



REBUILDING IRAQ

U.S. ACHIEVEMENTS THROUGH THE IRAQ RELIEF & RECONSTRUCTION FUND



UNITED STATES DEPARTMENT OF STATE
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REBUILDING IRAQ

- In April 2003, Congress approved approximately \$2.5 billion largely for immediate relief aid – such as food, medicine, and water – through the Iraq Relief and Reconstruction Fund (IRRF). Today 97% of these funds have been disbursed.
- In November 2003, Congress added \$18.4 billion to the IRRF to help Iraq with general reconstruction needs.
- As of February 2006, we have disbursed \$10.5 of the \$18.4 billion, funding projects in the security, economic, and political spheres. 83% of the \$18.4 billion has been obligated to projects. We have a detailed plan for projects using the remaining funds that will be completed before the close of the 2006 fiscal year.
- Iraq's reconstruction needs are at least \$55 billion, per the UN and World Bank. US assistance is part of an ongoing international effort.
- IRRF projects have transitioned from large infrastructure projects to smaller, quick disbursing projects that jumpstarted the Iraqi economy, and to projects that are building Iraqi capacity to sustain and manage the country's infrastructure over time.
- Under Saddam Hussein, Iraqis' standard of living deteriorated rapidly. Iraq's per capita income had dropped from \$3,836 in 1980 (higher than Spain at the time) to \$715 in 2002 (lower than Angola).
- Today, free elections are transforming Iraq. Economic recovery is also picking up, with GDP growing from \$18.9 billion in 2002 to \$33.1 billion in 2005.

IRAQ RELIEF AND RECONSTRUCTION FUND

The US Congress authorized \$20.9 billion in civilian funds to help reconstruct Iraq in the three and one half years immediately following Operation Iraqi Freedom in April 2003. The US is using these funds to jumpstart the rebuilding and reform processes in Iraq, at a time when Iraq's needs are enormous.

The goal of US reconstruction assistance to Iraq is to help the Iraqi government develop a democratic, stable, and prosperous country, at peace with itself and its neighbors, enjoying the benefits of a free society and a market economy.



©AP Photo
Iraqi children play in sunny weather on the last day of Eid al-Adha in Sadr City, Baghdad.



Dept. of State Photo
Two young Iraqi girls dressed up to observe voting in Kirkuk on January 30, 2005.

IRAQ IN 2003: WHERE WE STARTED

Iraq's development potential was wasted over a generation of wars and bad governance.

- Iraq's per person income had dropped from \$3,836 in 1980 (higher than Spain at the time) to \$715 in 2002 (lower than Angola).
- Saddam's one-man rule, supported by the Baath Party's pan-Arab ideology, stunted the development of institutions that could reflect the diverse nature of the country. Iraq was a

closed society, without an independent judiciary, free press, or free access to outside sources of information.

- The Iraqi public services infrastructure was on the verge of collapse after 20 years of neglect, with little to no investment in many key areas. The few investments made were highly politicized, and the south in particular was under-funded, affecting health, education, and standard of living.

THE IRRF STORY

In April 2003, Congress approved approximately \$2.5 billion for immediate relief assistance – such as food, medicine, and water – through the Iraq Relief and Reconstruction Fund (IRRF). Today 97% of these funds have been disbursed.

In November 2003, Congress added \$18.4 billion to help Iraq with general reconstruction needs. Today, 83% of this \$18.4 billion has been obligated to projects.

- \$5 billion is allocated to security programs. \$4.2 billion has so far been disbursed.
- The remaining \$13.4 billion is for infrastructure, democracy programs, health, education, and other reconstruction requirements. Of these IRRF funds, \$6 billion has been disbursed, and we anticipate disbursing billions more in 2006.
- As these funds support on-the-ground projects in Iraq, the Iraqis will feel the impact of an improved economic infrastructure, a more vibrant democracy, and stronger civil society organizations.

