

‘To build a secure, unified, federal and democratic nation,
founded on the principles of freedom and equality, and
providing peace and prosperity for its people’

The International Compact with Iraq

2007 Mid-Year Progress Report

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A Shared Vision

A Mutual Commitment

ACKNOWLEDGEMENTS

The Government of Iraq wishes to acknowledge all those Iraqis who contributed their time and effort to the production of this report. Due to the need to protect these individuals from the abhorrent practices of a merciless insurgency, the Government has decided to not recognise those brave and dedicated individuals by name. Nevertheless, the Government wants to ensure that those efforts have not gone unnoticed and that they are truly recognized by the Executive. To those individuals, the Government sincerely expresses its deepest gratitude.

The Government wishes to also recognise the efforts of all those Iraqi officials who courageously venture to work every day to keep the administration and public services functioning for the Iraqi people. This progress report clearly demonstrates that you honourable and professional Iraqis remain strong in the face of this bitter battle for peace and prosperity. There remains, however, much work to be done to win this battle, which will indeed require sustained courage, time and effort.

The Government also expresses its full appreciation to the Iraqi people who have supported the Government in its just fight against the insurgency and terrorists. Your hope and stoicism encourages us all during our travels down the long and winding road ahead.

To those Iraqis who support remains unresolved due to fear that the security situation has caused, the Government reaffirms its unreserved commitment to do everything in its power to reverse current trends and help create a new Iraq where individuals, families and communities are united with a profound sense of hope and opportunity. We pray that you will join us soon.

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FORWARD BY THE PRIME MINISTER OF IRAQ
(English translation)

Dear Development Partners,

I present to you in my name and the name of the Government of Iraq, the 2007 Mid-Year Progress Report. This is the result of the active and hard work of the Iraqi Government and a result of our commitment to execute the programs, policies and benchmarks we set within the International Compact with Iraq (ICI).

Our commitment, as enshrined in the ICI document, is to work towards the three pillars of the Compact document. The first pillar involves political progress and unifying our word. The second pillar aims to establish security and implementing the rule of law. The final pillar is economic reform and reconstruction.

This mid-year report demonstrates the commitments achieved without concealing the commitments we have not yet achieved, but to which we remain determined to realize.

I hope that this report and subsequent updates are received by the international and donor communities as a clear message of mutual confidence and trust. In addition, I urge the donor community to make good on announced commitments of financial and technical support and debt forgiveness. Forgiving Iraqi debt will have an immense impact on the lives of Iraqi citizens. It will also strengthen the economy and contribute to the establishment of stability in the country and region.

This report is the first of many planned that will be circulated on a regular basis to highlight achievements and underscore the challenges and obstacles, which may entail modifications to the strategy.

We are still in the early beginnings of the long road ahead and although we have the determination and the vision, sustained assistance from the international community remains a critical factor in properly supporting Iraq and its courageous people.

Finally, I wish to offer my sincerest appreciation to members of the Compact Steering Committee: Dr. Barham Salih, Deputy Prime Minister, Mr. Baqar Solagh Jaber, Minister of Finance, Mr. Ali Baban, Minister of Planning and Development Cooperation, Dr Mowaffak al-Rubaie, the National Security Adviser, Dr. Rafe'e Al-Isaoui Minister of State for Foreign Affairs, and Dr Ali Alak, General Secretary of the Council of Ministers, for their efforts in preparing this inaugural report.

Nouri Al-Maliki
Prime Minister of Iraq

1 OVERVIEW

The International Compact with Iraq (ICI) is an initiative of the Government of Iraq, in partnership with the United Nations, and supported by the World Bank. This initiative seeks a new partnership with the international community. It establishes a framework of commitments that will enable Iraq to realize its national vision of a secure, unified, federal and democratic nation, founded on the principles of freedom and equality, and providing peace and prosperity for its people.

After a year of sustained collaboration, the National Unity Government successfully launched the International Compact with Iraq at Sharm El-Sheikh, Egypt on May 3, 2007. Over 70 delegations participated in the Sharm El Sheikh meeting, including more than 30 Foreign Ministers. The Iraq Delegation was headed by Iraq's Prime Minister and the meeting was Co-Chaired by the Secretary General of the UN, Mr. Ban Ki Moon. The Egyptian Minister for Foreign Affairs Mr. Ahmed About Gheit hosted the event.

The meeting represented a culmination of a year long effort by the Government of Iraq with active support from the international community.

At Sharm El Sheikh the international community endorsed the ICI documents and in doing so entered into a new partnership with Iraq. This partnership is based on the Government of Iraq's commitment to carry out a comprehensive programme of reform and investment over the next five years, supported in every way possible by the international community. Statements of international support included pledges of over US\$35 billion in reconstruction assistance and debt forgiveness.

This is the first report on the implementation of the Compact. As such it will serve as a baseline against which progress towards fulfilling mutual commitments and achieving common goals will be measured. The reporting mechanism itself is part of the implementation framework. It is a policy tool aimed at identifying gaps and opportunities and suggesting collaborative actions to address them.

This report demonstrates the Government of Iraq's commitment to the Compact and shows an impressive record of achievement over the past 12 months. These achievements are all the more remarkable given the context of relentless violence and other significant challenges within which they have been made. Despite these myriad challenges, Iraq remains determined to move on in carrying out strategic reforms, rebuilding state institutions and healing society.

1.1.1 The Achievements

Iraq is continuing steady progress towards establishing robust security forces dedicated to serve the nation as a whole. Iraqi Security Forces (ISF) are assuming primary responsibility for more and more areas including eight governorates. At the same time the Higher Ministerial Committee for Security Sector Reform has started its work to remedy some of the shortcomings and mistakes of the past and ensure effectiveness, legitimacy and respect for human rights.

