

## INTERNATIONAL RELIEF AND SUPPORT FOR IRAQ

This section updates several types of international financial assistance for Iraq reconstruction, including donor support—in the form of financial grants and technical assistance or loans—and debt relief. Also, SIGIR continues to watch the status of the *International Compact with Iraq* (Compact), which provides a set of key milestones for defining Iraq's participation in the development process, determining the level of future reconstruction investment, improving donor coordination, and promoting the establishment of new bilateral relationships.

Last quarter, SIGIR reported that the Government of Iraq (GOI) had nearly finalized a debt agreement with Russia—the last member of the Paris Club to forgive Iraqi debt. In the agreement finalized in February 2008, Iraq's debt was reduced by \$12 billion, or nearly 93% of the total owed to Russia.<sup>1</sup>

### TOP FIVE INTERNATIONAL DONORS (\$ BILLIONS)

COUNTRY	PLEGGED ASSISTANCE
United States	\$46.30
Japan	\$4.90
Iran	\$1.00
Italy	\$.84
United Kingdom	\$.83
<b>Total</b>	<b>\$53.88</b>

**Source:** NEA-I, SIGIR data call response, April 3, 2008; SIGIR analysis of public laws for U.S. appropriations from 2003 to 2007 (for more details, see the *Overview* section in this Report).

**Note:** Numbers are affected by rounding. International donor funding is the amount pledged by the country. U.S. amount is based on appropriations under public law.

TABLE 1.1

The top five donors have pledged a total of nearly \$54 billion. For details on these donors, see Table 1.1.

### INTERNATIONAL COMPACT WITH IRAQ

Established in May 2007, the Compact is an initiative of the GOI for a new partnership with the international community. The Compact is a five-year national plan that includes benchmarks and mutual commitments designed to assist Iraq on the path toward peace, sound governance, and economic reconstruction.<sup>2</sup> Through established benchmarks and action items, the Compact sets these goals for Iraq:<sup>3</sup>

- Reach a unified, secure state.
- Move toward a stable economy.
- Achieve normalized relations with the international community.
- Provide economic opportunities for the private sector.
- Supply Iraqi citizens with access to a proper standard of public social services.

### GOI OBJECTIVES

The annexes of the Compact provide benchmarks that cover a broad range of GOI objectives. The GOI's progress in meeting these benchmarks is expected to shape the support provided by the international community. In December 2007, the GOI reported progress in establishing a Compact

Secretariat, an Executive Committee, and the Thematic Working Groups, and the roles of these groups will be implemented as established in the Compact.<sup>4</sup> It is anticipated that these groups will work with donors to meet the reforms and initiatives under the Compact.<sup>5</sup>

### STATUS OF THE COMPACT

The first mid-year progress report on the implementation of the Compact was issued in July 2007. This report notes initial progress in more than two-thirds of the 400 Compact action items for 2007 and 2008.<sup>6</sup>

The year-end progress report is expected to be issued in time for review at the First Anniversary Compact Ministerial to be held in Stockholm, Sweden, on May 29, 2008.<sup>7</sup> An update on GOI progress in public financial management is expected soon. The Bureau of Near Eastern Affairs-Iraq (NEA-I) reported that Iraq's ministries and provinces, in coordination with the World Bank and other technical advisors, have been working to modernize and strengthen the country's fiscal affairs. A report on progress to reduce subsidies and extend relief programs to assist those most affected by the reduction is expected as part of the update.<sup>8</sup>

These biannual progress reports are completed by the Compact Secretariat under guidance from the Compact Steering Committee. The Council of Ministers created the Steering Committee to oversee the implementation and daily operations under the Compact. The Steering Committee serves as the representative of the GOI at the Compact Executive Committee. The

Steering Committee is chaired by the Deputy Prime Minister and includes individuals from several GOI organizations, including:<sup>9</sup>

- Minister of Finance
- Minister of Planning
- Minister of Foreign Affairs
- National Security Advisor
- Secretary General of the Council of Ministers Secretariat

### Status of Compact Action Items

To date, these are some of the Compact action items that have been completed or partially completed:

- **Review and harmonize legislation to work toward compliance of UN Convention Against Corruption (UNCAC).** GOI continues working toward the next action items to ratify and implement the UNCAC and other relevant international agreements.<sup>10</sup>
- **Over 2007-2009, establish and make operational a nationwide electronic payment system.** On February 26, 2008, GOI and a technology company signed a contract with a consortium comprising the Iraqi government and local Iraqi banks for the use of Net1's Universal Electronic Payment System (UEPS) technology in Iraq. Under the contract, beginning in the fourth quarter of FY 2008, Net1 will provide a customized UEPS banking and payment system to the consortium.<sup>11</sup>
- **Approve the provincial elections.** Iraqis plan to hold provincial elections in 2008, and these will be followed by national elections in 2009.<sup>12</sup>
- **Approve a law concerning the flag, emblem,**

### IRAQ'S OUTSTANDING NON-PARIS CLUB CREDITORS

Algeria	Pakistan
Brazil	Poland
China	Qatar
Egypt	Saudi Arabia
Greece	Tunisia
Jordan	Turkey
Kuwait	UAE
Morocco	

Source: U.S. Department of the Treasury, response to SIGIR data call, April 7, 2008.

Note: The U.S. Treasury believes that Algeria, Morocco, and Tunisia submitted claims this quarter.

TABLE 1.2

**and national anthem.** In January 2008, a vote was passed by the Council of Representatives to change the design of the Iraqi flag. The flag is currently up in all parts of Iraq for the first time in many years.<sup>13</sup>

### INTERNATIONAL AGREEMENTS BETWEEN THE GOI AND OTHER COUNTRIES

One of the Compact's goals is to strengthen Iraq's economic integration into regional and world financial systems. This quarter, Iraq made progress to rebuild its economic ties:<sup>14</sup>

- In January 2008, Iraq and Syria agreed to reopen a crude oil pipeline connecting Kirkuk to the Mediterranean.
- In February 2008, Iraq and Iran signed seven cooperation agreements covering education, customs, insurance, industrial development, and the supervision of imports.
- In February 2008, Iraq and Russia signed a memorandum of intent for cooperation on trade, the economy, and the sciences.
- Iraq is working closely with the Organization of Economic Cooperation and Development project for the Middle East North Africa region.

