery for the factory, 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 high priority power supply and distribution systems;
- Basrah Water Supply Improvement Project (\$370 million): to improve water supply facilities such as water treatment plants, transmission lines, and distribution networks in Basrah and Hartha City; and
- Electricity Sector Reconstruction Project in Kurdistan Region (\$130 million): to provide machinery and materials for reconstruction projects targeting high priority power supply and distribution systems in Kurdistan Region.

Moreover, based on the Paris Club agreement concerning the treatment of Iraq's debt, the Government of Japan and the Government of Iraq agreed upon the details of the conditions for debt relief. Notes to this effect were exchanged on November 24, 2005, in Tokyo between both Ministers for Foreign Affairs. The debt will be cancelled by 80 percent in three stages, which amounts to a reduction of approximately \$6 billion.

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

The United Kingdom

At Madrid, the United Kingdom (UK) pledged £296 million (\$452 million) for the Iraq reconstruction effort for 2004 through 2006. This was included in the UK's total pledge of £544 million (\$920 million), which included both the UK's previously announced assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. At Sharm el-Sheikh in May, the UK pledged an additional £200 million (\$380 million) in assistance, which increases their total pledge to £744 million (\$1,300 million). The UK is one of the first major donors to fully disburse its Madrid pledge.

Since 2003, the UK has disbursed £203 million (\$396 million) for projects in support of reconstruction in southern Iraq, governance and economic capacity building, the justice sector, independent media, and civil society; and over £125 million (\$240 million) toward emergency humanitarian assistance. The UK's Department for International Development (DFID) is responsible for these projects. The UK also deposited \$127 million in the IRFFI, including \$71 million to the World Bank Iraq Trust Fund and \$56 million to the UN Iraq Trust Fund.

The DFID program in 2006-2007 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. This assistance will help the Iraqi government, at the provincial and national levels, to plan and deliver investments in basic services (electricity, hospitals, etc.) and improve oil production while generating jobs and managing its own resources more effectively.

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

In central Iraq, the UK has provided support to: the Iraqi government on economic reform issues; the Center of Government Programs to improve the functioning of government; the justice sector; the Civil Society Fund for the development of legitimate and representative Iraqi NGOs; and the Political Participation Fund to encourage poor and marginalized sections of Iraqi society to engage in the constitutional process.

Major UK contributions include:

- Electricity: Repaired transmission lines from Hartha Power station to Basrah city, securing electricity supplies for 1.5 million residents, and 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 one million people in Iraq.
- Water and Sanitation: Replaced 200 km of water mains, repaired over 5,000 leaks, cleared out 7,000 septic tanks and over 40 kms of drains across the four southern governorates, constructed a water training center in Basrah to increase the skills of Iraqi engineers in water treatment and leakage repair, and improved water supply to 60,000 people in Al Amtahiyah. Current activities include refurbishing a reverse osmosis unit and pump station and building water towers and reservoirs to directly benefit up to one million people in Basrah.
- Capacity Building: Supported new Provisional Reconstruction Development Committees which produced Iraq-led draft Provincial Development Strategies, including resource statements, to bid for funding from the central government. Trained over 10,000 Iraqi police officers and 680 prison officers from Basrah. Trained over 50 governorate officials through study tours to England, Northern Ireland and Egypt. Trained 217 Iraqi

judges, 288 lawyers, and 71 prosecutors in human rights, international humanitarian law, and independence of the judiciary. Trained 182 journalists, editors, and media managers on humanitarian and independent reporting. New independent TV and radio programs in southern Iraq went on air during summer 2005.