The institutions for carrying out the National Reconciliation Programme have been established and operational. Their activities have progressed beyond holding meetings with various groups and stakeholders to addressing some of the main obstacles to national reconciliation. Programmes are being implemented for dealing with former army officers and employees of dissolved entities. Communication channels are being opened with opposition groups including former insurgents. A draft law on Reconciliation and Accountability was presented to Parliament which sets forth a blueprint for transitional justice that unites Iraq.

Parliament has made noteworthy progress on the legislative agenda. The law on the Independent Electoral Commission has been passed and the Commission established.

The Constitutional Review Committee has submitted its draft report to Parliament after an intensive seven months of work with assistance from the UN. The report addresses shortcomings and ambiguities in the original text and sets the stage for a robust union. The Committee has obtained a two month extension to address outstanding issues with the aim of translating the Constitution into a true social contract.

The package of petroleum legislation is nearing completion with the framework Oil and Gas Law already submitted to Parliament, with the remainder to follow shortly. The legislation is based on principles of undivided public ownership of oil wealth by the Iraqi people, co-management of the oil sector by the federal centre and the regions and a transparent and fair mechanism for sharing oil revenues. This framework aims to maximise the benefit from the nation's wealth to all Iraqis and bolster national unity.

A package of economic legislation has either been adopted or submitted to parliament including most notably the Investment Law and the Liberalization of Fuel Importation Law.

Steady progress is being made to build up an efficient, transparent and equitable framework for public resource management. This includes drafting of the Revenue Sharing Law and development of a successor to the Development Fund for Iraq.

Impressive achievements are being made to improve budget planning and execution in combination with the institution of fiscal federalism. The Government has also commenced its Public Expenditure and Institutional Assessment (PEIA) in lead up to an Iraqi reform program that supports an Iraqi vision for a Public Financial Management system for the 21st century. The budget is well on its way to improved implementation in comparison to 2006. Procurement mechanisms and financial management systems are being put in place to improve efficiency, reduce waste and abuse.

The Government's fight against corruption is being strengthened through the establishment of the Joint Anti Corruption Council to streamline and delineate the activities of the various agencies and strengthen the role of the BSA.

A civil service census is underway which will both help eliminate abuse in government systems and set the baseline for comprehensive civil service reform.

Iraq has effectively eliminated market distorting fuel subsidies while providing for the protection of vulnerable groups and ensuring regional trade competitiveness is not materially effected. In tandem with subsidy reform the import of fuels has been liberalized to allow the private sector to fill the gap in supply in due course (as the region continues to endure general fuel shortages)

Social provisions and targeted social safety nets are key to further reforms including that of the Public Distribution System. One of the greatest achievements of the past four years is the standing up of Iraq's means-tested Social Safety Net, which today covers over 1.5 million low income families and over one (1) million unemployed people. The Government of Iraq continues to invest in this system allocating close to one trillion Dinars in 2007.

The Compact marks a milestone towards Iraq's reintegration into the region and the broader community of nations. Iraq continues progress along this path hosting meetings with neighbours and others in Baghdad and Sharm El Sheikh. Following up on those meetings, Working Groups on energy, refugees, security and borders are being established. Some of these have already met. Others are planned for the near future.

All of these achievements will eventually lead to tangible and sustainable outcomes that will promote the vision of a New Iraq.

While a lot has been achieved, more needs to be done to bring Iraq closer to the vision of the Compact. The level of violence has to be brought down. Iraqis' lives, property and dignity must be protected. This is the main duty of any government and the Government of Iraq and the ISF will work relentlessly to achieve this.

The Government is fully aware of the challenging situation with human rights in the context of the brutal conflict engulfing the country today and is committed to work with the UN and other partners to ensure compliance with international norms.

The plight of Iraqis fleeing the violence in and outside Iraq needs to be addressed. The Government looks forward to working with Iraq's neighbours and humanitarian agencies to address this issue

There is a need to safeguard and build upon recent achievements in national reconciliation, Constitutional Review and Hydrocarbon legislation. An Election Law is a priority to enable progress towards municipal elections. In all these areas the Government of Iraq looks forward to technical assistance from international partners.

Iraq seeks progress on commitments made in Sharm El Sheikh and Madrid. In particular, progress on debt relief can act as catalyst for progress in other areas. Iraq also requires international support for extending the DFI mandate.

It is at this critical juncture that the Government needs, more than at any other time, the continued support of the international community in order to meet the challenges and tasks

ahead. The Compact offers a robust framework for identifying and measuring Iraq's needs to enable the best application of international support to priority areas in an effective and transparent way.

Before emphasizing the achievements of the National Unity Government in the next sections of this report, it is essential that the international community and the Iraqi people be mindful of all the seemingly intractable challenges that the Government is confronting.

1.1.2 The Challenges

The Government underscores the seriousness of the challenges with which it is coming to terms. While the security, political and socio-economic environment is well known, there are enormous problems that need to be resolved if the Iraqi people are to secure the peace and prosperity that is their due. The following eight challenges which will be elaborated represent the most critical problems:

1. Countering the insurgency and terrorist activity
2. High levels of corruption and an immature accountability framework
3. Consequences of political instability
4. Debate on the presence of international forces in Iraq
5. Inconsistent and unpredictable development assistance;
6. Path dependency; and unintended consequences of previous policies;
7. Severe "brain drain";
8. Foundation causes of the "resource curse" phenomenon;

Challenge 1: Countering the insurgency and terrorist activity

The Government of Iraq has accepted the challenge to counter the insurgency and terrorist activity. The Government will fight this challenge tirelessly as it is the most dangerous and aggressive threat to all Iraqis. The acts of violence against civilians, infrastructure, State institutions and cultural and religious symbols by insurgents and terrorists will be fought. The aggressive factions aim at tearing Iraq apart – pitting our diverse sects and ethnicities against each other. The Government fully intends to eliminate terrorism and its means, such as extremist Takfiri groups, who do not respect the beliefs of others - they kill others according to ethnicity and take pleasure from chaos and instability. Military operations will continue in the pursuit of those terrorists everywhere and are already effectively demolishing safe havens.