### COMPACT CHALLENGES

The Compact Secretariat is the main GOI agency in charge of monitoring implementation of the

Compact. There have been past challenges staffing the Compact Secretariat, but according to NEA-I, these positions have now been filled with both Iraqi staff and foreign advisers.<sup>15</sup> Developing a relationship between Thematic Working Groups and the ministries has also been challenging. The Compact Secretariat has been assisting coordination between them, and an update on progress is expected in Stockholm.<sup>16</sup>

### UPDATE ON IRAQ'S EXTERNAL DEBT

A top priority for Iraq's economic development is to reduce the external debt burden to sustainable levels. This is an important element of the Compact and donor support.

The GOI continues an initiative to manage the remaining external debt incurred during the Saddam regime. This quarter, Iraq reached a debt agreement with Russia reducing the debt owed to \$900 million, which it will repay in equal semiannual installments, starting in 2011.<sup>17</sup> First payments from Iraq are expected in early 2009.<sup>18</sup>

Other Iraqi debt, subject to repayment to Russia in 2011-2028, is approximately \$1.13 billion, which includes interest accrued for 2005-2008.<sup>19</sup> More than two-thirds of Iraq's remaining external debt is owed to non-Paris Club countries, and this quarter, no agreements were announced with them. For a list of Iraq's outstanding non-Paris Club creditors, as of March 2008, see Table 1.2.

**IRAQ'S ESTIMATED EXTERNAL DEBT, AS OF MARCH 31, 2008 (\$ BILLIONS)**

COMPONENT	SUMMARY OF DEBT RELIEF EFFORTS	ESTIMATED DEBT
Paris Club Bilateral Creditors	Majority of Paris Club creditors have followed three-phase debt relief agreement for total of 80% debt forgiveness.	\$8 <sup>a</sup>
Non-Paris Club Bilateral Creditors	Remaining non-Paris Club creditor debt has not been negotiated. Therefore, estimated amounts may change once negotiations are finalized.	\$61 <sup>b</sup>
Commercial Creditors	Commercial creditors have accepted debt relief agreements for a reduction of \$16 billion.	\$4
Multilateral Creditors	No information on debt relief efforts is available.	\$1
<b>Total</b>		<b>\$74</b>

Source: U.S. Treasury, response to SIGIR data call, April 16, 2008.

<sup>a</sup> The remaining amount assumes completion of the third tranche of Paris Club debt relief and therefore reflects only the 20% remaining debt after the Paris agreement.

<sup>b</sup> The U.S. Treasury estimated the Non-Paris Club Bilateral Creditors total external debt to be between \$50 billion and \$72 billion. The average external debt is \$61 billion.

TABLE 1.3

## ESTIMATION OF CURRENT EXTERNAL DEBT

The U.S. Treasury estimated that Iraq's external debt is between \$63 billion and \$85 billion, as of March 31, 2008.<sup>20</sup> The large variance is because the non-Paris Club creditor debt has not been negotiated yet, so the exact amount owed is unknown.<sup>21</sup> SIGIR calculated \$74 billion for the average debt outstanding using the median value of reported non-Paris Club debt. This is approximately 60% of the original estimate of Iraq's external debt as of Spring 2003. For the breakdown of the estimated debt and the summary of the debt relief efforts, see Table 1.3 and Figure 1.1.

## SUPPORT FROM INTERNATIONAL ORGANIZATIONS

In addition to the support provided by the governments of foreign nations, several international

organizations have provided relief and humanitarian assistance to the Iraqi people.

### UNITED NATIONS

In August 2007, the UN expanded its mission in Iraq, and the UN Security Council Resolution 1770 extended the UN Assistance Mission for Iraq (UNAMI) for another 12 months. Since 2003, the UN has played a supporting role in sustaining Iraq's relief and reconstruction through programs to fight corruption, support Iraq's financial institutions in meeting international standards, provide health care through immunization programs and other initiatives, and develop the capacity of local governments around Iraq.

### United Nations Development Programme Anticorruption Conference

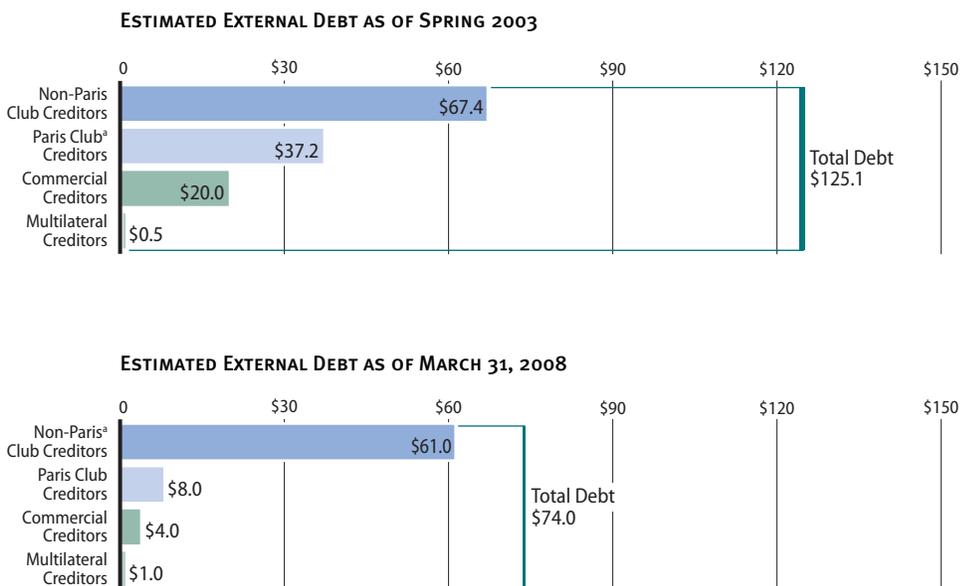
On March 17 and 18, 2008, the United Nations Development Programme (UNDP) held a con-

Figure 1.1

**IRAQ'S ESTIMATED EXTERNAL DEBT**

\$ Billions

Sources: CRS Report for Congress, "Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief," Updated October 10, 2007; U.S. Treasury, Response to SIGIR Data Call (4/16/2008)



Note: Numbers are affected by rounding.

