

## APPENDIX II

### Contributions from Other Donors

#### International Resources for the Reconstruction of Iraq:

During this past quarter, the United States has worked hard to build on the success achieved at the October 2003 Madrid International Donors Conference. At this conference, donors other than the United States pledged over \$13.5 billion in assistance for the reconstruction of Iraq. This includes \$8 billion in assistance from foreign governments and \$5.5 billion in lending from the World Bank and International Monetary Fund (IMF) -- all to be disbursed between 2004 and 2007. As of December 2004, over \$2.5 billion of the pledges of non-U.S. assistance had been disbursed, either in bilateral projects or through the International Reconstruction Fund Facility for Iraq (IRFFI).

#### *The International Reconstruction Fund Facility for Iraq (IRFFI)*

The Madrid Conference authorized the establishment of the IRFFI, which gives donors a multilateral channel for their assistance to Iraq -- in addition to donors' own bilateral assistance activities. The IRFFI is a mechanism for the joint management of World Bank and United Nations (UN) reconstruction trust funds. As with bilateral assistance, funds channeled through the IRFFI are funded out of donors' pledges at Madrid.

- The Donors' Committee of the IRFFI held its third meeting in Tokyo, Japan, on October 13-14, 2004. The Donor's Committee consists of 15 countries that have committed at least \$10 million to the fund facility and also includes two rotating representatives (currently Finland and Turkey) from countries that have committed less than \$10 million.
- At the Tokyo meeting, the Iraqi Interim Government (IIG) established its central role in soliciting international support for Iraqi reconstruction. It also presented its National Development Strategy, which was well received by donors. Donors, for their part, reaffirmed their support for Iraqi reconstruction.
- The next Donors' Committee meeting is scheduled tentatively for this spring in Amman, Jordan.
- Current donor commitments to the IRFFI total about \$1.03 billion. Of this amount, \$490 million is from Japan; \$200 million from the European Commission; \$127 million from the UK; \$67 million from Canada; \$20 million from Spain; \$18 million from Australia; \$12.9 million from the Netherlands, \$12 million from Italy; \$10 million each from the United States, India, Iran, Kuwait, Republic of Korea, Qatar, Norway, and Sweden. Belgium, Finland, Greece, Iceland, Ireland, and Turkey are committing amounts less than \$10 million each.

- Of the \$1.03 billion in commitments, \$1 billion has been deposited in the IRFFI trust funds and holding accounts by other donors, including \$10 million from the United States.
- The UN and World Bank have submitted their project proposals for approval to the Iraqi Strategic Review Board (ISRB). The ISRB is an Iraqi coordinating body chaired by the Minister of Planning and Development Cooperation that reviews requests for and offers of external donor assistance.

### Updates on Selected Major Donors

The January 2004 report to Congress included a table of pledges made at the Madrid International Donors Conference. Since that report, donors have begun disbursing and implementing their assistance.

#### *Japan*

Japan has pledged more assistance to Iraq than any other country except the United States. Japan pledged over \$1.5 billion in grant assistance aimed at immediate humanitarian and reconstruction needs, as well as up to \$3.5 billion in yen loans (concessional lending). Among priority areas of Japan's grant assistance are electricity, water and sanitation, health and education; yen loan priority areas include communication and transport sectors. Japan has extended humanitarian and reconstruction to Iraq through various channels such as direct assistance, international organizations, non-governmental organizations (NGOs), while also providing training in Iraq's neighboring countries.

As of December 2004, Japan had disbursed \$1.25 billion in grant assistance from its Madrid pledge. Of this, Japan had deposited a total of \$490 million to the IRFFI (\$360 million to the UN fund and \$130 million to the World Bank fund). Japan has also deposited \$10 million to the small business financial facility of the International Finance Corporation (IFC). In addition, Japan has disbursed \$90 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--\$660 million--have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

Japanese assistance is already making a difference on the ground in Iraq. Projects already completed or under implementation include:

- Rehabilitation of three electrical power stations (Taji Gas Turbine, Mosul Gas Turbine, and Mosul Hydroelectric).
- 12 water tankers donated by Japan to be used by the city of Samawa in cooperation with Japan's Self Defense Forces, which are purifying about 70 tons

of water a day. With the provision of 26 more water tankers, 311 water tanks, and 6 water treatment units, over 200,000 people in the vicinity will be provided with clean water.