- The Iraqi education system indoctrinated a generation of children and did not provide them the skills needed to manage and grow an economy.

The World Bank and UN in October 2003 estimated Iraq's reconstruction needs at \$55 billion over four years.

- Iraq had accumulated more foreign **debt as a share of GNP** than any other country, with roughly \$124 billion in debt owed to foreign governments and corporations.
- **Banking was dysfunctional**, with no credit facilities or effective payments system.
- The **agriculture sector** was unable to provide a dependable source of food and income. The Government imported food rations and

distributed them freely to all citizens, sapping the sector of its competitive ability.

- With sanctions following the Gulf war, Iraq became a **closed economy** dominated by **inefficient state-owned enterprises** and no incentive to raise productivity.
- Only 5.5 million of Iraq's 25 million population had access to a **safe and stable water supply**. Iraq's cities suffered from inadequate sewage systems.
- Iraq averaged 4,300 MW of **peak electricity generation**, supplying Baghdad with 12-24 hours of power a day by diverting power from the rest of Iraq, left with 4-12 hours.
- Only select senior **members of the Baath Party** had access to satellite television, cell phones, or the Internet.

SEWAGE PROJECTS IN SADR CITY

IRRF programs work with military programs to get post-conflict areas up and running as soon as possible. One example of such civilian-military cooperation was the \$70.5 million used to provide sewer services in Sadr City. This helped create jobs and improve conditions in this large, poor area of Baghdad.

IRAQ IN 2006:

ON THE PATH TO DEMOCRACY AND PROSPERITY

With the help of the US and the international community, Iraq has started on the path to fulfilling its potential as a stable, democratic, and prosperous country. This is despite an ongoing insurgency that targets Iraqis, foreign civilians, and the country's key infrastructure. Even with these challenges, the Iraqis have been able to achieve some critical successes:

- **Free Elections** are transforming Iraq. In 2005, Iraq held two parliamentary elections and a constitutional referendum, with turnout increasing each time cumulating in 76% of registered voters participating in the December 2005 elections.
- **Economic recovery** is picking up. The International Monetary Fund estimates GDP grew by 2.6% in 2005, and is expected to grow by 10.4% in 2006, adjusted for inflation.
- A **stable currency**, introduced in October 2003, has allowed the Central Bank of Iraq to manage inflation; the IMF estimates inflation was 32% in 2004 and remained stable at this level in 2005.
- **Iraq is rejoining the international community.** It is on the road to WTO accession, and received both an IMF credit facility and its first World Bank loan in 30 years.
- **Debt relief agreements** are helping Iraq with its economic outlook; Iraq has secured an agreement to forgive at least 80% of its Saddam-era debt.
- **Foreign and domestic banks** are opening new offices.
- The **stock market** established in April 2004 currently lists nearly 90 companies.



Top: Work on the new \$4.38 million substation in Erbil started in October 2004 and finished in November 2005.

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A local Iraqi company performed the work, with quality control by the U.S. Army Corps of Engineers. Middle: On January 4, 2006, the substation was turned over to the Iraqi Ministry of Electricity, the first sub-station to be turned over in the north. Bottom: The IRRF contractor trained the Iraqi crew as part of a capacity-building program that strengthens technical skills. This will help to ensure that the substation is properly operated and maintained well into the future.



- Iraq had virtually no **cell phone subscribers** in 2003. Today, there are more than 5 million cell phone subscribers, and an estimated 2,000 Internet cafés.
- 77% of Iraqi **businessmen anticipate growth** in the national economy over the next two years, in a recent nationwide poll, and **69%** are **“optimistic” about Iraq’s future.**

Five IRRF Project Highlights:

- Three elections supported with logistics and through Electoral Commission training.
- Over 2,700 MW of electricity generation capacity added, rehabilitated, or maintained (at present 30% of total generation capacity).
- 37 Iraqi Army battalions trained and given responsibility for their areas.
- Built/repaired water treatment plants for 2.7 million Iraqis and sewerage for 4.9 million.
- Nationwide polio and measles vaccinations improved children's health.