<sup>a</sup> The non-Paris Club Bilateral Creditors amount is the average between the reported \$50 billion to \$72 billion because this debt has not been negotiated and exact amounts are unknown. This estimate may change once negotiations are finished.

ference in Baghdad on the good governance and anticorruption initiative under the Compact.<sup>22</sup> The European Commission funded the conference.<sup>23</sup> In the two-day event, papers and discussions focused on these key topics:<sup>24</sup>

- corruption prevention
- institutional development and capacity building
- criminalization and law enforcement
- role of non-state actors, media, civil society organizations, and public outreach

The UN considers the Compact to be an important move toward implementing democratic processes and promoting good governance.<sup>25</sup> Also, the GOI has taken the first steps to ratifying the *UN Convention Against Corruption*. As a future signatory to the Convention, the GOI has pledged to undertake initiatives in compliance with principles and commitments it defines and to seek UN assistance to support projects that address corruption.<sup>26</sup>

### **International Advisory and Monitoring Board and the Transfer to the Committee of Financial Experts**

The mandate of the International Advisory and Monitoring Board (IAMB) was extended on December 18, 2007, by UNSC Resolution 1790. IAMB's oversight role of the Development Fund for Iraq (DFI), the principal repository for Iraq's oil-export receipts, is expected to conclude by December 2008.<sup>27</sup>

This quarter, SIGIR attested to the amount of DFI cash (approximately \$25 million) that had been in the custody of the Joint Area Support Group-Iraq (JASG-I). This SIGIR audit also reviewed the procedures for transferring the cash to the GOI.<sup>28</sup> With this transfer, all DFI monies in the possession of JASG-Central are now the responsibility of the GOI. For more information on SIGIR's attestation of the funds, see Section 3 of this Report.

In January 2008, the Committee of Financial Experts (COFE) succeeded the IAMB as the authority responsible for external audit of the DFI. COFE was established by the Council of Ministers in October 2006 to work with the IAMB in overseeing petroleum revenues. During 2008, the IAMB and COFE are expected to work together to coordinate their work, with the IAMB increasing its reliance on the work of COFE while discharging its responsibilities under the UNSCR.<sup>29</sup>

The December 2007 report cited a lack of substantial progress in establishing internal controls in Iraq. The IAMB also found that further measures to strengthen the framework for these

controls are necessary and overdue.<sup>30</sup> These shortcomings include:

- the absence of oil metering in the oil fields
- the use of barter transactions for certain oil sales not accounted for in the DFI, as required by UNSCR 1483
- persistent weak controls in the spending ministries

The IAMB reports that transparency in the collection, recording, investing, and spending of oil revenues is of great importance in providing ongoing assurance that Iraqi oil resources are properly managed and spent and that this information should be published.<sup>31</sup>

### **United Nations Assistance for Refugees and IDPs**

Last quarter, SIGIR reported on the UN High Commissioner for Refugees (UNHCR) appeal for more than \$260 million in funding from the international community to support Iraqi refugees, internally displaced persons (IDPs), returnees, and refugees from third countries hosted in Iraq.<sup>32</sup> As of April 8, 2008, UNHCR received nearly 50% of that amount. The more recent contribution announcement is \$1 million from the Government of Kuwait. It also announced an increase in annual contribution of \$1 million to UNHCR's general budget. The Kuwaiti contribution to the Iraq operation will cover specific work in health and education.<sup>33</sup> For a list of other donors and their contributions, see Table 1.4.

Getting help to many of the internally displaced is difficult because of insecurity in the

### DONOR CONTRIBUTIONS TO UNHCR IRAQ PROGRAMS (\$ MILLIONS)

DONORS	CONTRIBUTION
United States	\$95.4
United Kingdom	6.2
Germany	3.9
Sweden	2.3
European Commission	1.3
Kuwait	1.0
France	.7
Switzerland	.7
Italy	.3
Private	.1
<b>Total</b>	<b>\$111.94</b>

Source: UNHCR, "Internal Displacement in Iraq," April 8, 2008.

Note: Numbers are affected by rounding.

TABLE 1.4

country. Most of UNHCR's work inside Iraq is overseen by local staff in coordination with Iraqi aid agencies. In 2008, UNHCR is focusing on getting assistance to 400,000 of the most vulnerable IDPs in Iraq. Programs include protection and legal help through a network of Protection and Assistance Centers, counseling, provision of household and shelter items, support for camps for the internally displaced, and infrastructure rehabilitation projects to increase the capacity of local communities struggling to cope with internally displaced populations.<sup>34</sup>

#### United Nations Assistance for Health Care

During this quarter, the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) continued their work in support of health care for children. On January 27, 2008, the second round of Polio National Immunization Days was launched in Sulaymani-

yah, assisting more than 216,000 children under five, including internally displaced children.<sup>35</sup> UNAMI reports that more than 86% of children under five in the Sulaymaniyah province received immunizations through the program. More than 500 teams of vaccinators and supervisors took part in the effort.<sup>36</sup>

Also this quarter, UNICEF trained 400 staff of various levels at the Shaqlawa Hospital, resulting in its designation as the first newborn specialty hospital in the Kurdistan region.<sup>37</sup>

UNICEF also delivered medical and surgical supplies to Department of Health offices in Sadr City, Medical City, Rosafa, and Baghdad, as well as two general hospitals in Basrah city (Aljomhoory and Almawanee).<sup>38</sup> More deliveries are expected in April 2008.

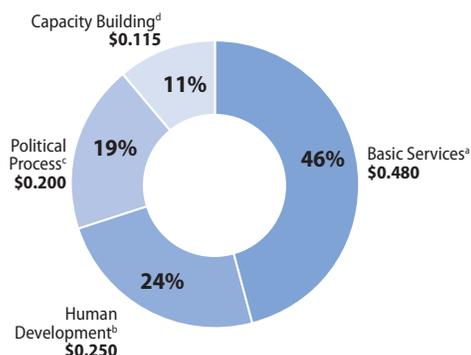
Additionally, UNICEF completed 3 days of water-tanking operations at 15 sites across Basrah. UNAMI reports that more than 4,000

Figure 1.2

**EC Aid Distribution by Main Category**

\$ Billions, % of \$1.05 Billion

Source: European Commission, *State of Play Report* (3/31/2008)



**Note:**

<sup>a</sup> Education, Health, Infrastructure, Water and Sanitation.

<sup>b</sup> Agriculture, Rural Development, Poverty Reduction, Land Mine Action, Durable Solutions for Refugees.

<sup>c</sup> Elections, Constitutional Process.

