



State of Play October 2008

Introduction

The key feature of this state-of-play of the Commission's co-operation programme with Iraq is a concise presentation of the draft 2008 Assistance programme. Furthermore, information is provided on the verification of the ongoing co-operation. Lastly, an updated overview is presented of the €23.1 million support package provided by the Commission since 2003.

Assistance Programme for 2008

The EC 2008 Assistance programme is at its final approval stage. Following the recent decision of the Donor Committee of the International Reconstruction Fund Facility (IRFFI) to gradually wind down IRFFI's operations, EC assistance will be predominantly bilateral. Also, the improved security situation in Iraq will allow more direct modes of implementation.

The **overall objectives** of the assistance package are to strengthen the capacity of Iraqi institutions, and to improve the quality of life of the population.

These objectives are in support of the priorities put forward by the Government of Iraq and its international partners. Given the increase in oil revenues, Iraq now possesses considerable financial resources of its own. Most Iraqi institutions, however, still have limited management capacities and lack the structures to implement their investment programmes. Building the capacity of Iraqi institutions is, therefore, a key priority of present international cooperation, including EC support.

The proposed assistance package for 2008 amounts to **€2.6 million** and **eight programmes** are planned as part of the package. These are:

1. Technical Assistance to Iraqi departments and institutions

With a proposed budget of €10.6 million this programme will provide technical assistance to specific Iraqi institutions such as the Council of Representatives and the Higher Institute of the Ministry of Interior.

2. Support to specialised medical services

This programme has an envelope of €13 million and it seeks to strengthen specialised medical services through the improvement of the functioning of the regional and national blood bank services and pre-hospital and in-hospital emergency services.

3. Enhanced and sustained water and sanitation services in Iraq

This intervention will contribute to enhanced services and increased government capacity to better manage the water and sanitation sectors. Specific objectives include the improvement of access to water in rural areas and the improvement of wastewater treatment systems in crowded agglomerations. The programme has a proposed budget of €7 million.

Five programmes in support of Iraq's displaced

Up to 5 million Iraqi refugees and IDPs (Internally Displaced Persons) are estimated to be currently displaced from their homes. This figure includes over 2 million refugees, most of whom have fled to neighbouring Syria and Jordan, and about 2.8 million IDPs within Iraq.

As part of the 2008 Assistance programme an amount of €42 million is set aside in support of refugees and IDPs. It concerns five programmes:

4. Support to the return and reintegration of returnees and IDPs within Iraq

With an allocation of €6 million, this programme will create a protective environment and facilitate durable solutions for returnees and IDPs. Support will target local communities impacted by displacement and/or relocation. The programme will focus on shelter rehabilitation, community-based projects and the creation and reinforcement of the Protection and Assistance Centres network and mobile teams.

The large influx of refugees in Syria and Jordan has placed a considerable strain on the economy and infrastructure of these neighbouring countries. The EC envisages continuing to support Syria and Jordan in coping with Iraqi refugees, focusing again on the provision of basic services. The aim of EC support in both countries is to strengthen existing structures in the host countries without recourse to the creation of parallel structures.



5. Water loss reduction programme in Zarqa This programme, with a budget of €12 million, will help Jordan to manage scarce water resources in the region of Zarqa, where there is a large concentration of Iraqi refugees. Emphasis will be given to infrastructure rehabilitation that reduces water losses in the network.

6. Emergency support to Syrian education sector This programme has an envelope of €10 million. It will support the Syrian public authorities in coping with the financial and physical strain caused in the education sector by the large influx of Iraqi refugees. The programme will help the Government in facing the increased salary cost of education staff in schools with a high concentration of Iraqi children.

7. EC support II to education in Syria With a proposed budget of €4 million, this programme will contribute to expanding the capacity and maintaining the performance and quality of the school system in Syria. The programme aims also to increase the enrolment of Iraqi refugee children. This is the second phase of a programme funded by the EC.

8. Support to Syria's solid waste and medical waste management This programme has a budget of €10 million and it will provide critical equipment and support to improve solid waste and medical waste management services in areas where there is a high concentration of Iraqi refugees. Support will also go to the training of municipal and medical facilities' staff in waste management.

