



**Statement of Minister Plenipotentiary Gianludovico de Martino,
Chair of the Donor Committee of
the International Reconstruction Fund Facility for Iraq (IRFFI)**

Your Excellencies, ladies and gentlemen

On behalf of the Donor Committee of the International Reconstruction Fund Facility for Iraq (IRFFI), I would like to thank H.E Barham Salih, Deputy Prime Minister of Iraq, for attending the opening session of the 7th Donor Committee of the International Reconstruction Fund Facility for Iraq. I would also like to welcome the distinguished members of the Iraqi Government for attending this meeting and I would also like to thank H.E. Ali Baban, Minister of Planning and Development Cooperation, and all our Iraqi friends and partners for hosting this meeting here in Baghdad. It's worthy to stress that it is the first time the Donor Committee holds its meeting in Iraq. This meeting will also provide the venue to draw a balance of the work undertaken by IRFFI since the last Donor Committee Meeting held in Bari (29-30 October), to align the Facility to the ICI, taking also stock on the outcomes of the Stockholm ICI Conference of last May.

To date 25 donors have contributed over US 1.8 billion through the two windows of IRFFI: the World Bank Iraq Trust Fund and the United Nations Development Group Iraq Trust Fund. I would like to seize this opportunity to mention the 25 donors which have contributed to the Facility.

- Australia with 47.81 million \$
- Belgium with 1.32 million \$
- Canada with 90.45 million \$
- Denmark with 12.41 million \$
- European Commission with 771.54 million \$
- Finland with 10.28 million \$
- Germany with 10 million \$
- Greece with 3.63 million \$
- Iceland 1.50 million \$
- India with 10 million \$
- Ireland with 1.23 million \$
- Italy with 29.78 million \$
- Japan with 491.58 million \$
- Kuwait with 10 million \$
- Luxembourg 2.32 million \$



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- The Netherlands with 12.88 million \$
- New Zealand with 3.37
- Norway with 13.73 million \$
- Qatar with 10 million \$
- The Republic of Korea with 30 million \$
- Spain with 113.17 million \$
- Sweden with 19.46 million \$
- Turkey with 10 million \$
- The United Kingdom with 126.93 million \$
- The United States with 10 million \$

IRFFI has played a vital role in supporting Iraq's reconstruction efforts. As a multilateral funding facility – comprising of the complementary UNDG and World Bank Iraq Trust Funds – it has enabled a broad range of donors to contribute to the social and economic development of Iraq.

Since the establishment of IRFFI, significant changes have occurred in three main areas: the definition of Iraq's development objectives and mechanisms; the development of the Iraqi economy; the dynamics of the political and security situation.

The Government of Iraq has outlined its development objectives and priorities in the National Development Strategy (first in 2004 and subsequently in 2005 and 2007), serving as the overarching framework for government reconstruction and development activities. On 3 May 2007 the International Compact for Iraq (ICI) was launched in Sharm El Sheikh. The International Compact with Iraq serves as a mechanism for Iraq to meet clear security, political, and economic reform benchmarks, with the support of the international community. The ICI builds on the NDS by providing specific goals for economic reforms, to increase the Government of Iraq's ability to utilize its own resources in pursuit of its national vision and it has incorporated IRFFI as one of its financial mechanisms to be integrated into the broader ICI policy, planning and coordination.

Iraq's own resources are considerable and Iraqi development strategies can at this stage benefit from specific assistance to improve budget execution and to promote a diversification of the economy also through private sector growth. In the years from 2003 to 2008 total budget allocation has significantly increased and are



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estimated for this year to reach over 60 billion US dollars of which over 20 billion for capital investments.

Important efforts have been made by the Government of Iraq to improve security and public order and combat terrorism and sectarian violence across the country. The achievements in the field of security have been matched in the legislative agenda, recently including passage of the Accountability and Justice law, Amnesty Law, Pension Law, and Provincial Powers Law.

Since the Madrid Conference of 2003 the perspective of the international community support to the reconstruction of Iraq has been changing and evolving from post-war emergency towards the new horizon of an industrial and economic partnership where foreign contribution focuses on:

- technical assistance to unlock Iraq's considerable resources;
- co-financing, in the framework of Iraqi ownership of strategy and definition of priorities.

In this context, and in view of the forthcoming finalization and launch of the International Compact with Iraq, IRFFI Donors decided in Istanbul in March 2007 to set guidelines to update the Terms of Reference of the Facility and its governance architecture. An interim co-Chair arrangement – with Iraq taking the co-Chair – was established for this purpose.