The National Unity Government is carrying out attempts to prevent Iraq from being a safe haven for terrorists, not only for Iraq's stability but for the future of the world and the region. This danger will not decrease without the support of the international partners. Therefore, the Government calls for full support from the international and regional community to help Iraq win the battle against insurgents and terrorists. Iraq needs renewed support from the international community to strengthen its forces, capacities, border protection and economic development.

The militias play an extremely damaging role and bring death, violence and rebellion to many provinces such as Basra, Baghdad, Ramadi and Nasiriyah. The Government is continuing to respond to these malevolent actions through restrictive military measures and ensuring firm political messages are delivered to condemn any violent and terrorist acts.

Challenge 2: High levels of corruption and an immature accountability framework

The Prime Minister is often quoted as comparing the problem of corruption with the problem of terrorism in Iraq. These are two massive challenges facing Government today. Following many high profile cases of corruption emerging over the last three years the Government is strongly of the view that the accountability framework that was established immediately after the war was inadequate to protect Iraqi resources. This was partly due to the arrangements that had been entrenched during the previous regime. Nevertheless, the Government views that incidents of corruption could potentially be endemic. Consequently, the Government has initiated a way forward as expressed in the Compact, which is to improve governance and accountability arrangements to prevent and identify corrupt practices and introduce direct and proven anti-corruption strategies.

Challenge 3: Consequences of political instability

The National Unity Government fully appreciates the consequences of political instability. Nevertheless, the current Government is working tirelessly to achieve stability. Recently, two political groups (Tawafik and Sadriah) suspended their membership in the CoM due to political attitudes and disputes. An agreement has been reached between the Presidency and the Prime Minister to conduct regular meetings to discuss updates on political issues, strengthening the coordination and enhancing Iraqi participation in political decision-making. The requirement, however, to balance competing international and domestic agendas with the need to adhere to core principles is an enormous but accepted burden.

Challenge 4: Debate on the presence of international forces in Iraq

Divisions run deep on the issue of international forces being present in Iraq. Divisions which are being effectively exploited by the insurgency and terrorists that seek to create greater instability.

An important element in addressing these divisions is the Government's commitment to strengthening Iraq's security services, and not being reliant on international forces. Swift disengagement may resolve problems and produce positive incentives for faster Iraqi led security stabilisation. The proper time for disengagement is the key to the issue. However, a focus on swiftness must not lead to haste. The uncertain and fragile environment and the expected results of inappropriate disengagement could result in a catastrophe for Iraq, the region and the world. The consequences are far too great to risk such an approach.

Consequently, this Government is calling on all available resources to achieve the objectives of the Compact, two of which are: i) the development of Iraqi Security Forces; and ii) the transfer of security responsibility from the international forces to the Government of Iraq. There are now two clear principles in place that state the basis of the transfer of security responsibility:

- i) gradually over time, through sequential transfer of provincial authority; and
- ii) under certain conditions, such as the sustained decrease in security incidents and threats, and the preparedness of the provincial authorities.

These are sound policies that identify the method for disengagement and timely reduction of international forces. Therefore the Government calls on the international community to provide the time, space and support to allow these policies to create the pre-conditions required for a less risky withdrawal.

The Government wishes to thank the international community for the sacrifices made over the last few years. While it is indeed hard to properly recognise this support given the daily events in Iraq, the Government emphasizes that these sacrifices do not go unnoticed.

The Government also needs to remind the international community that they are partly responsible for the situation that is Iraq and that leaving Iraq before it can adequately attend to its own security would be an offence to the Iraqi people. A solution to Iraq's security situation is a joint responsibility, and renewed commitments in this respect are warranted.

Challenge 5: Inconsistent and unpredictable development assistance

The Government acknowledges that Iraq has been and will continue to be the beneficiary of significant foreign assistance. Development assistance, however, has been inconsistent and unpredictable. The Government recognizes that establishing an efficient and effective development policy set in a truly Iraqi context takes time. The Compact provides the opportunity to build on the results of donor contributions through better operation and coordination among all parties.

Iraq has been isolated from the international community for decades and healthy relationships are built on trust earned only through sustained and cooperative efforts. Moreover, modern development policy on engagement in fragile or failed states has never really been tested in the unique environment which is Iraq.

One of the aims of the Compact and its implementation mechanism is to help consolidate current efforts to establish an effective and coordinated development approach. The Government recognises that Iraq is not a classic development case. Consequently, the Government encourages development partners to structure their support in a way that recognizes Iraq's current and potential human capacity – be it intellectual, cultural, artistic or professional.

Development policy is emerging in support of an Iraqi vision and ownership in genuine partnership with the international community for the achievement of tangible and lasting results. The Government is keen to see this continue and hopes that the renewed attention to donor coordination under Government of Iraq leadership that the International Compact secures, may help solve this situation.

Challenge 6: Path dependency and unintended consequence of previous policies

The New Iraq is one that the Government remains proud of. The Constitution of Iraq enshrines the principle that the Republic of Iraq is “a single, federal independent and sovereign state in which the system of government is republican, representative, parliamentary and democratic”. The Constitution also established core principles of civil and political rights. The Government is also in the process of improving legislation and policies on human rights, rule of law and governance. Sound economic policies are already allowing the market to operate more effectively by promoting trade and sustainable globalization.