<sup>d</sup> Civil Society, Human Rights, Trade and Customs, Technical Assistance, Justice, and the Rule of Law.

families are now receiving safe drinking water through this operation, and more than 323,000 liters have been provided.<sup>39</sup>

UN initiatives are also working to improve sanitary services. In January 2008, construction was completed on downstream storm-sewer lines in Kirkuk City. The UN estimates that this project has improved services for approximately 12,000 people.<sup>40</sup> An additional six ongoing water and sanitation projects are scheduled to be completed in April and May 2008. These projects are expected to benefit nearly 120,000 Iraqis in Basrah, Wassit, Kerbala, and Tameem provinces.<sup>41</sup>

**Local Area Development Programme**

On December 5, 2007, the GOI and the UN officially launched the Local Area Development Programme (LADP).<sup>42</sup> The LADP is a joint undertaking of the GOI and several UN agencies: UNDP, United Nations Human Settlements Programme, International Labour Organization, United Nations Office for Project Services,

World Health Organization, United Nations Educational, Scientific and Cultural Organization, and United Nations Development Fund for Women. This program focuses on strengthening the capacities of local authorities in Sulaymaniyah, Babylon, and the marshlands to prepare and implement local area development plans in close partnership with the private sector and community stakeholders.<sup>43</sup>

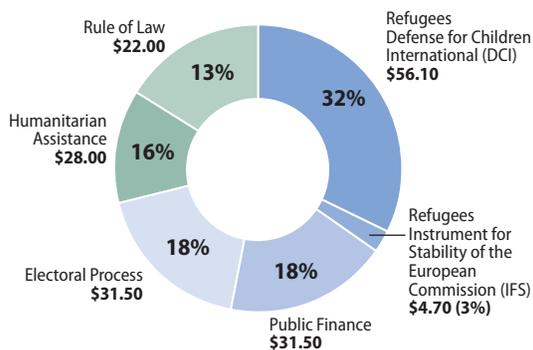
**EUROPEAN COMMISSION**

From 2003 to 2007, the European Commission (EC) provided nearly \$1.05 billion to assist rehabilitation of basic services and to support Iraqi political processes, including the holding of elections, job creation, capacity-building measures, and support for the rule of law.<sup>44</sup> The EC provided \$895 million for economic reconstruction and \$143 million for humanitarian assistance.<sup>45</sup> For the distribution by main category of EC aid for reconstruction, see Figure 1.2.

Figure 1.3

**EC IRAQ ASSISTANCE PROGRAM 2007**

\$ Millions, % of \$173.80 Million

Source: European Commission, *State of Play Report*, (3/31/2008)

Note: Numbers are affected by rounding.

**EC ASSISTANCE PROGRAM**

In 2007, the EC assistance program for Iraq—managed by the EuropeAid Cooperation Office—made more than \$141 million available for Iraq.<sup>46</sup> For information on the specific values for areas of the program, see Figure 1.3.

The areas and sectors of the 2008 assistance program are still under consideration.<sup>47</sup> After consultations with the European parliament and the Member States, the finalized 2008 program will be detailed in the 2008 EC report.

**WORLD BANK**

The World Bank funds several programs to support the GOI in addressing primary reconstruction needs:<sup>48</sup>

- restoring basic services
- supporting private-sector development
- enhancing social safety nets
- improving public-sector governance

This support for Iraq reconstruction is funded primarily through the World Bank Iraq Trust Fund, which is discussed later in this section. However, the World Bank also assists through loan programs and projects with international partners.

## WORLD BANK IDA LOANS

NAME	PRODUCT AMOUNT (\$ MILLIONS)	APPROVAL DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Third Emergency Education Project	\$100	November 2005	Ministry of Education	Helps alleviate school overcrowding through construction of 82 new schools in 15 provinces. The project directly benefits about 57,000 students.	The Ministry of Education finished preparing prototypes for 12-, 18-, and 24-classroom schools. Site surveys and soil analysis have been conducted at 12 of 62 identified plots. Construction of 49 schools is expected to start by August 2008.
Emergency Road Rehabilitation Project	\$135	June 2006	Ministry of Construction	Assists in the rehabilitation of highways and village access roads in central and southern Iraq. Three floating bridges will also be replaced with permanent structures.	Civil works (\$35 million) and consulting services (\$2.2 million) contracts for highway rehabilitation in the Kurdistan region have been signed by the World Bank. The documents for four roads and bridges in central and southern Iraq have been issued. Award of all six contracts is expected by August 2008.
Dokan and Darbandihkan Emergency Hydropower Project	\$40	December 2006	KRG Ministry of Electricity	Part of Iraq's overall Electricity Master Plan, providing electricity in the Kurdistan region and to the interconnected national grid. The project will directly impact an estimated 490,000 households and provide benefit for industrial consumers.	The consulting contract for the rehabilitation needs assessment was approved in July 2007. Project inefficiencies caused the contract to be delayed until September 2007; progress is now satisfactory. A consultant is preparing bidding documents for the urgent rehabilitation.
Emergency Electricity Reconstruction Project	\$124	March 2007	Ministry of Electricity	Aims to restore the base-load generating capacity of the Hartha power plant and build capacity at the MOE.	The project became effective on December 17, 2007. Negotiations with the selected bidder for the contract for rehabilitation works are complete, and the World Bank issued its signature. Negotiations for a construction supervisor are ongoing and expected to be completed soon.
<b>Total</b>	<b>\$399</b>				

Source: IRFFI, World Bank Operations in Iraq Data Sheet, March 31, 2008.

TABLE 1.5

## WORLD BANK IDA LOANS

The World Bank has provided assistance to Iraq to develop social services through its International Development Association (IDA). Four IDA loans have been approved for Iraq, totaling \$399 million. For the status of these projects, see Table 1.5.

- fiscal federalism
- tax policy
- tax and customs administration
- monetary operations
- banking supervision
- payments system reform
- statistics

## INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) has provided two Stand-By Arrangements (SBAs) for Iraq that continue to provide a comprehensive framework for economic reform and growth. Also, the IMF provides technical assistance to Iraq through these and other programs:<sup>49</sup>

- training in public expenditure management

The IMF coordinates some of these programs with the World Bank, the United States, the United Kingdom, and other partners.

## IMF STAND-BY ARRANGEMENTS

Iraq's first SBA, approved on December 23, 2005, provided rights to \$685 million in balance-of-payments support. Iraq satisfactorily implemented the IMF's required reforms under that

SBA, which resulted in the December 19, 2007 approval of a second SBA—for \$744 million. Iraq has not drawn on any of the monetary support available under its SBAs with the IMF because of the country's healthy balance of payments and foreign exchange reserves position.<sup>50</sup>

The successor SBA supports Iraq's economic program for 2008 and builds on the achievements made under the previous arrangement.<sup>51</sup> This new \$744 million agreement will be in effect until March 2009. The GOI is treating this as a precautionary arrangement and does not intend to draw on the money.<sup>52</sup>

The 2008 program has three primary objectives:<sup>53</sup>

- Maintain macroeconomic stability.
- Facilitate higher investment in the oil sector.
- Move forward with reforms and institution building.