- Economic and Private Sector: Assisted the Iraqi government in drawing up its annual budget, reaching agreement with the IMF on its Emergency Post-Conflict Agreement and subsequent Standby Arrangement, negotiating the Paris Club debt reduction deal, and drafting the first National Development Strategy. Over 3,000 women and young people in southern Iraq were trained in business and enterprise skills. Set up local Basrah business journal and the Basrah Information Center. Currently helping to establish a series of economic initiatives including the Basrah Investment Promotion Agency, which is designed to assist the Iraqi government in identifying investment opportunities, provide advice to business and government, and stimulate private sector development; and the Basrah Development Fund, which will provide investment and credit for small and medium sized enterprises.
- 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 newly 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 held the Chair of the IRFFI Donors' Committee from 2005 until 2007. At the Madrid conference, Canada committed C\$100million (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 February 2007, Canada increased its pledge to IRFFI from C\$100 million to C\$115 million and paid the outstanding amounts to the UN (C\$20M) and the World Bank Trust Funds (C\$5 million)

In addition to funding to IRFFI, Canada has allocated over C\$100 million in other, non-IRFFI assistance. This includes C\$50.5 million (about \$47 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\$8 million (about \$7 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\$5 million (about \$4 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 is also providing C\$700,000 for a short-term diplomatic training program for Iraqi Foreign Service officers held at Carleton University in Ottawa.

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

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

The European Commission (EC)

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

Between 2003 and 2006, the Commission provided €18.5 million (approximately \$970 million at the end-June 2007 exchange rate) to assist Iraq, focusing mainly on the rehabilitation of basic services and support of the political process, including elections, support of job creation, and Iraqi capacity building. This included almost €600 million (about \$810 million at current exchange rates) to the International Reconstruction Fund Facility for Iraq (IRFFI) and €100 million (\$135 million) package for humanitarian assistance. Around 85 humanitarian aid projects were implemented through NGOs and international organizations during this period.

The Commission is by far the largest single donor of IRFFI funds, having contributed 46 percent of the total received so far by the IRFFI. Adding up all the donations coming from EU countries, European support to the IRFFI now accounts for as much as 58 percent of total donor deposits.

In its 7 June 2006 communication entitled "Recommendations for renewed EU engagement with Iraq," the European Commission put forward its key objectives for: endorsing and supporting

democratic government; security; rule of law; human rights; improving delivery of basic services; paving the way for Iraq's economic recovery; and developing an effective and transparent administrative framework.

The European Commission supports the International Compact with Iraq (ICI). At the launch of the ICI in Sharm el-Sheikh on May 3, 2007, the EC noted that from 2003-2006 EU member states contributed to Iraq financial assistance a total of €14.2 billion (almost \$20 billion at current exchange rates), including grants, debt relief, and loans.

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

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

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 €9 million (about \$135 million), of which €9 million (\$80 million) has been channeled through the UN and €40 million (\$55 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 (about \$80 million), of which €4 million (\$60 million) has been channeled through the UN and €15 million (\$20 million) through the World Bank. Key accomplishments include: boosting immunization services (including vaccination for five million children against childhood diseases), training more than 2,000 health personnel in health and human rights areas, providing health equipment (ambulances, safety kits, oxygen cylinders, information equipment, and 19 mobile clinics), and rehabilitating 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 €4 million (about \$73 million), of which €3 million (about \$53 million) has been channeled through the UN and €15 million (about \$20 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: EC contribution from 2003 through 2005 totaled €86.9 million (about \$117 million), all of which was channeled through the UN. The Commission has been a major donor in support of the UN's work.
 - January 2005 Elections (€1.5 million or about \$42 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 or about \$27 million): The Commission funded 100 percent 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 or about \$44 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 30 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 (\$270 million) to Iraq. Nearly €180 million (about \$245 million) was used to provide continued support to basic services. The balance of €20 million (\$27 million) was to 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; to provide capacity building to the Trade and Customs Administration to complement negotiations for the EU/Iraq Trade and Cooperation Agreement (TCA); and to support the Secretariat of the International Compact with Iraq.

For refugees who have fled to countries such as Syria, Jordan, and Lebanon, the Commission has recently made available an initial funding package of €6.2 million (\$8.4 million). This aid will consist of basic health care and education as well as targeted distributions of food aid and essential household items. Protection activities are also envisaged, in particular, support for the

UNHCR registration system. This is particularly important to identify the most vulnerable groups and assess their specific needs. An initial funding package of around €4 million (\$5.4 million) has been provided to assist internally displaced persons within Iraq.