HOW US-FUNDED RECONSTRUCTION EVOLVED



Iraqi workers maintain an oil pipeline as U.S. Army 42nd Infantry Division engineers examine pipelines for possible expansion near Bayji.

The strategic objectives of our reconstruction program are clear and constant: to help the Iraqis build a democratic, stable and prosperous country, at peace with itself and its neighbors, and a partner in the war against terrorism.

The IRRF is a dynamic program, which has responded to evolving Iraqi Government priorities, events on the ground, and lessons learned.

In the aftermath of Iraq's liberation in April 2003, the top priority was large-scale infrastructure projects to restore Iraqi oil production and government revenue, and to restore essential services in electricity, potable water, sewage, education and health.

There were core assumptions around which we structured our assistance program: that the political transition would take several years and that our assistance

would act as an initial infusion to kick-start the economy and repair or construct large-scale critical infrastructure neglected by Saddam's regime.

After an extensive inter-agency strategic review during the summer of 2004, we adapted our programs to meet the evolving situation on the ground.

- The Iraqi Governing Council's adoption of a Transitional Administrative Law accelerated the timing of the political process, which required

FOSTERING LOCAL GOVERNANCE

Provincial Reconstruction Development Committees (PRDCs), composed of provincial government and national ministry representatives, empower elected local officials in the decision-making process of reconstruction. The USG allocated \$10 million in IRRF funding to each of the 15 PRDCs, for a total of \$150 million, to help fund priority local projects.

- more funds to support voter registration and election infrastructure.
- The security threat increased as insurgents targeted coalition military forces, Iraqi civilians, and key nodes of the Iraqi oil and electricity infrastructure – requiring more funds to quickly



An Iraqi woman in Baquba votes in Iraq's constitution referendum, October 15, 2005.

train and equip Iraqi forces.

- Insurgents also began targeting US reconstruction, killing about 300 contractors to date and driving up security expenses to 16-22% of project costs.

- Lessons learned pointed towards small-scale, quick-

release reconstruction projects in targeted communities, employing more Iraqis and winning their support.

- In October 2004, \$3.5 billion in IRRF was reprogrammed to training and equipping Iraqi armed forces, elections support, and community-level reconstruction projects.

We have shifted some US reconstruction projects from large international firms to direct contracts with local Iraqi firms and through partnerships with Iraqi ministries (who in turn

contract with Iraqi firms, under US supervision). Previously, only 25% of IRRF contracts were contracted directly; now 75% of remaining IRRF funds are implemented this way.

In 2005, following Iraq's first provincial elections in decades, a new priority emerged – empowering local governments by providing them with funds to implement community reconstruction projects.

In its final projects to be implemented in 2006, the IRRF is focusing on four priorities. First is boosting the capacity of local and national-level governments; second is sustainment of infrastructure rebuilt through the IRRF; third is completion of mostly smaller essential service projects; and fourth is private sector development.

As of February 1, of the \$18.4 billion, \$15.5 billion has been obligated and \$10.5 billion has been disbursed. We have an FY 2006 obligation plan for the remaining \$2.9 billion that is managed daily and updated monthly. These remaining funds continue to be programmed against projects that are crucial to our strategy for success in Iraq. These projects are timed to be concluded in the

CHALLENGES TO RESTORING OIL PRODUCTION

Oil production in 2002 was 2.0 million barrels per day, per USG estimates. Iraqi oil production remained at 2.08 million barrels per day in 2005. Iraq's oil production and exports continue to face challenges.

- **Poor Infrastructure.** Decades of mismanagement, corruption, decay, war, looting, and no capital investments, have led to dilapidated infrastructure and poor maintenance of facilities.
- **Targeted Attacks.** Attacks against infrastructure by insurgents have limited the government's ability to capitalize on oil reserves and provide for the needs of its people.
- **Demand Increase.** Demand, driven by the liberalization of border trade and increased salaries of Iraqis, is at an all-time high.