- Grant assistance for Japanese NGO projects to the Samawa Maternity and Children's Hospital, which have provided medical equipment, including infant incubators, phototherapy units for incubators, and electrocardiographs to the only children's and maternity hospital in Al-Muthanna Governorate. Medical supplies have also been provided to the Samawa General Hospital and Al-Rumaytha and Al-Khidhur hospitals.
- The repair of roads between Al-Khidhur and Darraji and between Mahdi and Sawa in Al-Muthanna Governorate as well as the provision of construction equipment to restore damaged roads and bridges in the Governorate.
- Contributions to UNESCO, which are allowing capacity strengthening in the Ministry of Education and a recovery project for the restoration laboratory of the Iraqi National Museum to move ahead.
- Donation of 1,150 police vehicles.
- Donation of 70 fire trucks to Baghdad, Basra, and Muthanna.
- Rehabilitation and equipping of four general hospitals (Nasiriyah, Najaf, Diwaniyah, and Samawah) in southern Iraq and four more in northern Iraq (Kirkuk, Erbil, Mosul and Dahuk).
- 27 mobile electricity substations.
- 30 compact water treatment units in Baghdad.
- Through HABITAT, assistance for rehabilitation of schools and housing and community facilities.
- Through HABITAT, assistance for rehabilitation of about 271 schools in Basrah, Samawa, Nashiria, and Amra, and of about 3,000 housing and community facilities in Baghdad, Samawa, and Kirkuk.
- Training in Japan of Iraqi diplomats, staff of Al-Muthanna TV Station, and hospital directors in Al-Muthanna Governorate. Training in Cairo of 100 Iraqi medical staff and training in Jordan in electricity, statistics, and water resources management for a total of 85 personnel.

### *The United Kingdom*

At Madrid, the UK pledged \$452 million for the Iraq reconstruction effort up through March 2006. This is in addition to the UK's earlier assistance for the humanitarian effort and its assessed portion of the European Commission's assistance. Through October 2004, the UK has disbursed in excess of \$230 million of its Madrid pledge.

The UK has deposited over \$127 million in the IRFFI (\$71 million to the World Bank Trust Fund and \$56 million to the UN Trust Fund). Further contributions to the IRFFI from the UK's Madrid pledge will be considered depending on the effectiveness of its operations and its need for additional funding. The UK also made a \$15 million contribution to an Iraqi small and medium size enterprise (SME) lending facility established by the IFC.

In addition to the \$142 million in multilateral contributions, the UK is implementing bilateral projects for reconstruction. Through October 2004, the UK has disbursed approximately \$90 million for bilateral projects that include reconstruction in Southern Iraq, governance and economic capacity building, and support to both the justice sector and civil service.

The UK is providing \$10 million for elections. It is also considering more contributions to the IRFFI, depending on the Fund's progress in disbursing its existing funds.

### *Spain*

Spain pledged \$220 million in reconstruction assistance at the Madrid Donors Conference. Of this amount, \$60 million was intended for 2004. Out of this \$60 million, Spain has deposited \$20 million to the World Bank trust fund within the IRFFI, as well as \$5 million for the IFC small business facility. It also provided \$18 million for the production of new Iraqi dinars and is still programming the remaining \$17 million of its 2004 pledge. At the recent Tokyo meeting, Spain announced that it was considering an additional \$20 million contribution to the IRFFI.

### *Canada*

Canada pledged \$187 million at Madrid. This is in addition to the \$42 million in urgent humanitarian relief disbursed in 2003 in response to the UN Humanitarian Appeal.

Canada initially deposited \$44.7 million to the IRFFI, which was equally divided between the UN and the World Bank trust funds of the IRFFI. In September 2004, Canada deposited another \$15.3 million in the UN trust fund to be used to support Iraqi elections. In addition, Canada has allocated over \$35 million in bilateral assistance. This includes \$29 million to UNICEF and \$3.7 million to CARE Canada for reconstruction work to improve basic services in water and sanitation, basic health and education, and

child protection. It has also allocated \$2 million to assist the “Marsh Arabs” and \$0.5 million to UNDP for work on Iraqi governance.

Canada has also allocated \$7.3 million over two years for deployment of Canadian police instructors to assist in the training of Iraqi police at the multi-national police academy in Jordan. The first contingent of 20 trainers arrived in January 2004.

Canada's priorities for the remainder of its assistance include: social and economic needs of Iraqis; good governance, in both Iraq and in the Middle East; the promotion of human rights and gender equality; and helping to reconstitute an effective and responsible Iraq security sector.

### *The European Commission (EC)*

In late 2004, the EC has proposed contributing another 200 million euros in assistance for 2005, much of which would likely be channeled through the IRFFI. The EC in November 2004 also announced 30 million euros of elections support. Half of this will be new funding, while the other half will be reprogrammed funding from its earlier IRFFI contribution.

