



State of Play as on 31 May 2008

Overview

The European Commission's (EC) support to Iraq from 2003 to the end of 2007 amounted to €829 million, of which €711.2 million was allocated for reconstruction. All assistance was given in the form of grants. Table 1 shows the details of Commission support per year. It concerns both reconstruction cooperation managed by EuropeAid and humanitarian assistance managed by DG ECHO.

Table 1: Support of the European Commission to Iraq

	2003	2004	2005	2006	2007	Total
AIDCO	34	162.5	200	200	89.7	686.2
RELEX	8	14	-	-	3	25.0
Total	42	176.5	200	200	92.7	711.2

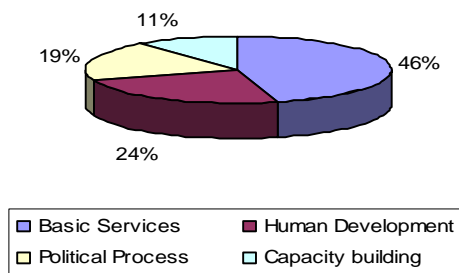
ECHO	100	-	-	-	17.8	117.8
Total Aid	142	176.5	200	200	110.5	829.0

All figures in € million.

AIDCO: EuropeAid Cooperation Office
RELEX: External Relations Directorate-General
ECHO: Humanitarian Aid Directorate-General

The distribution by main category of EC aid for reconstruction is shown below. Almost half the aid has gone into the development of basic services:

EC Aid Distribution by Main Category



Basic Services: Education, Health, Infrastructure, Water and Sanitation.

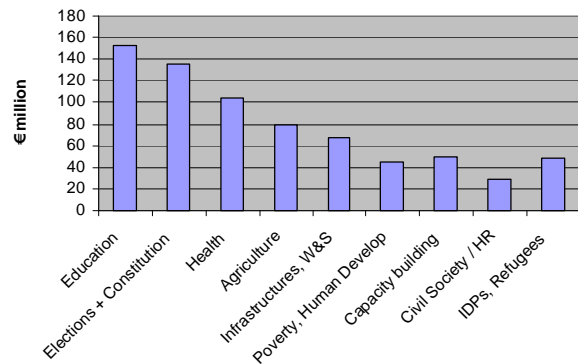
Human Development: Agriculture, Rural Development, Poverty Reduction, Land Mine Action, Durable Solutions for Refugees.

Political Process: Elections, Constitutional Process.

Capacity Building: Civil Society, Human Rights, Trade and Customs, Technical Assistance, Justice and the Rule of Law.

The following graph shows the distribution of total EC reconstruction aid by sector.

EC Total Aid per Sector*



* excluding Humanitarian Aid, managed by ECHO.

The Commission's support has been principally channelled through the **IRFFI – the International Reconstruction Fund Facility for Iraq**. This multilateral mechanism established in 2004, together with the United Nations Development Programme Thematic Trust Fund already in place in 2003 have been the recipient of €38 million of Commission funding or 90% of all Commission funds for Iraq (excluding ECHO) up to the end of 2007.

IRFFI

The IRFFI consists of two distinct trust funds, working independently but in a coordinated way: **the United Nations Development Group Iraq Trust Fund (UNDG ITF)** and the **World Bank Iraq Trust Fund (WB ITF)**.

A total of **25 donors** have contributed so far to the IRFFI. Details of contributions to the IRFFI by donor can be found in table 2 below.



In order to assess the efficiency and effectiveness of the IRFFI, the Donor Committee launched an external evaluation of the IRFFI in early 2008. The final report is expected in June 2008. The 7th IRFFI Donor Committee Meeting is postponed to July 2008 and will be tentatively held in Baghdad. It will review the outcomes and recommendations of the evaluation.