IRRF projects have helped prevent further decline, and contributed to creating the infrastructure necessary to significantly increase oil production. By early 2006, we will have rehabilitated one offshore oil terminal, rebuilt parts of Iraq's natural gas infrastructure, restored production in older wells, and completed 30 new wells. In addition, we are helping to build Iraqi capacity to better operate and maintain their oil infrastructure.



Iraqi engineers monitor controls at the Baghdad South power plant. IRRF funds are helping to repair Iraq's nationwide electrical system.

first months of Iraq's first permanent government since Saddam's fall. They will support the new government's ability to respond to its citizens' needs, and show our commitment to the new government and the Iraqi people.

The \$2.9 billion remaining under the IRRF breaks down as follows:

- \$750 million within the Electricity Sector provides funding for projects which will add another 500 MW in generation capacity and 500 MW in transmission capacity, building on completed IRRF projects that have increased generation capacity already by over 2,700 MW in this challenged sector. The remaining projects will also deliver more reliable power through improved transmission and distribution systems.
- \$650 million within the Water Sector will be used to increase water treatment capacity to serve an additional 1.7 million Iraqis. The funds will also be used to implement important irrigation and water drainage projects. Among the key projects to be funded are the Nasiriyah Drainage Pump Station,

which will increase the amount of drained agricultural lands by 543,000 acres; grouting equipment for the Mosul Dam, Iraq's largest dam; operations and maintenance support for USG-rehabilitated and constructed facilities; and completion of a new sewer collection and treatment system for Fallujah (serving the entire city population of 200,000).

- \$180 million in the Oil Sector will complete the following ongoing critical projects: Qarmat Ali Water Injection project (to increase oil production in the Rumeila Oil Field in the south by up to 200,000 barrels a day); southern well work-overs (to reinstate approximately 60 wells, adding up to 300,000 barrels a day in production); the South Oil Company Liquefied Petroleum Gas Plant (to reinstate LPG production and allow Iraq to reduce costly imports of this widely-used cooking fuel); and the Al Fatha River Crossing (to restore the flow of oil from the Kirkuk fields to the rest of country); and the Basra Oil Terminal (to refurbish the country's main offshore export terminal).
- Approximately \$210 million for projects within the Transportation and Telecommunications Sectors.

DIRECT CONTRACTING WITH IRAQIS

The US is improving IRRF results by contracting directly with Iraqi firms and through partnership agreements with ministries. This results in more private sector jobs for Iraqis and reduced security and overhead costs, while boosting the ministries' contracting ability.

- The Ministry of Construction awarded \$70 million of IRRF to Iraqi contractors with US oversight auditing. This has led to eight road/bridge projects yielding 35% in savings.
- We have completed over 100 potable water projects in Iraq using direct contracts.
- We are directly contracting many electricity transmission and distribution projects to local firms on a fixed price basis.

- In Civil Aviation, projects to be funded will provide the capability of over 6500 flights per month within Iraq. These include the Baghdad terminal and tower construction, radar equipment, and upgrades to the airports in Mosul and Basrah.
- In Telecommunications, remaining IRRF projects support the repair of Iraq's fiber optic network, and construction of a major telephone exchange in Baghdad to house a network operations center, international gateway and telephone switch.
- \$185 million within the Security Sector continues training and equipping of Iraqi police, and construction of borders forts and ports of entry. Additionally, this funding supports the Iraqi Armed Forces with equipment, renovation of barracks, and training.
- \$157 million within the Justice Sector includes two major new prison construction projects, and a third renovation project. The first facility will provide housing for 1,800 inmates, and the second will house 800 high-security risk inmates with one inmate per cell. Both of these units will provide medical care to include on-the-spot inmate medical emergencies, dental care and rehabilitation training. The renovation project is a 1,200-bed unit in Dahuk.
- In addition, \$562 million is for contingency funds to manage the close-out of specific ongoing projects, and to pay for unforeseen materials and contract costs. Most of these funds will be obligated in February.
- \$190 million is for priority projects and programs in a variety of sectors for which we sent Congressional Notifications last quarter and in the January 2207 Report. As soon as we complete the Notification process, these funds will be obligated.