The program aims to contain inflation in 2008, building on the progress to stabilize inflation in 2007.<sup>54</sup> The program is also seeking a higher implementation ratio of the GOI's investment program so that economic growth can be accelerated. The projected growth is expected to exceed 7% in 2008.<sup>55</sup> In February 2008, consumer price inflation was reported at 8.1%—nearly 4% lower than predicted by the SBA.<sup>56</sup> Also, the net international reserves of the Central Bank of Iraq (CBI) were expected to reach \$34 billion,<sup>57</sup> and as of March 20, 2008, the CBI reported \$35.1 billion in reserve.<sup>58</sup>

Key structural reforms in the SBA program include improving Iraq's public financial manage-

ment and CBI's accounting framework, as well as restructuring of the country's two largest state-owned banks, Rafidain and Rasheed. Financial and operational audits will be performed under this program, focusing on strengthening governance and investment in Iraq's oil sector.<sup>59</sup>

Under the new program, the IMF anticipates that restructuring Iraq's banking sector will require overcoming several challenges:<sup>60</sup>

- The banking sector is dominated by state-owned commercial banks, which account for 90% of the sector's total assets.
- Banks lack expertise in commercial banking and market finance.
- Little extension of credit is granted to the private sector.
- Bank asset composition is heavily tilted toward government securities.
- Banks lack the expertise to assess risks and, thus, few offer loans with maturities of more than one year.

For Iraq to receive the full benefit of its debt reduction agreement with the Paris Club, it must successfully perform under its SBAs through December 2008, when it stands to obtain the final 20% of debt reduction. At the successful completion of the SBA, Paris Club members will write off the final portion of the debt agreement, which will total 80% of debt reduced.<sup>61</sup>

## UPDATE ON BANK RESTRUCTURING

The IMF has been assisting the GOI in modernizing its banking sector. The U.S. Treasury and U.S. Agency for International Development

(USAID) also manage projects to improve the banking sector. For more information on these initiatives, see the discussion of *Iraq's Economy* in this Report.

Rafidain Bank, Iraq's largest state-owned bank, is in the process of beginning a banking technology implementation project. A technology company has been selected<sup>62</sup> to implement the main banking system and the electronic clearing system across Rafidain's 148 domestic and 7 regional branches.<sup>63</sup> Rasheed Bank is considering investing in a core banking system, as well. As of March 31, 2008, both Rafidain and Rasheed banks are in the process of installing a payments engine that will enable the banks to support intra-bank transfers.<sup>64</sup>

Last quarter, SIGIR reported that an external international audit firm began to perform operational and financial audits of both Rafidain and Rasheed banks. The audits are expected to be completed by May 31, 2008.<sup>65</sup> The U.S. government and the World Bank play an advisory role.<sup>66</sup>

Discussions have been held between the World Bank and IMF on the remaining three state-owned banks—the Agriculture Bank, Real Estate Bank, and Industrial Bank. It was decided that the Iraq's Board of Supreme Audit will conduct an assessment of all three banks, with the assistance of international experts.<sup>67</sup> The assessment is expected to begin in June 2008, after the completion of the Rafidain and Rasheed audit. The decision on whether to restructure the three specialty banks will be based on the assessment.<sup>68</sup>

## SUPPORT FROM DONOR COUNTRIES

Last quarter, SIGIR noted the challenges in reporting on international contributions to Iraq reconstruction. As Iraq has shifted to normalized bilateral relations with the international community, the United States is less able to track international funding. As of March 31, 2008, the Department of State (DoS) reported a total of \$15.892 billion in donor pledges, of which \$5.14 billion are pledges of grants and technical assistance, and \$10.75 billion are pledges of soft loans or loan facilities.<sup>69</sup> This is an increase of more than \$66 million from last quarter because of additional pledges by Italy and Canada. According to DoS, as of March 31, 2008, actual donor commitments total \$7.94 billion.<sup>70</sup>

## DEVELOPMENT ASSISTANCE DATABASE

The Development Assistance Database (DAD) was developed by the GOI's Ministry of Planning and the UN Development Program to record donor assistance, track donor activities, and document the status of donor-funded projects. Although this tracking system is still operational, compiling an accurate overall picture of donor funding remains difficult. The Ministry of Planning updates the DAD with funding and project information received directly from the donors. However, there is no standard reporting requirement for donors to provide data and no set time frame for updates to the DAD to be completed.<sup>71</sup> Thus, comparing DoS donor pledge figures to data available in the DAD does not provide an accurate or complete picture of the status of donor support.

## SNAPSHOT OF TOP DONOR FUNDED PROJECTS OVER \$10 MILLION

DONOR	PROJECT COST (USD)	TITLE	PROJECT IMPLEMENTATION STATUS	SECTOR	PROVINCE
WB ITF	\$110,000,000	Emergency Water, Sanitation, and Urban Reconstruction Project	Ongoing	Environment; Housing, Labor and Social Affairs	Dahuk, Sulaymaniyah, Erbil, Kerbala, Muthanna, Missan, Basrah, unallocated
Sweden, WB	\$150,000,000	Electricity reconstruction project (Rehabilitation of units 2 and 3 of HARTHA power station)	Ongoing	Infrastructure	Nationwide
Japan	\$118,709,140	Construction of a diesel power station (60 MW) in Al-Samawah	Completed	Infrastructure	Muthanna
WB	\$100,000,000	New School Building Construction	Not yet started	Education, Science, and Culture	Nationwide
Japan	\$72,222,636	Supply and Installation of Mobile Substations	Completed	Infrastructure	Muthanna
Japan	\$68,449,518	Project for Rehabilitation of Four General Hospitals in the Northern Region of Iraq	Completed	Health	Nationwide
Japan	\$66,168,082	Rehabilitation of Taji Gas Turbine Power Station	Completed	Infrastructure	Baghdad
Japan	\$65,038,264	Project for Improvement of Trunk Communications Network	Completed	Infrastructure	Nationwide
WB ITF	\$65,000,000	Emergency Baghdad Water Supply and Sanitation Project	Ongoing	Environment; Housing, Labor, and Social Affairs	Baghdad
United Kingdom	\$62,264,151	Provision of general food baskets to the Iraqi population and upgrade of logistics and communications capacity	Completed	Agriculture, Food, and Fishing	Nationwide
<b>Total</b>	<b>\$877,851,791</b>				

Source: GOI, Ministry of Planning Development Assistance Database, April 4, 2008, [www.mop-iraq.org/dad](http://www.mop-iraq.org/dad).