Iraq, however, is where it is today as a result of the path that it has been on for decades and even centuries. While the previous regime may have maintained order, it did so at great human and financial cost and through the exploitation of differences which only helped to entrench divisions.

The Government acknowledges that the legal, bureaucratic and institutional arrangements that the Government inherited are indeed obstacles to effective implementation of the Compact. Institutional reform and development continues to be a key priority for Government as reflected in the Compact documents.

The Government points out that well established norms and traditions, which are not in the interest of a peaceful and prosperous Iraq, are at best difficult if not impossible to transform in the short run. For example, certain cultural positions may not allow the best and brightest Iraqis to rise through the ranks, although the Government is reclaiming lost ground on issues such as gender.

The Government also inherited the unintended consequences of previous policies before 2003.

Although the Government recognizes the importance of achieving justice with respect to the previous actions of the Baath party, and reconciliation as Iraq moves forward, it also recognises that many Baathists were not responsible for the practices of the former regime and simple survival in certain cases dictated party participation. Moreover, they are Iraqis with experience and solid qualifications whose contribution to the rebuilding of a new Iraq will be critical. The Government is therefore taking necessary steps to re-engage with those ex-members of the Baath party that are willing to contribute strongly to the building of a new Iraq.

Certain anti-corruption measures have also had unintended consequences. Policies introduced to prevent the escalating incidents of corruption have possibly resulted in apprehension by some well-meaning Government officials to take legitimate decisions. The Government continues to refine its legal and regulatory structures and anti-corruption agencies to stamp out corruption without having a detrimental effect on Government performance.

Challenge 7: Severe “brain drain”

As a direct consequence of the security situation, the National Unity Government inherited an administration and a private sector that has been stripped of many of its best and brightest individuals. The massive increase in displaced persons, including Internal Displaced Persons (IDP), refugees and economic migrants, has resulted in a much shallower pool of human capital from which Iraq can draw on to help reverse the current situation. There are now far less qualified and experienced professionals, entrepreneurs, public servants, administrators and natural born leaders that can guide Iraq to the bright future that it rightly deserves. While there remain many Iraqis committed to the vision of a peaceful and prosperous Iraq, reversing the brain drain phenomenon to support peace building prior to achieving a secure and stable Iraq is undeniably a challenging task. Nevertheless, the Government is rising to this challenge and is considering all available measures that might be at its disposal, such as incentivising the Iraqi diaspora.

Challenge 8: Foundation causes of the “resource curse” phenomenon

The “resource curse” refers to the general observation that countries rich in natural resources (such as oil and gas) have achieved a slower rate of economic growth than resource-poor countries. Four main explanations for the curse are cited: i) The Dutch disease, which attempts to explain the consequences in terms of the impact on domestic industry; ii) the rent-seeking and governance story; iii) the volatility argument; and iv) the more technical, financial market imperfections theory.

While all current explanations for the “resource curse” apply in Iraq, the overwhelming cause that continues to harm Iraq is the rent-seeking and governance story. This story says that because most of the national wealth originates with Government, it can be very profitable for the private sector to focus on the search for abnormal profits at the expense of society. The Government is also mindful of the global and political priorities to secure energy supply and is of course aware of the vested interests both within and outside Iraq. The Government remains committed to tackling the resource curse problem.

2 IMPLEMENTATION OF THE COMPACT AS REPORTED BY WORKING GROUPS

The Government has created a monitoring system with working groups to report progress on all commitments made by the Government and the international community through the International Compact with Iraq (ICI). The Government understands that the international community recognises this is a challenging task, since there are approximately 400 actions and commitments which require monitoring with responsibility for implementation by numerous Government agencies as well as the need to ensure effective coordination with development partners. The Government appreciates that extensive monitoring of policy implementation is a core function of any government. Consequently, the Government has, as a matter of priority, established the Compact Implementation Framework, explained later in this report (see page 41).

In relation to the status of actions under the socio-economic benchmarks of the Compact's Joint Monitoring Matrix (JMM), the Government reports the following progress. Of the 262 actions under the JMMs, 169 actions are in progress and on track, 28 actions are in progress but are delayed, 26 actions which were due to commence have been delayed, 26 actions are not yet due to start, and at the time of publication, the status of 28 actions not yet reported.

The following sections are the outcome of the first round of the monitoring and reporting process. The Government envisages that as the monitoring and reporting system matures more detail will be available in an increasingly timely manner. The Government has systematically reviewed the reported progress and is considering corrective measures as necessary. Generally, however, progress on all Government commitments is on-track as foreseen in the ICI document.

2.1 Political and Security

The following sections summarize the National Unity Government's recent achievements related to political and security policies. Under the Security section of the Compact, the Government established the following four key objectives, for which programs are established:

- Increasing the levels of professionalism demonstrated in Iraqi security forces with conformity under Executive authority with clear multi-party agreement;
- Developing the capabilities of Iraqi Security Forces (ISF);
- Enhancing a transition strategy for the provision of primary security functions from Coalition Forces to the Government of Iraq; and
- Preparing the way for demobilization and integration of militias.

Under the Political section of the Compact, the Government's policy covered the following three areas:

- National Dialogue and Reconciliation Program;
- Progressing legislative program; and
- Strengthening regional engagement.

2.1.1 Security

2.1.1.1 Increasing the levels of professionalism demonstrated in Iraqi security forces with conformity under Executive authority with clear multi-party agreement

After the fall of the previous regime, Iraq witnessed a great security vacuum when the Coalition Provisional Authority (CPA) took over authority between the period of July 2003 and July 2004, when the existing Iraqi armed forces were dissolved by CPA Order. To fill the vacuum, the newly formed Ministries of Interior and Defence commenced the rapid establishment of new forces.

