

**World Bank Group**  
**Statement of Joseph Saba, Country Director**

**Bari, Italy, October 28, 2007**

**Ministers, Ambassador, UN Colleagues, Ladies and Gentlemen:**

**First, we thank our hosts for the facilities and especially for the warm hospitality extended to all of us by the Regione Puglia and the city of Bari.**

**Ladies and Gentlemen:**

**Four years ago this month the international donor community gathered in Madrid to express its support and establish ways and means for Iraq's reconstruction and development. As part of that effort, the International Reconstruction Fund Facility for Iraq, known as IRFFI, was established. Tomorrow, we will report to the Donors Committee on the progress of IRFFI, discuss lessons learned and make recommendations for the way forward.**

**Four years after Madrid, we are at a critical point in our partnership with Iraq. While we have accomplishments, there remains much to be done. While continued reliance on many of our first assumptions would no longer be relevant, the core principles and goals that we set out in Madrid remain valid. The partnerships then established to achieve those goals remain relevant and valid. Iraqis continue to seek the international community's perseverance, indeed persistence, in helping them meet what is the central challenge of any government: the allocation of its own resources equitably, effectively, with transparency and accountability, and thereby delivering much needed public services, opportunity and social protection for all the people of all Iraq.**

**Four years after Madrid our priority is to identify a realistic way forward, a concrete, feasible action agenda to help Iraq meet its central challenge of reconstruction, social and economic development.**

**As a practical matter, current economic and fiscal circumstances set a baseline for our consideration of the way forward. There is some good and not so good news. Real GDP growth reached over 6% in 2006 and non-oil growth in certain key sectors apparently was a bit higher. Public investment declined from 2004 to 2006, but shows an uptrend in 2007. Fiscal balances have registered surplus as a result of shortfalls in capital spending. Consequently, the estimated deposits in the Development Fund for Iraq are in excess of \$10 billion.**

While security has been an obvious constraint on investment, security has not been the sole cause; and it is unlikely that security improvements alone will be a sufficient remedy, because institutional deficiencies have and continue to play a major role.

The 2007 budget envisages a near doubling of public investment in absolute amounts compared to actual public investment levels achieved in 2006. This is a level of effort few countries have been able to accomplish, even with relatively stable, effective administrations and an absence of violence. Thus, looking forward, realistic targets for improved levels of public investment need to be set. These would require not only continuing improved security, but critically, a very substantial strengthening of the institutions, human resources and processes implementing public investment.

The Iraq National Development Strategy and the mechanism for its implementation, the International Compact for Iraq recognize these challenges. Improving public resource management and strengthening institutions and governance are at the heart of the Compact's socio-economic pillar.

Going forward, given the pressing need to further institutional development, there is much the World Bank Group and its development partners can do to advance the agenda for increased investment.

First, the budget framework for the NDS and the Compact needs to be aligned and coherent. In partnership with the Iraqis, to advance better use of existing and potential resources, we are prepared to respond robustly to requests for assistance in the process for increased public investment - from investment budget planning, including inclusion of donors' loans and grants in the same process, to systematic incorporation of medium term strategic priorities into the annual budget, followed by expenditure assistance for efficiency, transparency and accountability. Assistance in asset, debt and commodity fund management could possibly augment resources available.

Second, given progress in Iraq's debt reduction, it is time to begin to help Iraq develop domestic credit markets and achieve creditworthiness for access to and use of international capital markets and financial risk mitigation instruments.

We can and will do more to foster better Iraq-Donor coordination as it remains vague with a continued absence of practical benchmarks for monitoring and evaluating the impact of donor efforts on Iraq's priority challenges. One measure could be assistance for the creation in Iraq of an apex for donor coordination that can arbitrage across ministries, link closely to budget execution process and revitalize sector working groups. Toward this end, the Government has recently

established five new working groups—agriculture, energy, governance, human development, and public resource management—in addition to the existing working groups of capacity development and rule of law.

In response to the Government's efforts to build the key institutions and structures, the World Bank Group would strengthen programs of technical assistance, training, trade-enhancing interventions, assistance for improved financial intermediation, public financial management and social protection. We hope to be able to direct this activity into Iraq, to deliver at the points where effectiveness is more probable and efficient.

We reaffirm our commitment to the principles on which we began our work. Now is the time, with your help, to forge realistic ways forward to achieve our goals.

Finally, on behalf of our country team, thank you for your continued support to the World Bank Group in its efforts in Iraq.