SUPPORTING THE NATIONAL STRATEGY FOR VICTORY IN IRAQ

THE SECURITY TRACK

Our strategy involves **three integrated tracks** – security, economic, and political. Progress along each of the tracks reinforces the other two.

The objective of the security track is to develop the Iraqis' capacity to secure their country while carrying out a campaign to neutralize the insurgency. To achieve this objective, we are helping the Iraqi government **clear** areas of enemy control, **hold** those areas with Iraqi forces, and **build** capacity of Iraqi institutions to



Iraqi Army parading to a voting location in Ramadi. The Iraqi Army voted on December 13, in advance of the December 15, 2005 parliamentary elections.

train forces and advance the rule of law.

Some examples of IRRF support for the security track:

- **Building the Iraqi Army:** In less than two years, a Defense Ministry has been established and staffed with civilian and military personnel. Initial training, equipping and housing for most units of a 10-division army has been accomplished, primarily using IRRF. There is more to do

to build the sustaining institutions and infrastructure of the Iraqi Army, but even in this short period of time more than a third of army units have been developed to the point that they now take the lead in their areas of responsibility.

- **Building the Iraqi Police:** IRRF has funded the initial training of about 80,000 Iraqi police, as well as specialized training for hundreds of police, and construction of police academies and stations.

IRRF Support to the Security Track: IRRF programs have paid many of the costs to train, equip and maintain the Iraqi Security Forces. In 2004-2005, IRRF funds contributed **30%** to security project funding, while the remainder comes from the Iraqi budget and other USG appropriations. This has allowed the Coalition and the Iraqi Security Forces to make substantial progress on the President’s **“Clear, Hold, Build”** strategy.

- **Clear:** During much of 2004, major parts of Iraq and important urban centers were no-go

areas for Iraqi and Coalition forces. Fallujah, Najaf, and Samara were under enemy control at certain points in 2004. Today, these cities are under Iraqi government control, and the political process is taking hold.

- **Hold:** In June 2004, no Iraqi Security Force unit held territory on its own. Today Iraq forces have full responsibility for security in much of Baghdad province and in the cities of Najaf and Karbala.
- **Build:** IRRF funds have contributed to the training and equipping (as of December 2005) of over 226,000 Iraqi security force personnel. 96 Iraqi Army battalions are in the fight (almost 20-fold increase from 2004). As of January 2006, 37 battalions have assumed primary control of their own areas of responsibility. 28 Iraqi Special Police battalions are conducting operations. We are also “training the trainers,” with half of Iraqi police and army recruits being taught by Iraqi instructors.

Allocation	Obligated	Disbursed
\$5.1 billion	\$4.8 billion	\$4.2 billion

SUPPORTING THE NATIONAL STRATEGY FOR VICTORY IN IRAQ

THE ECONOMIC TRACK

The objective of the economic track is to assist the Iraqi government to deliver the essential services and create the enabling environment to support sustainable economic growth. To achieve this objective, we are helping the Iraqis *restore* neglected infrastructure; *reform* the economy; and *build* the capacity of institutions.

Restore neglected infrastructure while under insurgent attack.



A nurse keeps an eye on a premature baby in the neonatal ward of Tahrir el Aam (Liberation Public Hospital), which is supported through IRRF funding.

■ **Electricity:** More than 2,700 MW of generation capacity has been added, rehabilitated, or maintained, representing 30% of generation capacity. US assistance was critical to helping prevent a collapse of the electrical power infrastructure because of 20 years of neglect, though it faces many of the same challenges as the oil sector.

