



State of Play as on 31 January 2008

Overview

The European Commission's (EC) support to Iraq from 2003 to the end of 2007 amounted to €829 million in grants, of which €711.2 million was for reconstruction, distributed per year as indicated in table 1 below. This support encompasses all areas and sectors of activity, from the reconstruction cooperation managed by EuropeAid to the humanitarian assistance managed by DG ECHO.

Table 1: Support of the European Commission to Iraq

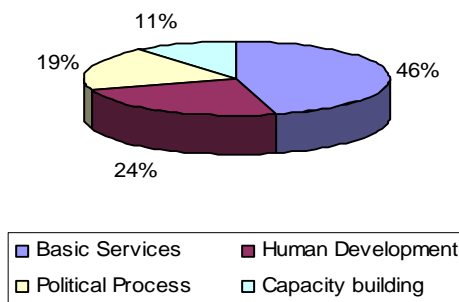
	2003	2004	2005	2006	2007	Total
AIDCO	34	162.5	200	200	89.7	686.2
RELEX	8	14	-	-	3	25.0
Total	42	176.5	200	200	92.7	711.2

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

All figures in € million.

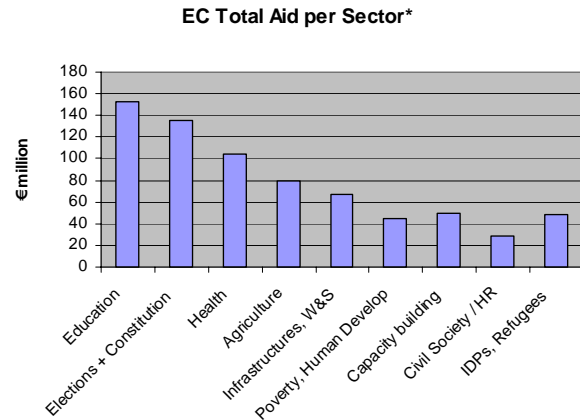
The distribution by main category of EC aid for reconstruction is shown below. Almost half the aid has gone into the development of basic services:

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 graphic shows the distribution of total EC reconstruction aid by 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 and the United Nations Development Programme Thematic Trust Fund already in place in 2003 have been the recipient of €638 million of Commission funding or 90% of all Commission funds for Iraq (excluding ECHO) up to the end of 2007.

IRFFI

At the 5th IRFFI Donor Committee Meeting, held on 20 March 2007 in Istanbul, donors agreed to extend the Facility until all projects have been completed and all funds disbursed.

The IRFFI has 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. This will allow the next IRFFI Donor Committee Meeting,



foreseen for the same month, to discuss the outcomes and recommendations of the evaluation.

NB: All IRFFI figures are given as per the latest information received from the UNDG and WB Iraq Trust Funds on 30 November 2007. They do not include EC contributions in December 2007 (see below "Assistance Programme for 2007").

Table 2: IRFFI Donor Contributions*

Donors	UN ITF	WB ITF	Total	% of Total
EC	537.36	150.00	687.36	39.59%
Japan	360.95	130.60	491.55	28.31%
UK	55.54	71.40	126.94	7.31%
Spain	93.17	20.00	113.17	6.52%
Canada	63.79	26.70	90.49	5.21%
Australia	26.96	16.10	43.06	2.48%
Italy	29.78	-	29.78	1.72%
Korea	21.00	4.00	25.00	1.44%
Sweden	10.62	5.80	16.42	0.95%
Norway	7.01	6.70	13.71	0.79%
Netherlands	6.70	6.20	12.90	0.74%
Denmark	12.41	-	12.41	0.71%
Germany	10.00	-	10.00	0.58%
India	5.00	5.00	10.00	0.58%
Kuwait	5.00	5.00	10.00	0.58%
USA	5.00	5.00	10.00	0.58%
Others**	23.79	7.10	30.89	1.78%
Total	1 274.08	459.60	1 733.68	100%

* All figures in US\$ million, as of 30 November 2007.

** Others: Donors with less than US\$10 million: Finland (8.83), Qatar (7.5), Greece (3.63), New Zealand (3.36), Luxembourg (2.32), Iceland (1.5), Belgium (1.32), Ireland (1.23) and Turkey (1.2).