EC report on refugees and IDPs

The Commission has prepared a report detailing the EC's intervention in support of Iraq's refugees and IDPs. This report is now available at: http://ec.europa.eu/europeaid/where/gulf-region/country-cooperation/iraq/iraq_en.htm

IRFFI: Multi Donor Stocktaking Review

The IRFFI (International Reconstruction Fund Facility for Iraq) Donor Committee launched an external evaluation (Multi-Donor Stocktaking review) of the IRFFI in 2007 in order to assess the quality and impact of the extensive work that has

been done so far by the Multi-Donor Trust Fund for Iraq. The review, carried out by a Norwegian consultancy, evaluated a sample of 16 IRFFI projects, 12 projects from the UNDG ITF and four projects from the World Bank ITF.

The projects chosen for this sample comprise approximately 30% of the IRFFI portfolio in value and 10% in number, and include a cross-section of the different sectors where the IRFFI has been active. The review had the objective of performing an evaluation of the IRFFI projects according to international standards and using OECD DAC performance indicators for Efficiency, Effectiveness, Value-for-money and National Ownership.

The preliminary results of this review were presented in the IRFFI Donor's Committee Meeting of July 2008 and early indications are positive. The final report is expected in November 2008.

EC Verification Missions

The agreements which the EC enters into with international organisations, such as the UN, provide for the EC to carry out checks, including on the spot checks. This allows the EC to acquire a better understanding of the organisation's system of accountability and to be able to report to its own institutions on the proper use of European Community funds.

During 2007, the EC has undertaken 8 Verification missions of UN Iraqi programmes. Five of these concern the UNDG ITF and 3 the UNDP Thematic Trust Fund for Crisis Prevention and Recovery, to which the EC contributed in 2003.

The preliminary findings of the verification missions are positive and UNDG and UNDP have been invited to comment upon the recommendations made. The final report is expected shortly.

The EC has also undertaken three verification missions of World Bank ITF programmes in Iraq in 2007 and the final results are available. These missions draw positive conclusions, in particular confirming that the systems of financial accountability and traceability put in place by the WB are adequate. In addition to these verification missions, the WB Iraq Trust Fund was also audited by external auditors in 2005 and 2006.

**Background overview of EC support 2003- 2007**

EC support to Iraq from 2003 to the end of 2007 amounted to €829 million. This includes reconstruction support, amounting to €711.2 million and managed by EuropeAid and RELEX, and humanitarian assistance, managed by ECHO. All assistance was given in the form of grants.

Table 1: EC support to Iraq

	AIDCO	RELEX	Total	ECHO	Total
2003	34.0	8.0	42.0	100.0	142.0
2004	162.5	14.0	176.5	-	176.5
2005	200.0	-	200.0	-	200.0
2006	200.0	-	200.0	-	200.0
2007	89.7	3.0	92.7	17.8	110.5
Total	686.2	25.0	711.2	117.8	829.0

2008	72.6*	1.5*	74.1
Total	758.8	26.5	785.3

20.0**	94.1
137.8	923.1

All figures in € million.

* Reconstruction support for 2008 is still under approval. The figures presented are provisional.

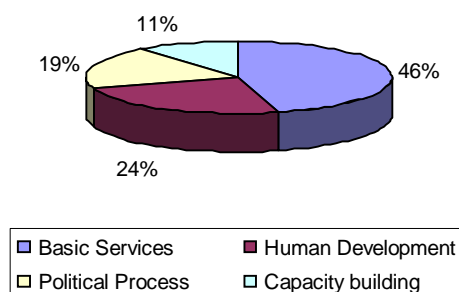
** Humanitarian assistance by ECHO for 2008 is approved. Further support may be decided later.

AIDCO: EuropeAid Cooperation Office

RELEX: External Relations Directorate-General

ECHO: Humanitarian Aid Directorate-General

The pie chart shown below illustrates the main categories into which EC reconstruction support is divided. In line with the main objective of EC aid to Iraq, almost half of the aid has been allocated to the development of basic services and almost one quarter has been used in Human Development sectors. The balance has been attributed to electoral support and institutional capacity building.

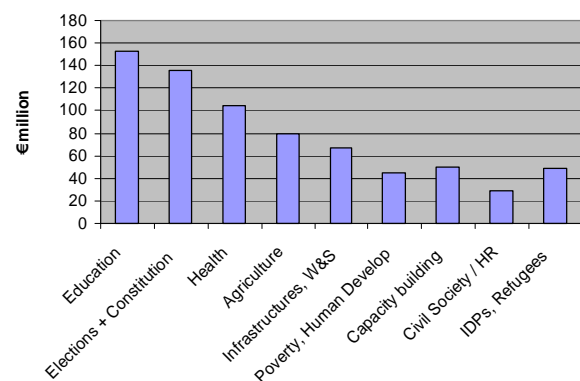
EC Reconstruction support by Main Category

Basic Services: Education, Health, Infrastructure, Water & 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 & Customs, Technical Assistance, Justice & Rule of Law.