Table 2: IRFFI Donor Commitments*

Donors	UN ITF	WB ITF	Total	% of Total
EC	591.79	179.74	771.53	42.05%
Japan	360.95	130.63	491.58	26.79%
UK	55.54	71.39	126.93	6.92%
Spain	93.17	20.00	113.17	6.17%
Canada	63.79	26.67	90.46	4.93%
Australia	31.67	16.14	47.81	2.61%
Italy	29.78		29.78	1.62%
Korea	21.00	9.00	30.00	1.64%
Sweden	13.66	5.81	19.47	1.06%
Norway	7.01	6.72	13.73	0.75%
Netherlands	6.70	6.19	12.89	0.70%
Denmark	12.41		12.41	0.68%
Finland	7.70	2.58	10.28	0.56%
Germany	10.00		10.00	0.55%
India	5.00	5.00	10.00	0.55%
Kuwait	5.00	5.00	10.00	0.55%
USA	5.00	5.00	10.00	0.55%
Qatar	5.00	5.00	10.00	0.55%
Others **	12.57	2.00	14.57	0.79%
Total	1 337.74	496.87	1 834.61	100%

* All figures in US\$ million, as of 30 April 2008

** Others: Donors with less than US\$10 million: Greece (3.63), New Zealand (3.37), Luxembourg (2.32), Iceland (1.50), Belgium (1.32), Ireland (1.23) and Turkey (1.20).

UNDG ITF

Up to 30 April 2008, the UN window of the IRFFI received total commitments of \$1338 million, of which \$592 million committed by the Commission (**44% of total donor commitments**). EC commitments are allocated to specific sectors and, after being deposited in the UNDG ITF account, they are co-mingled with other donor's funds within each sector for the implementation of the approved projects of that sector.

Despite huge security and communication constraints, the UNDG ITF has been performing in a satisfactory manner. As of 30 April 2008:

- A total of **141 projects** had been approved for a **total of \$1111 million (83% of total donor commitments)**;

- Contractually committed funds amounted to \$860 million (77% of approved funding for projects and 64% of total donor commitments);

- Total disbursements of project funds amounted to \$747 million (67% of approved funding for projects and 56% of total donor commitments).

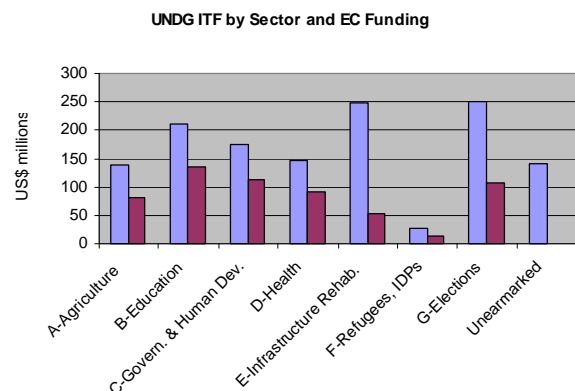
EC funds make up a very significant proportion of the overall funding of the UNDG ITF, ranging from 21% in the Infrastructure Rehabilitation sector to 64% in the Governance and Human Development and in the Education sectors. The table and graph below list the funds donated by the EC and the total allocation for each sector under the UNDG ITF.

Table 3: UNDG ITF by Sector and EC Funding

Sector	EC*	Total*	EC %
A-Agriculture	80	142	56%
B-Education	135	211	64%
C-Governance & Human Dev.	113	176	64%
D-Health	92	145	63%
E-Infrastructure Rehabilitation	53	247	21%
F-Refugees, IDPs	13	26	50%
G-Elections	106	250	42%
Un-earmarked	0	141	0%
Total	592	1 338	44%

* All figures in US\$ million, as of 30 April 2008.

UN work in Iraq is wide-ranging, as shown by the variety of sectors listed above. In order to meet the different expertise needs, **19 UN agencies** work together in the UNDG ITF projects.



In order to adapt to the difficult circumstances on the ground, the UN mostly employs local personnel and companies for project implementation. These



companies adopt a low-key approach, so as to limit exposure.

Identification and project follow-up are undertaken working hand-in-hand with line ministries. This enhances Iraqi ownership and leadership. Project monitoring is mostly done through ministries or independent local staff. By adopting these working methods, the UN has been able to make progress rapidly, while maintaining security expenditure at low levels (0.68% of total expenditure). Current levels of commitments and disbursements of the UNDG ITF can be considered satisfactory.

WB ITF

Total commitments to the WB ITF stand at \$496.87 million. Of these, **\$494.3 million** have been deposited in the Trust Fund up to 30 April 2008. The EC commitments amount to \$179.74 million (36% of all commitments).

These funds are currently being used to finance 16 approved projects amounting to \$439.2 million. Disbursed funds on 30 April 2008 were \$147.7 million, or 33.6% of the total for approved projects.