UNDG ITF

Up to 30 November 2007, the UN window of the IRFFI received total contributions of \$1 274 million, of which \$537 million was contributed by the Commission (42% of total donor deposits). EC contributions 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. Despite huge security and communication constraints, the UNDG ITF has been performing in a satisfactory manner.

As of 30 November 2007:

- More than **150 projects had been approved for a total of \$1 079 million (85% of total donor deposits)**;

- Contractually committed funds amounted to \$806 million (75% of approved funding for projects and 63% of total donor deposits);

- Total disbursements of project funds amounted to \$700 million (65% of approved funding for projects and 55% of total donor deposits).

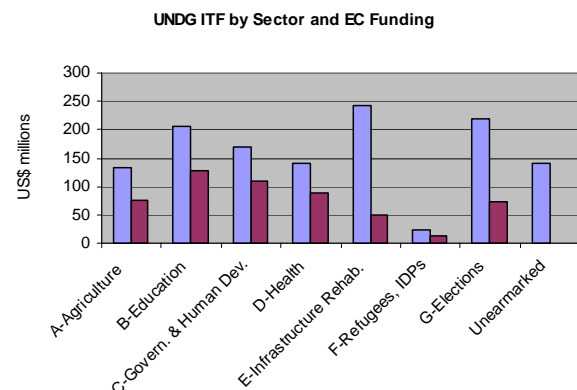
EC funds make up a very significant proportion of the overall funding of the UNDG ITF, ranging from 21% in the Infrastructure Rehabilitation sector to 64% in the Governance and Human Development sector. The table and graph below list the funds donated by the EC and the total allocation for each sector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

Table 3: UNDG ITF by Sector and EC Funding

Sector	EC*	Total*	EC %
A-Agriculture	76	132	57 %
B-Education	129	206	62 %
C-Governance & Human Dev.	109	169	64 %
D-Health	88	141	62 %
E-Infrastructure Rehabilitation	50	242	21 %
F-Refugees, IDPs	12	24	50 %
G-Elections	74	219	34 %
Un-earmarked	0	141	0 %
Total	537	1 274	42 %

* All figures in US\$ million, as of 30 November 2007

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.



The three largest sectors are Infrastructure Rehabilitation (19% of total approved funding), Electoral Support (17%) and Education (16%).



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 local independent staff. By adopting these working methods, the UN has been able to 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 deposits to the WB ITF stand at \$459.60 million, of which \$150 million comes from the EC (33% of all deposits). To this, an amount of \$40.6 million in interest should be added. Therefore a total of \$500.2 million is available for funding. These funds are currently being used to finance 15 approved projects amounting to \$469 million. Total disbursed funds are \$96 million or 21% of the total for approved projects as of 30 June 2007.

Table 4: WB ITF by Sector and EC Funding

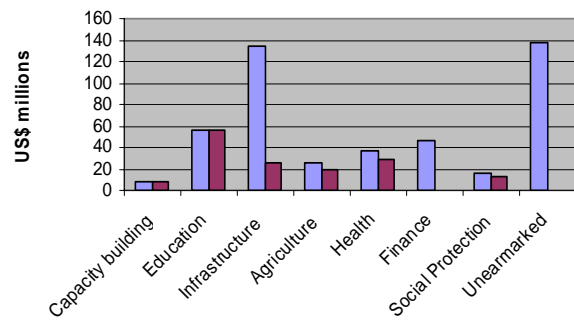
Sector	EC*	Total*	EC %
Capacity building	8	8	100 %
Education	56	56	100 %
Infrastructure	26	134	19 %
Agriculture	20	26	77 %
Health	29	36	80 %
Finance	0	46	0 %
Social Protection	12	17	73 %
Unearmarked	0	137	0 %
Total	150	460	33 %

* All figures in US\$ million, as of 30 November 2007

While this disbursement performance is considered to be in line with international post-conflict experience, 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. Given the weak knowledge of these types of 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, 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. This approach has also improved the procurement and project management capabilities of the Iraqi administration, in line with international standards. It is therefore highly regarded by the Iraqi administration and often mentioned by the Government of Iraq as the preferred type of cooperation.

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 check the development of the works on site and monitor the correctness of the procedures 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 next Compact meeting is scheduled for 15 April 2008, when the first annual Compact progress report will be presented.



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 Iraqi administration. This way, the European Union (EU) gives a strong signal of support to the **Government of Iraq** and to the **United Nations** as co-chairs of this Compact process.

Bilateral actions

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

➤ *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.