EC Total Aid per Sector*

* excluding Humanitarian Aid, managed by ECHO.

To enhance aid effectiveness, sustainability and Iraqi ownership, programming for EC Assistance to Iraq is in line with the objectives of the **International Compact with Iraq** and the **Iraqi National Development Strategy**.

From 2004-2007 EC support has principally been channelled through the **IRFFI – the International Reconstruction Fund Facility for Iraq**, a multilateral mechanism established in 2004. 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)**.

Channelling funds through the IRFFI has had considerable advantages in a period where reconstruction work in Iraq was extremely difficult. It has allowed the International community combine their efforts through a common strategy and action channel. Working through the IRFFI has enabled the EC to acquire knowledge which is invaluable for future EC activities in Iraq.

From 2007 onwards, this approach is being replaced by more bilateral actions, in recognition of the increasing capacity for dialogue and leadership of



the Government of Iraq in the reconstruction efforts. At the 7th IRRFI Donor committee meeting in July 2008, donors agreed to a cut-off date for further contributions to the IRRFI by the end of 2009. This is in line with the current IRRFI mandate, which runs until the end of 2010.

A total of **25 donors** have contributed to the IRRFI, for a total of US\$ 1 834.6 million as of end of June 2008. The total EC commitment to the IRRFI was €605 million or \$772 (\$591.79 to the UN ITF and \$179.74 to the WB ITF) or 42.05% of all commitments to the IRRFI.

In addition to the multilateral aid channelled through the IRRFI, a number of bilateral actions have been undertaken to-date. These include among others:

Human Rights - €2.6 million: In 2005 a project was agreed with UNDP providing critical support, including training, to civil society development in Iraq in the field of Human Rights. The project reinforced a network of civil society organisations working in the monitoring of the conditions of detention in prisons, and provided funding for the

rehabilitation of victims of torture. The project is now completed and its valuable work is being followed up as a component of the 2007 Rule of Law programme described below.

Rule of Law: In 2007 the EC provided funding for a €14 million Rule of Law and Justice programme to be implemented by UNDP. Strengthening the rule of law is a priority for the Government of Iraq and central to creating conditions for national reconciliation and reconstruction.

The programme provides technical assistance to several institutions of the highest importance to the rule of law sector (e.g. Iraqi Bar Association, Judicial Training Institute, Ministry of Justice). The programme will also seek to improve the administrative procedures in a few chosen Model Courts, for later application to the other courts in the country. It also contributes to the development of the different Civil Society Organisations active in the field of human rights, particularly targeting physical and psychological rehabilitation of torture victims and the development of a prison monitoring network.

Channeling of EC funds

Year	Reconstruction aid (managed by AIDCO & RELEX)						Humanitarian aid (managed by ECHO)		Total €M
	UNDG ITF		WB ITF		Bilateral		Bilateral		
	€M	%	€M	%	€M	%	€M	%	€M
2003	39,0	27%	3,0	2%		0%	100,0	70%	142,0
2004	95,0	54%	80,0	45%	1,5	1%		0%	176,5
2005	154,1	77%	40,0	20%	5,9	3%		0%	200,0
2006	187,5	94%		0%	12,5	6%		0%	200,0
2007	20,0	18%	20,0	18%	52,7	48%	17,8	16%	110,5
2008*		0%		0%	74,1	79%	20,0	21%	94,1
Total	495,6	60%	143,0	17%	146,7	9%	137,8	14%	923,1

Figures in € millions

* Reconstruction Aid for 2008 is still under approval. Humanitarian Aid in 2008 is already approved but is likely to be increased
UNDG ITF: includes the United Nations Development Group Iraq Trust Fund and the UNDP Thematic Trust Fund for Crisis Prevention and Recovery (in 2003)

WB ITF: World Bank Iraq Trust Fund

You can find more information on the EC support to Iraq in our website:

http://ec.europa.eu/europeaid/where/gulf-region/country-cooperation/iraq/iraq_en.htm