Table 4: WB ITF by Sector and EC Funding

Sector	EC*	Total*	EC %
Capacity building	8	8	100%
Education	55	56	98%
Infrastructure	26	138	19%
Agriculture	20	26	77%
Health	29	36	81%
Finance	30	76	39%
Social Protection	12	17	71%
Un-earmarked	0	137	0%
Total	180	494	36%

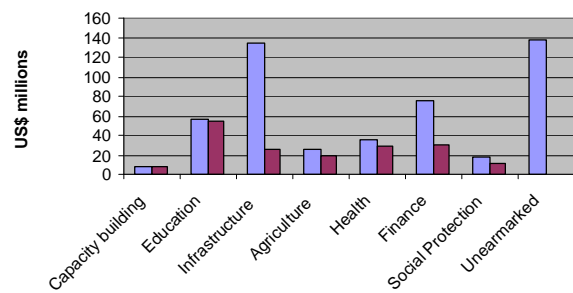
* All figures in US\$ million, as of 30 April 2008

While this disbursement performance is considered to be in line with international post-conflict experience and has substantially improved in the last months, the relative low disbursement rate is explained by the fact that civil works and goods account for about 80% of the total project cost. These are subject to competitive procurement procedures fully managed by the Iraqi administration under supervision of the World Bank. Given the weak knowledge of these procedures by the Iraqi institutions, progress has been slow.

The World Bank approach implies a high degree of involvement of the Iraqi administration in

identification and implementation, as well as making use of local staff and local contractors. This encourages ownership and it has also avoided the high overheads and security costs normally associated with the mobilisation of international experts.

WB ITF by Sector and EC Funding



For the monitoring of project implementation, an Iraqi company is used as a fiduciary agent, employing around 30 experts to monitor the development of the works on site and ensure that the correct procedures are being followed.

Support to the Compact

In 2006, the Government of Iraq launched a new initiative, usually referred to as the **International Compact for Iraq (ICI)**. The purpose of this initiative is to achieve, through a new partnership with the international community, a national vision for Iraq aiming at consolidating peace and pursuing integrated political, economic and social development over the next five years. The Compact was adopted in the form of a resolution by the Government of Iraq and endorsed by the international community at a conference attended by more than 60 countries on 3 May 2007 in Sharm-el-Sheik, Egypt. The first annual Compact progress report was presented and the results achieved were evaluated at a recent Compact meeting held on 29th May 2008 in Stockholm.

Given the importance of the Compact process for international cooperation with Iraq, the EC has decided, along with other international donors, to align its cooperation priorities to the Compact. It has also decided to provide financial support to the Compact Secretariat, given its important role of coordination between the International Donor Community and the Iraq administration. This way, the European Union (EU) gives a strong signal of

support to the **Government of Iraq** and the **United Nations** as co-chairs of the Compact process.

Bilateral actions

In addition to the multilateral actions mentioned above, bilateral support with Iraqi institutions and with international organisations working in Iraq have been launched by the EC. These can be summarised as follows:

Ø *Electoral Observers*

Two projects were launched in 2004 and 2005 with the International Organisation for Migration (IOM) for a total amount of €3.9 million. The projects supported the training of electoral observers and provided much needed logistical support for the organisation of the very important presidential and legislative elections that took place in those years.

Ø *Human Rights*

Under a project agreed with UNDP and UNOPS in 2005 (€2.6 million), Commission funds have provided critical support to civil society development in Iraq in the field of Human Rights. It ended in January 2008 and a follow-up project will continue the work in this area (see under "Assistance Programme for 2007").

Ø *Technical Assistance Global Facility*

To support the EC cooperation with Iraq in the current difficult security circumstances, a contract was finalised mid-2006 with the international organisation IMG (International Management Group). The team, under the instruction of the Commission services, provides specific short-term technical assistance to several Iraqi institutions. The team consists of two experienced long-term experts and several short-term experts that are mobilised according to needs for specific tasks. In collaboration with the Iraqi authorities and under the instruction and supervision of the EC, the Facility also contributes to the identification of possible bilateral assistance projects to be implemented with EC funding.