➤ *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. The project has notably targeted the monitoring of prisoners and prison conditions and the rehabilitation of torture victims. The project ended in January 2008 and a follow-up project will continue the work in this area (see under "Assistance Programme for 2007").

➤ *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) for the creation of a Facility team residing in Baghdad. This team consists of two experienced long-term experts and several short-term experts who are mobilised according to needs for specific tasks. The Facility provides specific short-term technical assistance to several Iraqi

institutions. In collaboration with the Iraqi authorities and under the supervision of the EC, the facility also contributes to the identification of possible bilateral assistance projects to be implemented with EC funding.

➤ *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 programme from the Iraqi Government. The Government insistence on completely reorienting the content of the programme as it had been defined in 2006, a change that is not allowed under EC regulations, led to the programme being cancelled at the end of its validity period in December 2007.

Assistance Programme for 2007

The EC assistance programme for Iraq in 2007, managed by the EuropeAid Cooperation Office, **amounted to € 89.7 million and was decided mid-December 2007**. The corresponding programmes will therefore only begin implementation in early 2008.

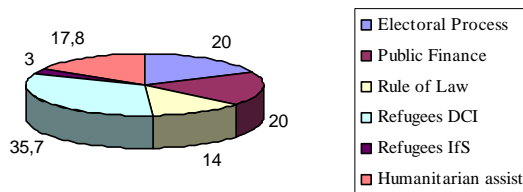
Complementary structural assistance for Iraqi refugees, to the amount of € 3 million, was decided in 2007 by DG RELEX through the Instrument for Stability. Also during the last year, ECHO – the Humanitarian Aid Department of the EC – devoted € 17.8 million to humanitarian assistance for refugees and IDPs (internally displaced people in Iraq).

The EC assistance programme for Iraq in 2007 has 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 chosen areas.

These areas are: the Rule of Law and Justice System Reform programme; the Public Finance Management programme; a programme to support the upcoming Elections and Referenda; and several humanitarian and structural programmes to support internally displaced people in Iraq and Iraqi refugees in Jordan and Syria, the two

neighbouring countries hosting the majority of Iraqi refugees.

Iraq Assistance Programme 2007 (€million)



➤ *Rule of Law*

The first one of these programmes, the Programme to support the Rule of Law and Justice (€14 million), builds upon experience gained 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), will provide 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 will also concentrate on the development of different Civil Society Organisations active in the field of Human Rights in areas such as the physical and psychological rehabilitation of victims of torture and support for a prison monitoring network (a follow-up to the human rights project mentioned above).

➤ *Electoral Process*

Funds are also being made available to the UNDG ITF arm of the IRRFI, with a view to supporting the Electoral Process (€20 million). This will allow the specialised UN team present in the country to prepare and organise the main events programmed for this year: the local elections, the constitutional referendum and the referendum on the status of Kirkuk and other disputed territories. It is worth mentioning that part of the preparation is the lengthy and difficult work of updating the electoral lists, which are largely outdated given the significant population movements over the last few years.

➤ *Public Finance Management*

In the area of Public Finance Management, €20 million of support is provided to the WB ITF. The

World Bank is naturally in a good position to provide highly specialised expertise in this area and the programme targets several key issues: 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.

➤ *Assistance to Iraqi refugees*

Under the Assistance Programme for 2007, the EC has dedicated a special humanitarian and structural support for **Iraqi refugees** in Syria and Jordan. The largest part of this assistance aims at improving the **health** and **education services** provided to refugees in these two countries, allowing them to better integrate into the social and economic life of their host country. An amount of €35.7 million was devoted to this purpose from the Development Cooperation Instrument, managed by the EuropeAid Cooperation Office, and another €3 million from the European Instrument for Stability, managed by DG RELEX.

The European Humanitarian Aid Department, ECHO, decided in 2007 to provide **humanitarian assistance** to the amount of €10 million to Iraqi refugees in Jordan and Syria, in complement to the structural assistance mentioned above.

ECHO also decided to provide humanitarian assistance amounting to €7.8 million, to **internally displaced people** within Iraq, currently estimated at 2 million people.

Assistance Programme for 2008

The programming of the Assistance for 2008 in favour of Iraq has just started. The possible areas and sectors to be supported are still under consideration and will be presented in a future "State of Play" later in the year following the usual consultations with the European Parliament and the Member States.