Although current Iraqi forces are only recently established and remain poorly armed, their achievements in the Government's fight against terrorism are significant. Without a solid framework for security force development, Iraqi forces have increased substantially, with over 300,000 individuals now in place. In addition, former officers have been re-commissioned. Nevertheless, the Government's view is that the absence of a coherent security development framework, set in an Iraqi context, contributed significantly to increasing incidents of security breakdown by militias and/or terrorists. The Government acknowledges that the reversal of the rate of increase in security incidents is extremely difficult to achieve when unqualified and inexperienced persons enter segments of security forces and are prematurely operationalized. After coming into office, the National Unity Government of Iraq addressed the consequences of a rapid build up of inexperienced personnel by taking a number of measures to improve the professionalism, integrity and the patriotism of Iraqi security forces. The two key measures that the Government highlight here are: i) the establishment of the Higher Ministerial Committee for the reform of security related ministries; and ii) the development and passage of a National Intelligence Law. Other measures being implemented are not reported here as they remain confidential in the interest of national security.

The establishment of the Higher Ministerial Committee for reform of security related ministries.

The Higher Ministerial Committee for Security Sector Reform was established in 2006 with a mandate to draft laws and standards to reform the Ministries of Defence and Interior and the Intelligence Service. Key elements of the committee's mandate include:

- Reviewing the security organizations and frameworks to ensure effectiveness and compliance with the Constitution of Iraq.
- Ensuring all segments of the Iraqi population are represented in the security forces, as enshrined in the Constitution.
- Investigating criminal or inappropriate incidents during security force operations with the view of discharging those personnel proven to support militias or armed groups.
- Strengthening conflict of interest provisions by prohibiting individuals in the armed forces taking part in or working for political parties.

The efforts made by the Defence Ministry to commit to those laws resulted in the discharge of 8,000 members of the Iraqi Defence Force who were proven to be part of a militia or armed group (be it Sunni or Shia) or were not eligible for service under current

qualification requirements. The Interior Ministry discharged a further 14,000 individuals for the same reasons.

The Government has also established the National Office for Security Reports, which coordinates with several branches of security ministries and uses a unified national strategy for security to undertake analysis to mitigate the breakdown of security.

The Defence Ministry and the Interior Ministry completed a comprehensive strategic planning process with the objective of achieving an appropriate level of representation of Iraqi factions by ensuring highly qualified individuals are employed without regard to ethnicity. The ministries estimate that around 90% of these plans have been accomplished.

The development and passage of a National Intelligence Law

The Government of Iraq is currently reviewing a draft law that establishes the functional mandate of intelligence services. The draft law reflects the following eight drafting instructions from Government to ensure: i) compliance with the Iraqi Constitution; ii) the Intelligence Services under executive authority; iii) transparency and consideration for human rights; iv) separation of intelligence and security services; v) prohibition of arresting or custodial powers by certain military and intelligence service branches; vi) training and educational program requirements on human rights; vii) prohibiting the intervention of security forces in political matters whether in support or opposition; and viii) the formation of a transparency framework within the context of the Council of Representatives and the Executive supported by targeted monitoring of budget execution performance.

The draft law is in the final stages of discussion in the Council of the Ministries and will be transmitted to the Council of Representatives once approved.

2.1.1.2 Developing the capabilities of Iraqi security forces;

Over the last three years the security ministries have put an enormous effort in accelerating the build up of security force resources by training and equipping over 300,000 members of the Interior and Defence Ministries. The Interior Ministry has completed the build up of its forces and are now working together with Coalition Forces to strengthen capabilities. While the Defence Ministry is currently working under the command of the Coalition Forces, a deliberate program for transition is progressing, which the Government estimates to be 85% complete.

To accelerate the build up of the security forces and the transitioning of command to the Iraqi Government, an agreement was reached in January 2006 between the Prime Minister of Iraq and the President of the United States. The agreement involves the formation of nine working groups as follows:

- Training and equipping the Interior Ministry Forces;
- Development of ministerial resources to achieve security independence;
- Development of the Intelligence Services;
- Transferring security responsibilities in Iraqi provinces;
- Transferring operation command to Iraqi combat forces;
- Development of National Security structuring;

- Development of fight against terrorism abilities; and
- Training and equipping of the forces of the Defence Ministry.

These working groups are shadowed on many levels and are routinely reviewed by the Ministerial Committee for National Security. The Committees are operational and work has been initiated with the concerned ministries. The National Security Structuring working group has accomplished the successful opening of national operating centres. Operation command has already been transferred to eight groups in the Defence Ministry and two other groups will be transferred to Iraqi command by the end of this year. In support of the Government's fight against terrorism, an anti-terrorism and counter-insurgency service has also been established. The effective training and equipping of the Defence Ministry is on track for completion by the end of 2008, which requires substantial logistical and administrative work.

2.1.1.3 Transfer of security responsibility from the Coalition Forces to Executive authority.

Under resolution 1648 of the UN Security Council, Coalition Forces have had the responsibility of security in Iraq since 2003. These forces have worked with Government through a High Committee to transfer security responsibility to the Government of Iraq. The High Committee has subsequently agreed the following:

- The transfer of security responsibility will happen gradually over time, through sequential transfer to provincial authority;
- The transfer will occur under certain and required conditions, such as the sustained decrease in security incidents and threats, and the preparedness of the civil provincial authorities.

The following three agreements have been signed by the Coalition Forces and Government in 2006:

1. "The Bilateral Understanding Document";
2. An agreement containing the required conditions for the transfer of security responsibilities; and
3. The "Performing Agreement", which specifies the required measures needed to perform the transfer of security responsibility.