Note: Data not formally reviewed, audited, or verified. Data excludes U.S. funded projects. Committed and disbursed are the international terms used; this terminology is comparable to the SIGIR terms obligated and expended.

TABLE 1.6

## SNAPSHOT OF DONOR PROJECTS

SECTOR	COMMITTED	DISBURSED
Agriculture, Food, and Fishing	\$235,361,383	\$77,677,797
Economic Development	177,389,632	39,890,426
Education, Science, and Culture	333,555,524	232,254,236
Energy	26,164,177	23,333,989
Environment	253,511,912	158,774,048
Governance and Democracy Development	541,885,781	379,246,726
Health	504,602,927	407,189,754
Housing, Labor, and Social Affairs	372,541,730	236,757,380
Infrastructure	1,004,678,229	666,270,163
Security	168,912,421	129,873,387
Unspecified/Unclassified	77,412,788	75,260,275
Unallocated	7,603,219	3,790,886
<b>Total</b>	<b>\$3,703,619,723</b>	<b>\$2,430,319,067</b>

TABLE 1.7

A broader Capital Budget Request and Tracking System is being established and is expected to capture all efforts for reconstruction, including those funded by Iraq's national and provincial budgets. However, the efforts to integrate the two systems have met with a number of logistical, operational, and organizational issues. In the meanwhile, NEA-I reports that maintenance of the DAD has fallen in arrears.<sup>72</sup>

As of April 4, 2008, the DAD reported total commitments of \$5.35 billion, an increase of approximately \$750 million from last quarter. Disbursements totaled \$2.53 billion—an increase of approximately \$40 million from last quarter.<sup>73</sup> For an overview of Iraqi donor spending based on data from from the DAD, see Table 1.6 and Table 1.7.

# APPENDIX M

## WORLD BANK ITF: TOP FIVE DONORS (\$ MILLIONS)

DONOR	DEPOSIT AS OF MARCH 2008
European Commission	\$179.7
Japan	\$130.6
UK	\$71.4
Canada	\$26.7
Spain	\$20.0

Source: IRFFI, *World Bank Operations in Iraq Data Sheet*, March 31, 2008.

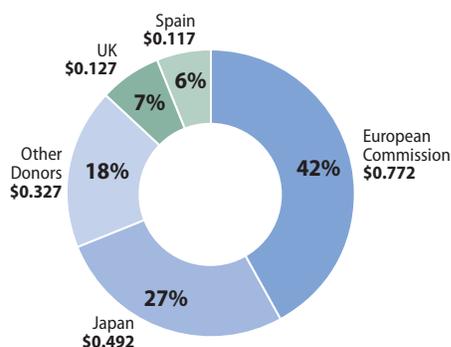
TABLE 1.8

Figure 1.4

### IRFFI SUMMARY OF DONOR FUNDING

\$ Billions, % of \$1.83 Billion

Source: IRFFI, Donor Commitments to the World Bank Iraq Trust Fund and United Nations Development Group Iraq Trust Fund, March 31, 2008.



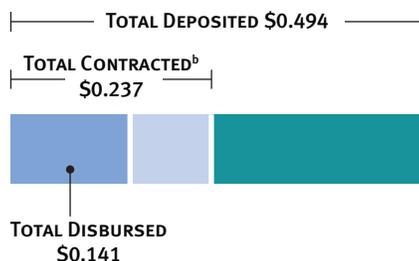
Note: Numbers are affected by rounding. Other donors include Australia, Belgium, Canada, Denmark, Finland, Germany, Greece, Iceland, India, Ireland, Italy, Kuwait, Luxembourg, The Netherlands, New Zealand, Norway, Qatar, Republic of Korea, Sweden, Turkey, and U.S.

Figure 1.5

### WORLD BANK IRAQ TRUST FUND STATUS OF FUNDS

\$ Billions, Total Committed<sup>a</sup> \$0.497

Sources: IRFFI, *UNDG Iraq Trust Fund: Quarterly Newsletter*, (3/31/2008)



Note: Numbers are affected by rounding.

<sup>a</sup> Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted amount is under contract for a project; disbursed is amount paid to a vendor or entity.

<sup>b</sup> Source for contracted amount: IMF, "IMF Staff Report for Request for Stand-By Arrangement and Cancellation of Current Arrangement—Informational Annex," December 5, 2007, p. 7. No update as of March 31, 2008.

## INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

The International Reconstruction Fund Facility for Iraq (IRFFI) assists donors in channeling resources and coordinating support for reconstruction and development through two trust funds: the World Bank Iraq Trust Fund (ITF) and UN Development Group Iraq Trust Fund (UNDG ITF).<sup>74</sup> As of March 31, 2008, 25 donors have committed nearly \$1.83 billion to Iraq reconstruction through these funds; this is an approximate \$54 million increase from last quarter.<sup>75</sup> The increase is attributable to additional commitments by the EC, Finland, Luxembourg, and Sweden. For a funding breakdown of donors from IRFFI, see Figure 1.4.

## WORLD BANK IRAQ TRUST FUND

As of March 31, 2008, the World Bank ITF held deposits from 17 donors, worth more than \$494 million.<sup>76</sup> Deposits have increased by \$29.7 million since November 2007 because of an additional deposit by the EC. The World Bank ITF finances 16 grants, totaling \$437 million, which represents the majority of donor deposits.<sup>77</sup> Just more than \$140 million of this funding has been disbursed by the fund. For the status of funding, see Figure 1.5. This quarter, the top five donors to the World Bank ITF remain the same; for details of these deposits, see Table 1.8.