After a series of informal meetings and consultations, new Terms of Reference were adopted by the 6th Donors' Committee Meeting in Bari, in October 2007. The main features of the alignment, taking into account the lessons learned in the performance of the two trust funds since 2004, have been:

- a governance structure ensuring full Iraqi ownership in setting policy directions and priorities; to this effect an Executive Committee has been established, chaired by Iraq and composed of the World Bank and the United Nations and of the chair of the Donor Committee;
- program and project selection under IRFFI within the framework of Iraq's National Development Strategy (NDS) and the International Compact with Iraq (ICI);
- extension of IRFFI to 2010 and its alignment with the goals and benchmarks of the ICI and the NDS.

At the last Donor Committee Meeting, donors also set the following guidelines:



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- IRFFI activities should concentrate where they can have the greatest sustainable impact, drawing on monitoring, evaluation and lessons-learned;
- emphasis should be placed on raising the capacity of Iraqi institutions.

Donor also stressed the role of IRFFI to:

- build on the recent Government of Iraq success in addressing the challenges of budget execution and making use of its own resources to ensure real improvement in service delivery to the population;
- support increased capacity development in line with the ICI;
- promote initiatives – through its fast track procedures – with regard to sectors deemed of high priority by the community of Donors and as requested by the Government of Iraq, including increased assistance to Iraqi IDPs;
- promote economic growth and private sector development.

The Executive Committee established by the new Terms of Reference was tasked by the Donor Committee to:

- review the situation of funds still available to finance new projects;
- in conjunction with the ICI secretariat, provide the Donor Committee with an outline of priority sectors, along with specific, prioritized reforms and projects – to be drawn from the ICI Joint Monitoring Matrix and NDS -- identified by the Government of Iraq, eligible for financing through IRFFI in 2008;
- review ongoing projects to identify activities requiring reorientation or closure if they are not clearly aligned with the ICI benchmarks or activities that require further implementation improvement.

The review of ongoing projects has been conducted by the Executive Committee, in an expanded format comprising the European Commission and Japan and other concerned donors, from last December onwards during meetings held in Baghdad and Naples.

The World Bank, has since identified implementation improvement areas with regards to two projects together valued around 84.5 million USD – on a total value of 540 million USD, for which actions have already been undertaken with concerned Iraqi authorities.

As for the UNDG ITF, the total value of approved and funded projects amounts to approximately 1.1 billion USD for a total of 180 individual projects,



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while the total deposited stands at 1.3 Billion USD. The remaining 230 million USD plus the accrued interest of 55 million USD will form the basis of additional ITF programming. At present, 60 ITF projects are operationally closed, totaling around USD 471 million. Additional 90 projects are expected to be operationally closed by the end of December 2008.

The identification of UNDG- ITF projects requiring implementation improvement has now been completed according to the criteria adopted in Baghdad by the Executive Committee last May. At present, 19 projects have been identified to be reviewed for a total amount of 113 million USD.

Following on the ICI priorities, the UNCT Iraq has formulated the Draft United Nations Iraq Assistance Strategy for the timeframe 2008-2010, which will be providing, along with the ICI and the NDS, the basis for prioritisation of IRFFI programs.

The Executive Committee in its last meetings has been considering the issue of possible reallocation of any funds recovered from underperforming projects and of the possible use of interests accrued for emergency and humanitarian programs if the donor regulations so allow. It has also agreed to concentrate activities in four areas that have not received IRFFI funding due to past violence, namely Anbar, Diala, Tikrit and Mosul.

Finally, I would like to highlight how, drawing on the operational experiences acquired during the last four years of activities in the field, IRFFI has provided a forum for the elaboration of new tools of partnership and effective coordination mechanisms.

In this context, based on the recommendations of the IRFFI Donor Committee meeting in Bari, the Government of Iraq with the assistance of the UN Policy Group has set up a joint Steering Committee to draft co-funding arrangements and regulations in line with the legislation of Iraq and international best practices which is in the process of finalization by the Government of Iraq. The co-funding mechanism proposed by the joint Steering Committee has been endorsed by the Minister of Planning and Development Cooperation and by the ISRB and has been announced by the Government of Iraq in the occasion of the annual ICI Meeting in Stockholm last May.



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Moreover, to sustain effectiveness in capacity building with particular reference to the crucial area of budget execution, IRFFI has endorsed the establishment of a capacity development Working Group within the ICI Secretariat framework, and of a private sector development Working Group to foster the diversification of the economy.

The Executive Committee of IRFFI has also promoted informal discussions among major donors with a presence in the field to examine possible synergies both at central and provincial levels between bilateral activities and IRFFI-funded activities, and with regard to PRTs to improve overall assistance on issues of budget execution and decentralisation.

Your Excellences, ladies and gentlemen, IRFFI's way ahead requires both coherence and flexibility in order to support the achievement of the Compact goals and provide the best options for a strong and lasting partnership with Iraq. In this respect, today's venue will give us an opportunity to start a discussion on the future of IRFFI and multilateral trust funds in Iraq, and to examine additional concrete steps to further align IRFFI with the ICI in the spirit of a true partnership for development.