The EC had already pledged 200 million euros (then worth \$235 million) at the Madrid Donors Conference. At the end of 2003, the EC provided \$47 million for UN-implemented activities and \$3 million to the World Bank for Iraqi capacity building training. In June 2004, the EC deposited \$100 million in the World Bank portion of the IRFFI and \$58.6 million in the UN portion. It deposited another \$43.2 million in the UN portion in December 2004. As set out in its Iraq Assistance Program adopted on March 4, 2004, the Commission's priorities for Iraq reconstruction in 2004 are:

- Restoring and strengthening delivery of public services - \$113 million to support the re-establishment of key public services – education, both primary and secondary; health, particularly children's immunization programs; and clean water and access to sanitation.
- Livelihoods and poverty reduction - \$75 million to support generation of immediate local employment, contribute to efforts to develop sustainable sources of income through the development of the private and agricultural sectors, and help create social safety net provisions.
- Strengthened governance, civil society, human rights - \$12 million, in part to channel support to the UN and World Bank to assist in the holding of elections, reforming the justice system, reinforcing civil society and a free media, and for assistance in good governance. Additional financing from EC bilateral democracy and human rights programs will complement these initiatives.

On June 9, 2004, the EC set out in a report to the European Council and the European Parliament its short- and medium-term strategy for relations between the European Union

(EU) and Iraq. Entitled *The European Union and Iraq: A Framework for Engagement*, it is available at [http://europa.eu.int/comm/external\\_relations/iraq/doc/com04\\_417\\_en.pdf](http://europa.eu.int/comm/external_relations/iraq/doc/com04_417_en.pdf).

### *World Bank*

As of the end of December 2004, donors had committed \$398 million to the World Bank trust fund of the IRFFI. Of this, \$386 million has been deposited. With these deposits, the World Bank is implementing the following projects:

<b>Operation</b>	<b>Projected Costs</b>
Emergency Textbooks	\$40 million
Emergency School Rehabilitation	\$60 million
Water Supply and Sanitation - Baghdad	\$65 million
Water Supply and Sanitation - other than Baghdad	\$90 million
Emergency Health	\$25 million
Private Sector Development	\$55 million
Capacity Building	\$ 7 million
Emergency Community Infrastructure	\$20 million

As of December 2004, the Textbook project was continuing to deliver textbooks to classrooms. The Ministry of Education has signed over \$27 million in textbook printing contracts. By December 18, 2004, the IIG and World Bank had signed grant agreements for all of the projects above and are now in the implementation phase. In addition to the World Bank's first capacity building project (\$3.6 million), which has already been completed, the World Bank's projects, completed or under implementation, total about \$365 million.

The World Bank is operating from Amman, Jordan, and has established a videoconference link between its Amman office and the Iraqi government to facilitate project development and coordination with World Bank and UN teams (also operating primarily out of Amman) and with other donors.

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

At Madrid, the World Bank pledged to offer at least \$3 billion in lending to Iraq. The Iraqi government and World Bank are currently in preliminary discussions about a possible concessional lending program. In December 2004, Iraq cleared its arrears to the World Bank, making it eligible for lending again.

### *United Nations*

As of the end of December 2004, donors had committed \$664 million to the UN trust fund of the IRFFI. Of this, \$627 million had been deposited. The UN has developed a strategic planning framework, organized along eleven “clusters” with various UN specialized agencies working together under a cluster lead agency in each. The clusters are:

1. Education and Culture
2. Health
3. Water and Sanitation
4. Infrastructure and Housing
5. Agriculture, Water Resources, and Environment
6. Food Security
7. Mine Action
8. IDPs and Refugees
9. Governance and Civil Society
10. Poverty Reduction and Human Development
11. Support to Electoral Process

As of November 2004, the UN had developed 38 projects, valued at over \$400 million, all of which have been approved for implementation by the Iraqi government. The first UN projects under the IRFFI are underway, including the provision of school supplies, vaccines, support for internally displaced persons (IDPs) and refugees, and elections assistance. By the end of November 2004, the UN trust fund had obligated \$133 million in binding contracts for implementation and had disbursed \$57 million. By the end of December, the UN expected to have obligated \$200-\$220 million and to have disbursed \$100-\$140 million.

### *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 \$436 million in financial assistance in the form of Emergency Post-Conflict Assistance (EPCA). The main goals under the EPCA are to maintain macroeconomic stability, lay the groundwork for the development of a reform program that could be undertaken in years to come, and begin the process of restoring Iraq's fiscal and external debt sustainability.

The IMF has also been providing technical assistance to Iraq. This has included training in the macroeconomic policy areas of public expenditure management, fiscal federalism, tax policy, tax and customs administration, monetary operations, banking supervision, payments system reform, and statistics. Some of this training has been done jointly with the World Bank. The IMF has assisted in coordinating macroeconomic training with the other major providers: the World Bank, United States, and United Kingdom.