All the agreements provide for the transfer of provincial security responsibility to the Provincial Governor as directed by the Prime Minister in accordance with the Constitution.

As of the date of this Progress Report, seven out of an initial eight priority Provinces have seen the official transfer of authority to Iraqi authorities. The Government of Iraq and Coalition Forces are continuing a program to accelerate the transfer in the remaining Provinces. This program is monitored closely by the Ministerial Committee for National Security.

2.1.1.4 Demobilizing and integrating militias

Under the Office of the Prime Minister a unit has been established to undertake the necessary policy development work to prepare the way for a program of demobilisation

and integration. The Unit is discussing the issue with key domestic stakeholders and is also seeking technical assistance from the international community for policy option development. A Director General for the unit has been appointed by the Prime Minister. Meetings were held with the Minister for Labour and Social Affairs on coordination and the ability to take advantage of MOLSA's support centres and staff. The Ministry of Finance has been informed about a building for the unit in Al- Jadiriya and the release allocation for the program. Meetings with development partners have been conducted to take advantage of international expertise for the demobilization and integration of militias. Visits have been made to the National Identity centre to make use of its expertise in identifying of the beneficiaries. A workshop was held on amnesty in the presence of a number of academics and politicians. Details were published in the media. A preliminary plan has been developed to operate this unit and to disburse the allocated budget

2.1.2 Political

2.1.2.1 *National Dialogue and Reconciliation*

The Government of Iraq established the Ministry of National Dialogue in June 2006. At that time the Prime Minister also commissioned the formation of the High Committee for Dialogue, both bodies were headed by H.E. Mr Akram Al-Hakim, Minister for National Dialogue.

Since its formation, the Ministry has embarked on establishing a national strategy to address this very complex issue. As part of the strategic planning process and building on the National Reconciliation and Dialogue Program announced by the Government in May this year, the Ministry arranged four key conferences on reconciliation. The first conference dealt with tribal affairs in which tribal leaders participated in a very successful gathering, where perspectives were shared and relationships strengthened. The second conference was organised in cooperation with the Ministry of Civic Organizations. Support came from more than 1,500 participants from civil society. It represented an important first step in the mobilization of NGOs in support of the Government's national dialogue strategy. The Ministry of Dialogue in partnership with Ministry of Women's Affairs also arranged a conference highlighting the role of women in reconciliation. Finally, the Ministry and the High Committee of Dialogue conducted two conferences for political parties. The conference with political partners is a major milestone on the road to reconciliation.

The contribution by members of the High Committee of Dialogue was invaluable in ensuring the success of these conferences. The Government's other notable achievements the Government has recently secured are listed below.

The Ministry and the High Committee established the Iraqi ex-army officers sub committee, which is reviewing return to work and pension arrangements for ex-high ranking military officers.

The Ministry was successful in opening communication channels with Iraqi insurgents groups and has achieved sustained dialogue to reach an agreement whereby the groups would renounce violence upon reaching a final political settlement with the Government of Iraq.

The Ministry is implementing a communication and partnership initiative to provide and explain the national view on reconciliation and dialogue. A key objective of this initiative is to secure support from the international community for the national dialogue and reconciliation strategy of the National Unity Government of Iraq.

The Ministry in partnership with the Government of Japan arranged a one week conference in Tokyo with participation by Iraqi Parliament members from Tawafik, Iraqia, Itilaf and Tahaluf Kurdistan.

The Ministry in cooperation with National Research Centre is producing the Citizenship and Coexistence Magazine with participation from numerous Iraqi scholars from all sects.

All of the above was achieved with the direct backing and support of the Prime Minister, Mr. Maliki, where his Excellency participated personally in establishing working protocols for compensation to displaced families and victims of violence. These steps were vital in resolving immediate disputes and paving the way to a mutually beneficial future.

The Prime Minister commissioned an additional unit to review the following:

- 1- Negotiations with political parties to join a shared vision for the new Iraq;
- 2- Negotiations with insurgents and armed groups;
- 3- Expanding international dialogue; and
- 4- Negotiations with political parties outside the Council of Representatives.

To build on the Government's recent achievements highlighted above, sustained assistance from the international community is needed. In the spirit of true partnership with the international community, the Government looks to its development partners to support the Government through the seemingly intractable challenge to secure a free and stable Iraq. (For a status report against the National Reconciliation and Dialogue Program, see Annex 2)

2.1.2.2 Strengthening regional engagement.

The Iraqi government seeks to improve the relationships with neighboring and regional countries and the rest of the International community and international organizations. The following has been achieved in this subject.

1. Baghdad conference which invited deputy Ministers for Foreign Affairs of neighboring and regional countries. The conference resulted in confirmation of collaboration in political, security and economic issues and formed a way for holding conferences at higher levels.
2. Sharm Al-Sheikh conference for Foreign Ministers of neighboring countries, international nations and a few regional countries, which also resulted in confirmations of collaboration in political, security and economic issues.

3. The conference for the Ambassadors of the United States and Iran held in Baghdad and hosted by the Iraqi Government. The significance of the conference stemmed from the belief that the cooperation of these countries would have a positive effect on the stability of Iraq.
4. The Iraqi Government has reached several agreements that involve the integration of Iraq in the international community. Examples are the agreement on the usage, storage, production and transport of Anti Personnel Mines (Ottawa), the Alsko agreement for sea transport; the UN agreement for the fight against organized crime; the Ramsar agreement for wet lands, the agreement with the UN on the actions of its mission to Iraq. Iraq also joined two protocols concerning child rights.
5. The Iraqi Government is seeking to improve relationships with the Arab League and the Organization of Islamic Conference. Several conferences have been held about Iraq: the 9th meeting for Ministers of Foreign Affairs which was held the 9/7/2006 and the 3rd meeting for the Interior Ministers of neighboring countries, held on the 18th of July 2006 and the follow up meeting on the 10th of March 2007. This resulted in the establishment of three committees concerned with security, border control, energy and refugees. The Iraqi government looks toward more integration with the international community by signing more agreements with countries throughout the world and with international organizations.