■ **Water & Sewage:**

Nineteen potable water treatment facilities have been built or rehabilitated, providing a standard level of service to about 2.7 million Iraqis. Eight centralized sewage treatment facilities have been rehabilitated, adding capacity to benefit 4.9 million Iraqis.

■ **Health Care:** Vaccination campaigns have ensured no infectious disease outbreaks. Malaria cases dropped from 1,043 cases to 86; 98% of children under five have been vaccinated for polio.

■ **Agriculture:** We rehabilitated irrigation infrastructure reaching 445,000 rural residents on 321,000 acres; planted 43,500 date palm mother plants in 13 orchards in 11 governorates. Our efforts also developed and strengthened 54 private agriculture-based associations, cooperatives, and NGOs. This was done while introducing 12,600 farmers, public officials, and university staff to technologies for high value cash crops and cereal grains.



An Iraqi corn broker walks through his supply while preparing it to be shipped to retail markets. IRRF funding is helping to boost the private sector in agricultural produce through loans to local entrepreneurs.

■ **Telecommunications:** A First Responders Network for Iraqi police in 15 cities, a Wireless Broadband Network for 32 Iraqi government facilities, and 13 new switches to Baghdad's telephone network (restoring service to 200,000 customers), have all been created.

Reform the economy and **build** institutional capacity:

■ **Technical assistance:** Helped Iraq obtain an IMF program, implement fuel subsidy reform, redesign a social safety net, modernize its budget expenditure system, establish an Investment Promotion Agency, and start WTO accession negotiations.

■ **Private Sector:** Delivered 22,000 micro-loans, creating over 32,000 new private sector jobs.

Allocation	Obligated	Disbursed
\$10.2 billion	\$8.1 billion	\$4.7 billion

SUPPORTING THE NATIONAL STRATEGY FOR VICTORY IN IRAQ

THE POLITICAL TRACK

The objective of the political track is to help the Iraqi people forge a broadly supported national compact for a democratic government. To achieve this objective, we are helping the Iraqi government to isolate hardened enemy elements from those who can be won over to a peaceful political process, *engage* those outside the political process and invite in those willing to turn away from violence, and *build* stable, pluralistic, and effective national institutions that can protect the interests of all Iraqis.

Engage those outside the political process:

- More than 300 parties and coalitions registered for the December 2005 elections, and roughly 11 million voters participated, including many who had opposed the constitution and boycotted elections in January. IRRF funded technical assistance to the Independent Electoral Commission of Iraq and the Transitional National Assembly.
- IRRF supported the Constitutional Dialogue program that reached 93,494 Iraqis through more than 3,610 community events.
- IRRF supported the establishment of “Iraq’s Promise,” a women’s advocacy/lobbying group across all sectors of Iraqi society aimed at protecting women’s rights.



Above: An Iraqi consults campaign posters for the December 15, 2005 elections in Sulaymaniyah.



Left: Two women proudly display ink-stained fingers in Kirkuk after the January 30, 2005 parliamentary elections.

Build stable, pluralistic, and effective national institutions:

- **Justice/Civil Society:** In 2004, the Central Criminal Court of Iraq on average held fewer than 10 trials and hearings per month. With IRRF technical assistance, the Court prosecuted more than 50 multi-defendant trials, and conducted over 100 hearings in September 2005 alone. IRRF supports the court’s expansion by funding the opening of provincial branches, and the training of hundreds of judges.

- **Human Rights:** IRRF supports centers around Iraq, which treat torture victims. IRRF provided forensic training and equipment for mass graves exhumation. IRRF was used to establish the Regime Crimes Liaison Office, which helped investigate three major mass graves, and continues to gather evidence against members of the Saddam Hussein regime.
- **Migration/Refugees:** IRRF supports Iraq's Ministry of Displacement and Migration to provide humanitarian assistance and education

for more than one million internally displaced persons and tens of thousands of returning Iraqi and foreign refugees.