For a snapshot of projects funded by the ITF, see Table 1.9. The last project was approved on March 2007, and no new projects have been

## WORLD BANK IRAQ TRUST FUND: SNAPSHOT OF ACTIVE PROJECTS (\$ MILLIONS)

NAME	PROJECT AMOUNT	DISBURSED	APPROVAL DATE	IMPLEMENTING AGENCY	DESCRIPTION	STATUS
Emergency School Construction & Rehabilitation Project	\$60	\$22.9	October 2004	Ministry of Education	The project aims to improve learning conditions through the construction of 55 new schools (reduced due to appreciation of the Iraqi dinar) and major rehabilitation of 133 schools, benefiting more than 100,000 families with school age children.	The rehabilitation program is complete: 133 schools were rehabilitated, benefiting an estimated 45,000 students; 6 schools have been completed (in the provinces of Anbar, Erbil, and Muthanna). The construction of 28 schools is currently underway, and work on 21 more is expected to start in April 2008.
Second Capacity Building Project	\$7	\$4.9	November 2004	World Bank	The project follows up on the First Capacity Building Project to help authorities tackle medium-term policies, focusing on economic and public sector management and social safety nets.	As of January 2008, the project has financed about 55 workshops, training more than 1,200 participants. In January 2008, a workshop to train practitioners in World Bank procurement, financial management, disbursement, anticorruption, and contract management was conducted in Amman with more than 60 participants.
Emergency Water Supply, Sanitation, and Urban Development Program	\$110	\$22.7	December 2004	Ministry of Municipality & Public Works	The project finances water supply and sanitation rehabilitation in 9 cities, as well as urban reconstruction in the poorest areas of 3 cities, benefiting 2 million people. The project facilitates capacity building through training and technical support.	Since last quarter, the project witnessed an increase in implementation. The World Bank continues to work with the GOI to restructure the project.
Emergency Community Infrastructure Rehabilitation Project	\$20	\$16.6	December 2004	Ministry of Water Resources	The project addresses emergency needs for rural infrastructure rehabilitation by financing labor-intensive, small-scale civil works programs improving about 80,000 hectares of irrigated land, benefiting more than 130,000 farmers.	Twenty sub-projects are complete, creating an estimated 176,500 man-days of employment, improving irrigation to 70,000 hectares of land, benefiting an estimated 121,000 farmers. The remaining 2 sub-projects are underway and about 75% completed. These projects are expected to be finalized by mid-2008.
Emergency Disabilities Project	\$19.5	\$1.9	November 2005	Ministry of Health	The project supports improved rehabilitation and prosthetic services to reduce the burden of physical disability by strengthening GOI/stakeholder partnerships around national disabilities policy and upgrading infrastructure and equipment of selected rehabilitation centers.	The design for eight rehabilitation centers is completed and the contract for the construction of one of these (Kerbala) has been tendered. World Bank has recommended that the GOI restructure the project. Bid documents for four other sites have been prepared but are on hold pending project restructuring.
Emergency Social Protection Project	\$8	\$0.4	June 2006	Ministry of Labor & Social Affairs	The project will strengthen the policy, management, and administrative capacity of the Ministry of Labor and Social Affairs, and the Ministry of Finance, to develop, manage, and monitor pension and social safety net reforms.	Procurement of 14 IT packages (\$1.9 million) is underway. Two contracts have been signed to train about 42 Iraqi staff in IT systems. Evaluation of the Pension survey proposal is complete, and the contract has been awarded. The PMT has revised the implementation framework and the Terms of Reference for the beneficiary assessment has been drafted.
Emergency Health Rehabilitation Project	\$25	\$10.1	November 2004	Ministry of Health	The project will help rehabilitate emergency services in 9 selected hospitals (reduced from original 12) and provide 12 hospitals with basic medical and laboratory equipment, as well as essential drugs.	Rehabilitation for four hospitals is complete (two have been officially handed over to GOI). Three more are underway, expected to be completed in June 2008. Medical equipment has been delivered to all hospitals except Ba'quba, and distribution of drugs is well advanced (WHO contract remaining). The World Bank has recommended that the government restructure the project.
First Private Sector Development Project	\$55	\$4.4	November 2004	Ministry of Planning & Development Cooperation	The project will provide capacity building to help lay the foundation for increased investment and growth. This will include the installation of a national high-capacity telecommunications network and a platform to link the Central Bank to commercial banks in the country (payment-systems).	The installation of the telecommunications network is underway. Contracts for the public institution and competitiveness components, as well as the payment systems component, have recently been awarded. Implementation of respective activities has started.

Source: IRFFI, World Bank Operations in Iraq Data Sheet, March 31, 2008.

announced since. To allow the completion of the existing projects, the closing date for World Bank ITF was extended to December 31, 2010.<sup>78</sup>

**UN DEVELOPMENT GROUP  
IRAQ TRUST FUND**

The UNDG ITF is managed by the UNDP. As of March 31, 2008, 25 international donors committed \$1.33 billion to the UNDG ITF of the IRFFI.<sup>79</sup> This quarter, the UNDG ITF received contributions of nearly \$29.5 million from the following donors:<sup>80</sup>

- **European Commission**, \$28 million ear-

marked to Support Electoral Process sub-sector.

- **Finland**, \$1.5 million earmarked to Protection Sector.

As of March, 31, 2008, 16 UN agencies are implementing 180 projects with more than \$1.11 billion in funding. Since November 2007, an additional 8 projects have been closed for a total of 56 projects since the UNDG ITF’s inception.<sup>81</sup> For the top five implementing agencies and top five donors in terms of deposits, see Table 1.10 and Table 1.11.

**UNDG ITF: TOP FIVE DONORS (\$ MILLIONS)**

DONOR	DEPOSIT AS OF MARCH 2008	INCREASE FROM NOVEMBER 2007
European Commission	\$565.15	\$27.79
Japan	\$360.95	\$0
Spain	\$93.17	\$0
Canada	\$63.79	\$0
UK	\$55.54	\$0

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, January-March 2008.  
 Note: Change is based on data from IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

TABLE 1.10

**UNDG ITF: TOP FIVE IMPLEMENTING AGENCIES (\$ MILLIONS)**

AGENCY	APPROVED FUNDING AS OF MARCH 2008	CHANGE FROM NOVEMBER 2007	NUMBER OF PROJECTS	CHANGE FROM NOVEMBER 2007
UN Development Programme	\$301.91	\$0	30	0
UN Office for Project Services	\$196.85	\$11.26	29	2
UN Children’s Fund	\$154.11	\$.96	21	1
World Health Organization	\$109.04	\$3.47	19	1
Food and Agriculture Organization of the UN	\$92.57	\$5.12	12	2

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, January-March 2008.  
 Note:  
 1. Top five is based on total approved funding.  
 2. Change is based on data from IRFFI, *UNDG Iraq Trust Fund Newsletter*, November 2007.

TABLE 1.11

### Details on Funding

Of the approved funding, \$854 million (77%) has been contracted, and \$737 million (66%) has been disbursed, which is slightly higher than last quarter. For the status of UNDG ITF funding, see Figure 1.6.

Similar to last quarter, the sector supported with the most approved funding is infrastructure rehabilitation, followed by support to the electoral process and education and culture. For a sector funding breakdown, see Figure 1.7.