2.2 Legislative Program

Of the 16 actions the Government's legislative program, six (6) actions are complete and nine (10) actions are in progress and on track.

Under enormous pressure and a congested legislative agenda at the Council of Representatives, the Government has been able to progress its legislative program as planned. Six actions were completed ahead of schedule, including the agreement to the Government's Legislative Timetable; formation of a Constitutional Review Committee; approval of the Investment Law; approval of the law for the Independent Electoral Commission of Iraq; and endorsement of CPA Order No. 91. All other items on the Legislative program are near completion. (For a status report against the Legislative Program, see Annex 1.)

The Law on the Independent High Electoral Commission was enacted in February 2007 and nine Commissioners have been selected and are now in their posts. The Constitutional Review Committee was formed by the Council of Representatives and has presented a draft package of amendments in May 2007. Other key pieces of legislation, including the Investment Law and the Law on the Executive Procedures to Form Regions, were passed by Parliament in 2006. Important laws such as the Hydrocarbon law, the Revenue Sharing Law, and the Law on the Powers of Governorates not organized into Regions, and amendments to the Debaathification Law are currently in different stages of the approval process.

The Government stresses that important challenges remain in the coming months. These include developing implementing regulations for those laws that have already been adopted. In some cases these regulations may be able to address unresolved technical issues contained in the original legislation. The Government notes that the Constitutional Committee will need to finalise a package of Constitutional amendments for a vote by the full Council of Representatives and to move forward on those critical laws already in parliamentary process.

Finally, the Government notes that the Council of Representatives will need to prioritise the sequencing of the remaining independent commissions called for by the Constitution as well as other important implementing legislation required by the Constitution or described in the Government's legislative timetable.

2.2.1 Update on the Constitutional Review.

The Council of Representatives formed the Constitutional Review Committee, pursuant to Article 142 of the Constitution, in September 2006. The Committee's membership encompasses all principal political constituencies. The Committee began its preparatory work in early 2007. Its initial work plan included a series of inter-party dialogues and study tours to other federal jurisdictions, including Spain, Germany and Malaysia. The Committee then followed a schedule of regular meetings to address and formulate recommendations on the central constitutional challenges. These included federalism and fiscal federalism (the division of powers and wealth sharing); the role of the Iraqi judiciary; the Federation Council or upper house of Parliament; the role of independent institutions; and the constitutional recognition and protection of human rights. The Committee presented an initial report to Parliament on 23 May 2007. While this report reflects an internal consensus on a range of technical issues, such as the respective roles of the judiciary and independent institutions, several more contentious aspects, including the powers of the Presidency and the Kirkuk normalization process under Article 140, remained unresolved. Consequently, the Council of Representatives granted the Committee an extension period of one month, until 22 July 2007, to reach the required consensus. While additional discussions took place during this period, including consultations at high political levels, agreement on the most divisive issues have not yet been reached. It has therefore been agreed that the Constitutional Review Committee would receive several months extension to continue its deliberations and dialogue with key political leaders.

In cooperation with the Government of Italy, a meeting of the Council of Representatives and the Kurdistan National Assembly with the participation of all political forces took place in July 2007 at Erbil to discuss the implementation of federalism and constitutional review, including Article 140 on revenue sharing and other related issues.

2.2.2 Update on the Election Commission

At the end of February, legislation was enacted to stand up one of the independent institutions in the Constitution, the Independent High Electoral Commission (IHEC). The United Nations was subsequently invited to observe the selection process of the new Commissioners and found the process to be transparent and in compliance with

international standards. Following their appointment, the Election Commission of India invited the nine Commissioners to attend an orientation workshop organized by UNAMI and UNOPS. This workshop provided the Commissioners with an overview of their roles and responsibilities in managing elections and the IHEC. The Commissioners are now preparing the Election Commission to update the voter registry which is an essential first step for any future electoral event in Iraq. Before they can complete an update of the voter registry (which was last updated in mid-2005) candidate lists for the 19 directors of the Governorate Election Offices must be prepared by the Council of Representatives and submitted to the IHEC Board of Commissioners. In addition, an election law must be enacted that defines the residency and voter eligibility requirements so that the voter registry can be updated more accurately. Additional budgetary support will also be required for the IHEC to conduct a voter registration update activity.

In the absence of updated election laws, it is difficult for the IHEC to plan beyond the voter registration update. Any election in Iraq requires updated legislation which is being discussed by the Committees in the Council of Representatives as well as additional funding.

2.2.3 Parallel Legislative Developments.

On the legislative front, progress has been made on a number of pieces of legislation with constitutional dimensions. The Hydrocarbon Law has now been tabled with Parliament. Supporting legislation for the Hydrocarbon Law, including the Law on Revenue Sharing, remain under development.

The Law on the Executive Procedures for the Formation of Regions was passed in the second half of 2006, with an 18-month delay before entry into force. Although the IHEC has been formed, legislative steps relating to the formation of other independent institutions are still pending and, in some respects, remain subject to the ongoing constitutional review. The Law on Governorates not Organized into Regions is currently going through the parliamentary process, to be followed by a related but now-separate piece of legislation on Governorate Elections.