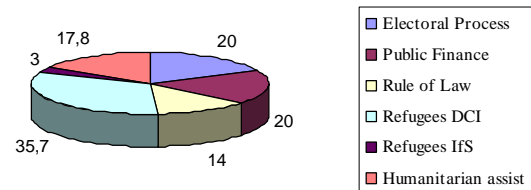
Ø *Technical Assistance in favour of Trade and Customs*

The first bilateral project to be implemented directly with the Iraqi authorities, in favour of the development of Trade and Customs (€6.5 million), had to be cancelled due to the lack of support for the project from the Iraqi Government.

Assistance Programme for 2007

The EC assistance programme for Iraq in 2007, managed by the EuropeAid Cooperation Office, **amounted to €9.7 million and was decided mid-December 2007**. The corresponding programmes began implementation in 2008.

Iraq Assistance Programme 2007 (€million)



In 2007, the EC assistance programme for Iraq concentrated on four major priorities of the Iraqi government, as stated in the Compact resolution. These programmes were identified and developed taking into account the specific added value that the EC and its partners can bring to the selected areas of co-operation. These areas are:

Ø *Rule of Law*

The support to the Rule of Law and Justice (€14 million) builds upon experience gained already in this sector. It complements the Integrated Rule of Law Mission for Iraq (EUJUSTLEX) funded by the Council of the EU. The Rule of Law and Justice programme, implemented by the United Nations Development Programme (UNDP), provides technical assistance to several public and private institutions of the highest importance to the rule of law sector (Higher Judicial Council, Iraqi Bar Association, Judicial Training Institute). It also contributes to the development of the different Civil Society Organisations active in the field of human rights. Support is also foreseen in areas such as the physical and psychological rehabilitation of victims of torture and the development of a prison monitoring network (a follow-up to the human rights project mentioned above).

Ø *Electoral Process*

Support to the electoral process continues to be an EC priority. Funds in view of supporting the Electoral Process (€20 million) are therefore made available to the UN window of IRRFI. This will allow the specialised UN team present in the country to prepare and organise the local elections, the



constitutional referendum and the referendum on disputed territories. A key activity concerns the lengthy and difficult work of updating the electoral lists, which are often outdated given the significant population movements over the last few years.

Ø *Public Finance Management*

Efficient and transparent public finance management is key for the future of Iraq. As the World Bank is a recognised leader in this area, €20 million of EC funds have been provided to the WB ITF. The programme targets key issues such as Public Finance Management at national and sub-national levels, restructuring and reform of the Public Banking sector and support for the reform of the Public Procurement system.

Ø *Assistance to Iraqi refugees*

The issue of refugees, internally displaced and those that have left to neighbouring countries is followed with great attention by the EC since early 2006.

Support to **refugees, returnees and internally displaced people** include **humanitarian aid and development aid for durable solutions**. So far, total EC support to these two areas amounts to €6.48 million.

In 2006, the EC allocated €10 million to IRFFI, UNDG – ITF in support of IDPs inside Iraq. Under the Assistance Programme for 2007, the EC decided significant support for **Iraqi refugees in Syria and Jordan**. This assistance aims primarily at improving the **health and education services** provided to refugees in these two countries, which represents a considerable financial burden to the host countries. An amount of €38.68 million was devoted for this purpose in 2007, including a €3 million contribution from the Instrument for Stability.

In addition €10 million in **humanitarian assistance** was provided by ECHO in 2007 in support of **Iraqi refugees in Jordan and Syria**. Another €7.8 million was allocated by ECHO to **internally displaced people** within Iraq, currently estimated at 2 million persons.

Assistance Programme for 2008

The programming of the assistance for 2008 is ongoing. The possible areas and sectors to be supported are still under consideration. The orientations of the 2008 programme will be presented in a future "State of Play" later in the year.

A first information note on these orientations will be presented to the European Parliament and the Member States for information in the beginning of June. A subsequent Action Programme (through Special Measures procedures) will follow the normal approval process within the European institutions and is expected to be ready by November 2008.

EC Delegation in Iraq

Since mid-2006, the EC has been represented in Iraq through a small and active Delegation, headed by Ambassador Ilkka Uusitalo. The Delegation is currently situated in the British compound in Baghdad's International Zone. Working in Iraq remains a difficult challenge, however, the high level of commitment and dedication of these few EC representatives has been key to the good EU-Iraq dialogue and to the strong willingness of Iraq institutions to work and cooperate with the EU in the development of Iraq.