The Commission is finalizing its plans for the use of the 2007 budget for Iraq at the moment. Proposed activities (to be finalized) will include further support to the political process (€20 million); refugees (€34 million); public finance management (€20 million); rule of law (€14 million); and possibly the energy sector.

Support to Rule of Law will be implemented by UNDP, UNOPS, ISISC (International Institute of Higher Studies in Criminal Sciences, Italy) and other partner organizations. This project aims at improving the basis and the functioning of the Rule of Law sector and build upon the work already implemented by the EU JUSTLEX mission (see below). Emphasis will be given to the application in practice of the Rule of Law strategy being developed by the different country institutions involved. In addition, it is foreseen that support will be provided to several public and private institutions (Higher Judicial Council, Iraqi Bar Association, Judicial Training Institute) and to the development of the Civil Society in the field of human rights (a follow-up to the human rights project mentioned before). Support will be given to the UN Elections Cluster Group (on Electoral Process), given the electoral events that should take place in the near future: the local elections, the constitutional referendum, and the referendum on the status of Kirkuk. Through the World Bank, support will be provided to the public finance sector, where the WB is planning to conduct a series of new projects: support to public finance management at the national and sub-national levels; public banking restructuring; and support to the reform of the public procurement system.

Separately, since 2005, the EU's JUSTLEX mission has been supporting the urgent needs of the Iraqi criminal justice system by providing training and professional development opportunities to senior Iraqi judiciary, police, and penitentiary officials. In the first phase of the Mission, two types of integrated courses were delivered by ten EU Member States: the Senior Management and Management of Investigations courses. In the extended phase of the Mission (from June 2006), the Mission developed nine new specialist courses to continue meeting the specific needs of the Iraqi criminal justice system while maintaining a focus on human rights issues. Up to the end of June 2007, a total of 44 courses and two work-experience secondments were held (for a total of 1140 participants), including the first specialist courses for police, judiciary, and penitentiary staff. In collaboration with the Member States, the Mission hopes to deliver more of these professional development opportunities.

Additional information about EU assistance to Iraq can be found at:

http://europa.eu/external_relations/iraq/intro/index.htm

United Nations

As of March 2007, donors had deposited approximately \$1.149 billion to the UN Trust Fund of the IRFFI, out of commitments totaling \$1.177 billion. The four largest contributors to the UN Trust Fund continued to be the European Commission (\$473 million), Japan (\$361 million), the United Kingdom (\$56 million), and Canada (C\$90 million, equivalent to about \$80 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 11 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 the end of May 2007, the UN had developed 135 projects, valued at \$974 million, all of which had been approved for implementation by the Iraqi government. The UN agencies responsible for implementing the projects had legally committed \$716 million and disbursed \$612 million. Among these projects, the UN has provided school supplies, rehabilitated schools, provided vaccines, supported internally displaced persons (IDPs) and refugees, conducted capacity-building training programs for Iraqi officials, and assisted in the elections. In comparison, in January 2006 the UN Trust Fund had committed \$564 million and disbursed \$430 million.

During the period from January through March 2007, the UN agencies committed about \$26 million to new projects. The largest commitments were made by UNICEF (for children), UNOPS (for UN operations including some emergency humanitarian relief), UNHABITAT (for housing), and UNHCR (for refugees). UNHCR issued an appeal for funds early in 2007 to aid Iraqi refugees both outside and inside Iraq and is working to strengthen its presence in Baghdad and in Iraq, generally.

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

World Bank

The 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 September 2007, donors had pledged approximately \$462 million to the World Bank Trust Fund of the IRFFI, of which approximately \$459.6 million had been deposited. With these deposits, the World Bank is financing the following 16 projects amounting to \$437 million:

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

Thirteen projects, valued at \$425 million, are grants implemented directly by Iraqi governmental authorities, which help 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 82 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. Trust Fund projects will also 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 25 years. The Bank has approved \$399 million in concessional lending from IDA: the \$100 million Third Emergency Education Project approved in November 2005; the \$135 million Emergency Road Rehabilitation Project approved in June 2006; the \$40 million Dokan and Derbandihkan Emergency Hydropower Project approved in December 2006; and the \$124 million Emergency

Electricity Reconstruction Project approved in March 2007. Iraq's Council of Representatives ratified the four IDA loans in late July 2007, and the government is now completing the legal steps needed to make the loans effective.

