

Chair's Summary of the Expanded Meeting of the International Reconstruction Fund for Iraq (IRFFI) July 18, 2005

1. The Fourth Expanded Meeting of the Donor Committee of the IRFFI was held at the Dead Sea, July 18, 2005 at the invitation of the Government of Jordan. The meeting was co-chaired by H.E. Barham Salih, Minister of Planning and Development Cooperation and Mr. Michael Bell, IRFFI Chair. The Prime Minister of Jordan, H.E. Adnan Badran opened the meeting introduced by the Jordanian Minister of Planning, H.E. Suhair al-Ali.

2. This was the first meeting of Donors since Iraq's January 2005 elections. More than 400 representatives from over 70 countries and institutions attended the meeting. The large number of delegations highlighted the commitment of the international community to Iraq's reconstruction, following on the strong political support that emerged at the Iraq International Conference held in Brussels in June 2005. The donor community continues to be fully committed to working closely with the Iraqi Government.

3. Minister Barham Salih began by underlining the importance of Iraqi ownership of reconstruction efforts, as well as the critical need for the full and active support of the international community. He encouraged donors to become involved, noting that now is the time for all donors to make a difference. He recognized the high value of IRFFI to channel contributions from donors that cannot establish a presence in Iraq. Minister Salih emphasized the critical need to act quickly and speed up implementation of reconstruction projects in Iraq.

4. In an effort to find better ways to work together in partnership with donors, the Iraqi government presented its proposal for an Iraqi owned and led donor coordination mechanism. The mechanism involves the establishment of the Iraqi Reconstruction Forum (IRFO), chaired by the Iraqi Government and supported by the World Bank and the United Nations, where all donors – bilateral and multilateral – will engage in dialogue with the Iraqis on reconstruction priorities. IRFO will build on and formalize the Expanded Donor Meetings, and will continue to be held in conjunction with

the IRFFI Donor Committee Meetings. In order to facilitate donor interaction with the Ministry of Planning and donors, a Baghdad Coordinating Group will be established. As part of this mechanism, Sector Working Groups chaired by line ministries and supported by key donors will be put in place in Baghdad. The Government of Iraq also presented a framework for internal coordination to ensure timely and coordinated decision-making and appropriate linkages between donor contributions and the Iraqi national budget. In that regard, donors recognized the importance of coordinating donor assistance effectively to ensure Iraqi national budget integration.

5. The Government of Iraq presented its National Development Strategy (NDS) for 2005-2007. Minister Salih outlined its objectives and stressed the importance of regional and national dialogue as a way of enhancing country ownership. He noted that the document is envisaged as a “living document” that will evolve and deepen over time, based on a nation-wide, participatory stakeholders’ consultation.

6. Specific short term priorities were identified by the Iraqi Government. Though it is true that all reconstruction efforts are a priority, the government believes the best way forward in the short term is to focus on electricity, water and sanitation and a series of “quick win” initiatives, including housing, micro-credit and measures to entice young Iraqis back to school.

7. The donors welcomed the new NDS and noted the significant amount of work undertaken by the government under very tight timelines to address a number of new areas, in particular governance and the social sector. Overall progress on the document has been impressive.

8. The donor community reaffirmed that reconstruction programmes should be Iraqi-led and -owned. The proposed approach to donor coordination is consistent with the principles of effective aid delivery and was endorsed by the donor group as a way of ensuring that reconstruction efforts are more focused and efficient. In this spirit, donors underscored that the Iraqi Strategic Review Board is a critical instrument to review bilateral and multilateral projects. The donors agreed to align their efforts with Iraqi priorities so that reconstruction brings early and tangible benefits to the Iraqi

population.

9. In co-chairing today's expanded donor meeting for the first time, the Government of Iraq and the international donor community sent a strong signal of commitment to Iraqi leadership and to enhanced partnerships.

10. The Governor of the Central Bank of Iraq, H.E. Dr. Sinan al-Shibibi and the Iraqi Minister of Finance, H. E. Ali Allawi outlined the economic and fiscal reform challenges facing the country. The Central Bank is playing an important role in controlling inflation and putting in place prudent monetary reforms. The Ministry of Finance is acting to eradicate corruption, improve financial management systems, reduce subsidies, increase transparency and accountability, complete debt relief negotiations and move ahead with an agreed work plan with the International Monetary Fund . They urged governments to step up reconstruction financing efforts and to provide generous debt relief. In the morning session, a number of Iraqi Ministers in priority sectors shared their vision for reconstruction within each of their areas of responsibility

11. The morning discussion also included interventions from the UN, the World Bank and the IMF. The Resident Representative for the International Monetary Fund, Dr. Al-Tigane Ibrahim highlighted the progress made in the EPCA (Emergency Post-Conflict Assistance). Mr. Christiaan Poortman, Regional Vice President of the World Bank, emphasized the need for flexibility, Iraqi ownership, and maximum local impact, and announced further assistance to Iraq in the form of US\$500 million in concessionary IDA resources to support Iraqi priorities in key sectors. Finally, U.N. Deputy SRSG Mr. Staffan de Mistura welcomed the statement of short-term priorities from Minister Salih and outlined how the UN, with donor assistance through IRFFI, is addressing the pressing needs identified by Iraqis, including in the National Survey of Iraqi Living Conditions.

12. The afternoon session included presentations on lessons learned in programming by both UN and the World Bank as well as by bilateral donors -- UK, US, Japan, and EC. All donors recognized that it is critical to take stock of achievements and to examine what has worked and what has not.

Experiences were described at a number of different levels: policy, programming, implementation and donor coordination.

13. There was consensus on the need for long-term capacity and institution building. Donors continue to explore different modalities for implementation: through ministries, international firms, IRFFI, Iraqi firms, NGOs and direct implementation. Sustainability is an ongoing challenge with donors working to ensure that their contributions are on budget and that recurrent costs are captured. Better monitoring and evaluation mechanisms are also required. The Iraqi government should continue efforts to establish priorities and ensure strategic delivery of aid.

14. The Iraqi delegates expressed their appreciation for the generous contributions of the international community to date. In this context, the Expanded Meeting welcomed the financial pledges to IRFFI made by the European Community, Australia, Italy, Spain, Greece and Denmark. Denmark was welcomed as a new member of the IRFFI Donor Committee.

15. The Government of Iraq and the UN provided an update on the constitutional and electoral process with the support of the UN. Donors reconfirmed their commitment to support the constitutional and electoral process and help Iraq meet the transition timetable set out in UNSCR 1546.

16. The discussions demonstrated the value of the IRFFI as a multilateral mechanism. The Trust Funds are an important strategic vehicle to complement ongoing bilateral programming. The comparative advantages of the World Bank and the UN were clearly recognized. Today's open and honest discussion sends a strong signal that the international community is coming together to help Iraq through its transition.