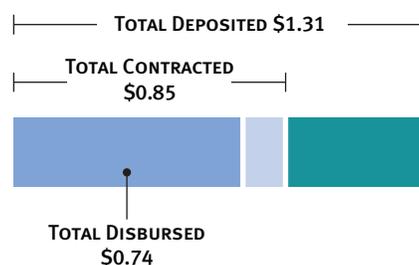
Commitments and disbursements have generally declined between July 2004 and March 2008. Although the funding shifted away from projects supporting the electoral process in 2007, this quarter shows an increase from 3% to 12%. The commitments for agriculture, food security, environmental, and natural resource management have increased from 13% (July 2004 to March 2006) to 20% (this quarter). For the comparison of the sector breakdown based on the total commitments made during 2004-2006, 2007, and this quarter, see Figure 1.8. This is an illustration of the changes in sector focus over the three time periods.

Figure 1.6

#### UN DEVELOPMENT GROUP IRAQ TRUST FUND STATUS OF FUNDS

\$ Billions, Total Committed \$1.33

Sources: IRFFI, *UNDG Iraq Trust Fund Newsletter*, January–March 2008



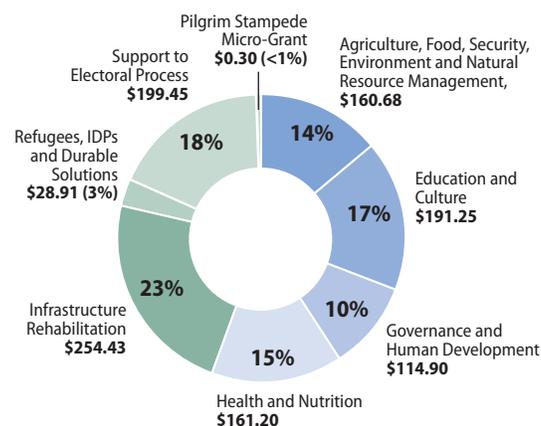
**Note:** Numbers are affected by rounding. Commitment is a legally binding contribution to the fund; deposit is actual cash received by the fund; contracted amount is under contract for a project; disbursed is amount paid to a vendor or entity.

Figure 1.7

#### UNDG ITF APPROVED FUNDING BY SECTOR

\$ Millions, % of \$1,111.12 Million

Source: IRFFI, *UNDG Iraq Trust Funds Newsletter*, January–March 2008



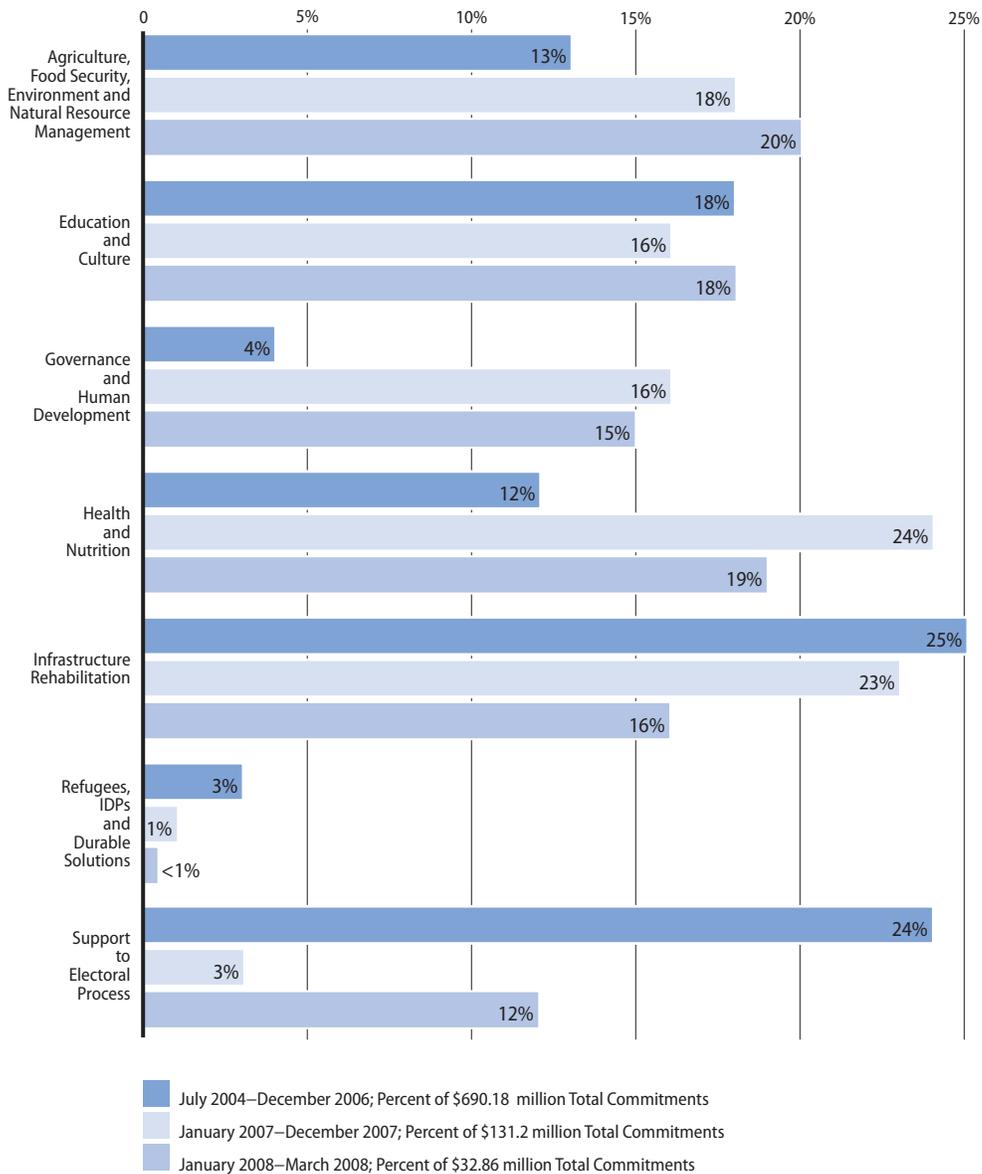
**Note:** Numbers are affected by rounding.

Figure 1.8

**UNDF ITF COMMITMENTS BY SECTOR: HISTORICAL COMPARISON**

\$ Millions

Source: IRFFI, *UNDG Iraq Trust Fund Newsletter*, January–March 2008



**Note:** Numbers are affected by rounding. Total Commitments do not include the Emergency Response Pilgrim Stampede Micro-Grant which is < 0.5%.