The World Bank places a major emphasis on policy advice and economic and sector work, given the importance of helping Iraq 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 Iraqi Government in the formulation of the International Compact with Iraq (ICI) and is playing a role in its implementation. 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 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 that provides daily support to Iraqi government project management teams. In addition, about two dozen Iraqi staff members are employed by a fiduciary monitoring agent contracted by the Bank to conduct site visits throughout the country and help monitor projects financed by the trust fund. To enhance the policy dialogue with the government and improve donor coordination, the World Bank appointed a country manager for Iraq, who is located in the Bank's Baghdad office in the International Zone. To support the World Bank's increased emphasis on public sector reform, a public sector specialist is also located in the Baghdad Office. The World Bank's Amman office is used to support the Iraqi program by providing a venue for meetings and workshops. The Amman office also provides key logistical support for travel, security, and medical emergencies. 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. As of July 2007, the IMF Executive Board had completed five quarterly reviews of the SBA and agreed to extend the arrangement through December 2007.

Reaching the SBA also triggered the second 30 percent tranche of debt reduction under Iraq's agreement with the Paris Club. To obtain the final 20 percent 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 United States, and the United Kingdom.

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, 80 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 had 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, but it has indicated that it may be ready to take this step later this year. The United States went beyond Paris Club terms and forgave 100 percent of the \$4.1 billion in U.S.-held Iraqi debt.

In total, over \$33 billion in Iraqi debt to official creditors either has been forgiven or will be forgiven on terms equivalent to or better than the Paris Club. 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. At the launching of the International Compact with Iraq in Sharm el-Sheikh on May 3, 2007, several additional non-Paris Club countries indicated that they were prepared to work to forgive Iraqi debts, including Greece, Bulgaria, China, and Saudi Arabia. Iraq has sent technical teams to these countries in order to reconcile the precise amounts to be forgiven, and China reportedly is ready to forgive Iraq's debt. Estimates of the additional debt relief that would come from these countries exceed \$25 billion.

Iraq has completed a debt exchange with most of its commercial creditors on terms comparable to the Paris Club deal. One hundred percent of large commercial creditors that received an offer from Iraq accepted the offer. Iraq offered smaller creditors cash for debt, rather than new debt. Altogether, an overwhelming majority of commercial claimants accounting for \$20 billion in Iraqi debt have accepted Iraq's offer for debt reduction amounting to \$16 billion.

Donor Assistance Database (DAD)

With help from UNDP and the EU, Iraq's Ministry of Planning and Development Cooperation has established a computerized Donor Assistance Database (DAD). The purpose of the DAD is to monitor, analyze, and prioritize aid rendered to Iraq by the international donor community. The ultimate goal of the ministry is to make the DAD a credible and reliable source of

information on overall aid received and put to use in Iraq. Raw data recording donor commitments and disbursements are still being entered into the database, but as of the end of June 2007 the DAD had recorded \$3.36 billion in donor commitments and \$2.18 billion in disbursements (excluding the United States).

Other Major Efforts

With the help of U.S. advisors, the Ministry of Planning and Development Coordination completed plans to eliminate the major hurdles on the ground faced by donors 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. Sweden, Japan, and Croatia have toured the compound and are considering formal moves. Freedom Village will provide a viable means of supporting short and long term international donor initiatives.

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

- The International Compact with Iraq:
<http://www.iraqcompact.org/AboutCompact.asp> and
<http://www.uniraq.org/ici.asp>
- 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, are both accessible at: <http://www.irffi.org>
- United Kingdom assistance to Iraq:
<http://www.dfid.gov.uk/countries/asia/iraq.asp>
- European assistance to Iraq:
http://europa.eu/external_relations/iraq/intro/index.htm