

## APPENDIX II

### Contributions from Other Donors

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

During this past quarter, the United States has continued to work 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 March 2005, over \$2.7 billion of the pledges of non-U.S. assistance had been disbursed. Almost \$2.3 billion of this was from other donor governments, either in bilateral projects or through the International Reconstruction Fund Facility for Iraq (IRFFI). Another \$436 million was in the form of IMF assistance. Donor government disbursements are defined here as meaning funds that have left government treasuries. Because much of it is being channeled for implementation through trust funds, contractors, NGOs, international organizations, and Iraqi institutions, the impact on the ground in Iraq is just starting to be felt.

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

The Madrid Conference authorized the establishment of the IRFFI (<http://www.irffi.org/>), 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. In February 2005, Canada assumed chairmanship of the IRFFI Donors' Committee from Japan.
- 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 May or June in Jordan.

- Current donor commitments to the IRFFI total about \$1.06 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, South Korea, Qatar, Norway, and Sweden. Belgium, Finland, Greece, Iceland, Ireland, Luxembourg and Turkey are committing amounts less than \$10 million each.
- Of the \$1.06 billion in commitments, \$1.02 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, and non-governmental organizations (NGOs), while also providing training in Iraq's neighboring countries.

As of December 2004, Japan had disbursed \$1.32 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--\$720 million--have been in direct bilateral projects or channeled through Iraqi institutions and NGOs for implementation.

Among Japanese projects are:

- 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 and equipment have also been provided to the Samawa General Hospital and Al-Rumaytha and Al-Khidhur hospitals and to 32 primary health centers in Al-Muthanna Governorate.
- The repair of roads between Al-Khidhur and Darraji and between Mahdi and Sawa and other roads in Al-Muthanna Governorate as well as the provision of construction equipment to restore damaged roads and bridges in the Governorate.
- 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.
- Donation of 742 ambulances.
- Rehabilitation and equipping of four general hospitals (Nasiriyah, Najaf, Diwaniyah, and Samawah) in southern Iraq, four more in northern Iraq (Kirkuk, Arbil, Mosul and Dahuk), and three in Central Iraq (Baghdad, Amarah, and Kut).
- 27 mobile electricity substations.
- 30 compact water treatment units in Baghdad, 38 water tankers, and 6 water purification units.
- Through HABITAT, assistance for rehabilitation of about 271 schools in Basrah, Samawa, Nashiria, and Amra, and of about 3,000 houses 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 215 Iraqi medical staff and training in Jordan of about 90 electricity, statistics, and water resources management 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 (over 100 million pounds) and its assessed portion of the European Commission's assistance (38 million pounds). As of March 2005, the UK has disbursed over \$277 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. As of March 2005, the UK had disbursed approximately \$135 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.

### *Spain*

In addition to \$80 million it provided in 2003, largely for humanitarian needs, Spain pledged another \$220 million in reconstruction assistance at the Madrid Donors Conference for 2004-7. 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 to support elections and governance.

### *Canada*

Canada pledged \$187 million at Madrid (all figures are in US\$). 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, as well as about \$5.8 million to the International Mission for Iraq Elections. Canada now chairs the IRFFI Donors' Committee. In addition, Canada has allocated over \$44 million in bilateral assistance, of which it has already disbursed about \$19 million. These allocations include \$29 million to UNICEF, \$7.9 million for police training, 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. More details on Canadian assistance to Iraq is available at [www.acdi-cida.gc.ca/iraq](http://www.acdi-cida.gc.ca/iraq)

### *The European Commission (EC)*

By the end of 2004, the EC had 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. The EC in November 2004 also announced 30 million euros of elections support. Half of this was new funding, while the other half was reprogrammed funding from its earlier IRFFI contribution.

In late January 2005, the EC announced another 200 million euros in assistance for 2005. Of this, 130 million euros would be channeled through the IRFFI to support activities to restore and strengthen delivery of education and health services, increasing employment opportunities, and developing administrative capacity in the Iraqi administration. Another 15 million euros will go to bilateral technical assistance in the energy and trade sectors and 10 million euros to support the political process, the development of civil society, and human rights. The remaining 45 million euros is being held in reserve for future priority needs that arise.

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 March 2005, donors had committed \$398 million to the World Bank trust fund of the IRRFI. Of this, \$392 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 the end of 2004, the IIG and World Bank had signed grant agreements for all of the projects above, which are now in the implementation phase. As of mid-March 2005, the World Bank had disbursed \$12 million for work already completed. More details on the World Bank's IRRFI projects are available at <http://www.irffi.org/>.

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 concessional lending program. In December 2004, Iraq cleared its arrears to the World Bank, making it eligible for lending again.

## *United Nations*

As of February 2005, donors had committed \$668 million to the UN trust fund of the IRFFI. Of this, \$631 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. Internally Displaced Persons (IDPs) s and Refugees
9. Governance and Civil Society
10. Poverty Reduction and Human Development
11. Support to Electoral Process

As of February 2005, the UN had developed 50 projects, valued at over \$500 million, all of which have been approved for implementation by the Iraqi government. Among these projects, the UN has provided school supplies, rehabilitated schools, provided vaccines, supported internally displaced persons (IDPs) and refugees, conducted capacity-building training programs for Iraqi officials, and assisted in the elections. By the end of February 2005, the UN trust fund had obligated \$281 million in binding contracts for implementation and had disbursed \$141 million. A full list of the UN's IRFFI projects is available at the [www.irffi.org](http://www.irffi.org) website.

## *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.