- **Education:** 32% of Iraq's schools have been rehabilitated, more than 36,000 teachers trained, and approximately 8.7 million revised math and science textbooks and 3 million school supply kits have been provided to students nationwide.

Allocation	Obligated	Disbursed
\$2.6 billion	\$2.4 billion	\$1.6 billion

US ASSISTANCE AS PART OF THE INTERNATIONAL EFFORT ON IRAQ RECONSTRUCTION

The US actively encourages other countries to participate in Iraq's reconstruction. Our aid program was the first on the ground, and it is helping to pave the way for others.

At the October 2003 International Conference on Iraq in Madrid, over 40 countries and international institutions pledged **\$13.5 billion in aid to Iraq over four years (2004-2007).**

- **Japan,** the largest donor after the US at Madrid, pledged \$5 billion, of which \$1.5 billion has been disbursed on the ground. Japanese aid has, for example, rehabilitated 3 hospitals, provided 742 ambulances, and is building a 60 megawatt power station.
- **The European Commission** pledged 200 million euros (about \$235 million) per year in



Iraqi workers on an IRRF project inspect recently dug cable trenches to ensure underground power cables have been laid correctly. Improved electrical services for local Iraqi homes and businesses will decrease dependency on neighborhood generators and provide a more continuous supply of power for local residents.

2004, 2005, and 2006, disbursed mainly through the UN and World Bank. It has provided direct training for over 700 Iraqi judicial, police and prison personnel.



Loaders remove accumulated silt from storage reservoirs in the Sweet Water Canal IRRF project that supplies all the fresh water to the city of Basra and environs.

The UN and World Bank created trust funds for Iraq, providing multilateral vehicles for donors. These two funds have attracted \$1.3 billion in donations to date, allocating funds for \$1.1 billion in reconstruction projects in Iraq.

- The UN has used the trust fund to dredge the port of Umm Qasr, rehabilitate health clinics in each of Iraq's 18 provinces, and repair irrigation canals.
- The World Bank has focused on governmental capacity building, training over 600 Iraqi officials in 19 ministries, the Central Bank, and universities.

The United Nations, with over 1,000 personnel in Iraq, also coordinated international assistance to the Iraqi elections, and the constitution drafting and referendum processes.

Debt relief is critical to Iraq's reconstruction:

- In November 2004, the Paris Club group of

creditor nations agreed to forgive at least 80% of Iraq's approximately \$40 billion debt to its members. Iraqi press described this deal as Iraq's "second liberation."

- The US led the way by forgiving 100% (\$4.1 billion) of Iraq's debt, using \$352 million in IRRF to pay the US budget cost of this forgiveness.

Other international donors and creditors, including **Iraq's Gulf Arab neighbors**, have pledged significant contributions to Iraq's reconstruction. These pledges will be critical to Iraq's continued recovery and reintegration into the region.

- The formation of Iraq's elected government, and a planned **international conference** in the spring of 2006, should further accelerate the implementation of pledges.

COVER PHOTO CAPTIONS CLOCKWISE FROM TOP: 1. Iraqi workers carry out renovation on the Al-Doura power plant in Baghdad. **2.** Engineers make a site inspection at the Baghdad South electricity power plant, part of the 29 major generating plants, transmission grids and local substations the USG is helping to repair. **3.** Iraqi civil engineers survey the site preparation for an extension to the Saba Nisan water treatment plant, part of a \$15 million grant to expand drinking water for the Baghdad region. **4.** Iraqi workers take a break while putting finishing touches on the refurbishment of a school. **5.** A young Iraqi marches in a parade supporting Iraqi Prime Minister Ibrahim al-Jafaari in Baghdad. ©AP Photo. **6.** Female students received schoolbags full of school supplies through a USAID-funded project. All Iraqi secondary students will receive the bags.



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