2.3 Human Rights

The Government of Iraq is committed to improving the human rights situation throughout the country and despite on-going conflict and the difficulties with protecting the rights of Iraqi citizens. The Ministry of Human Rights has established a treaty reporting section and a joint working group with the Ministry of Foreign Affairs to enhance compliance and international reporting. It is also establishing a Training Centre on Human Rights for civil society and inter-governmental use. A database for tracking human rights violations which is inter-ministerial and includes reporting of key government institutions such as the Ministries of Interior, Justice and Defence is operational.

The Ministry of Human Rights has also undertaken assessments on the conditions of detainees and detention/prison facilities and is working to train and build the human rights capacities of those involved in the administration of justice. While these efforts are underway, the Government acknowledges that much more needs to be done and is

encouraging more international support for the building of Iraq's human rights institutions and in raising the awareness of all Iraqi government workers and citizens in this regard.

The Human Rights Ministry is continuing to produce regular reports on the overall human rights situation in Iraq, together with thematic reports and that reporting called for under the various human rights treaties that Iraq has adopted. The Ministry has also worked with Iraqi Universities to develop a mandatory "democracy and human rights course" for all those attending higher education.

A draft law for a National Human Rights Commission continues to be debated in the Council of Representations. The mandate, roles and responsibilities of the proposed Commission and Ministry of Human Rights are now being discussed in working groups which the Government hopes will result in a timely passage of the enabling legislation for the Commission.

The Minority Section of the Ministry of Human Rights worked hard to reinstate the rights of the Bahaai minority which had previously been revoked during the Saddam Regime. Civil, political, identity and property rights for this unique minority group were reinstated in March with the support of the Ministry. The Human Rights Ministry and Minority Section is also working with humanitarian organizations and civil society to support Christian churches in Baghdad that are caring for Iraqi Christians that are displaced by the violence.

In the area of transitional justice, the Minister of Human Rights continues to participate in the Conciliation Committee. Legislation providing compensation for prisoners and martyrs of the Saddam era has been enacted and is in the process of implementation. In addition, separate legislation is underway for victims and their families for violence caused after 2003.

The Ministry of Human Rights is managing a project to protect and document mass graves that have been discovered. This project includes DNA tracing, grave preservation and support for families. In addition there is a tracing project underway for those kidnapped or missing both before and after 2003.

2.4 Public Resource Management

The Government has progressed many of the actions required to reach the Public Resource (PRM) benchmarks. Of the 59 actions under the PRM sections of the Joint Monitoring Matrices (JMMs), 39 actions are in progress and on track, 11 actions are in progress but are delayed, one (1) action which was due to commence has been delayed, and eight (8) actions are not yet due to start.

The Government has undertaken the critical first steps in reforming the public resource management arrangements in Iraq so that the Iraqi people can enjoy greater benefits from implementation of fiscal policy. The actions committed to under the ICI reflect the Government's priority reforms and provide a solid foundation for a Government-led medium term reform program based on a long-term vision for Iraq's public financial management system. In particular, the Government is focusing on improving the management of oil revenues and key aspects of Public Financial Management (PFM), including planning and coordination, budget formulation and execution, procurement and intergovernmental fiscal relations.

2.4.1 Oil Revenues

Of the 15 actions under this section, 10 actions are in progress and on track, 2 actions are in progress but are delayed, one (1) action which was due to commence has been delayed, and two (2) actions are not yet due to start.

Actions under the three Oil Revenue benchmarks are on track. The establishment and implementation of a petroleum revenue sharing framework is progressing well. The Government intends to present to the Council of Representatives (CoR) a package of four key oil related legislation to ensure the CoR has a complete understanding of linkages and implications. The package of Oil-related Bills will be transmitted to the CoR as soon as remaining technical issues are resolved and final agreements are reached with key stakeholders. In-principle agreements between the Kurdistan Regional Government (KRG) and the Federal Government have already been secured and are a result of several months of discussions and negotiations both in Baghdad and in Erbil. The High level Energy Committee, which is fully operational, is considering technical issues related to agreed principles reflected in the draft law.

The establishment and implementation of mechanisms to ensure transparency of petroleum sector flows is ongoing. The Ministry of Oil has given its in-principle endorsement to the Extraction Industries Transparency Initiative (EITI). The Government is in the process of seeking support from the EITI Secretariat. The action to deliver workshops on EITI in early 2007 is delayed as it is subject to confirmation of assistance from development partners. In the meantime, the Ministry of Oil has already started publishing publicly available reports on production, export, and processing of crude oil in the next few months. These reports will be available soon on the Ministry's website.

Government commissioned studies of Iraq's metering system are expected to be ready for Government's consideration within the next few months. The export meters in the south have already been replaced with a world class system of automated metering and data communications. Compliance with international standards for metering is currently going

through the necessary certification process. Further roll-out of metering at refining and distribution points is ongoing and is subject to the findings of the commissioned reports.

The actions supporting the establishment and operationalization of a single petroleum account is on course for completion by the end of 2008. Essential revenue sharing principles are reflected in the latest draft of the Oil Revenue Sharing Bill and successor arrangements to the Development Fund for Iraq (DFI) continue to be under discussion. The body to replace the International Advisory and Monitoring Board for Iraq (IAMB), the Committee of Financial Experts (COFE) is operational. The COFE is involved in the regular work of the IAMB and relevant training is being provided prior to the eventual expiration of the IAMB mandate, which is currently scheduled to be at the end of 2007. The Government intends to commence negotiations with the relevant authorities to extend the DFI for another two years until end-2009, and is requesting support from the International Community to support the Government so as to secure this extension. In the interim, the Government has secured an interim extension of immunity provisions.

The Central Bank of Iraq (CBI) is currently implementing an action plan in response to the audit of CBI financial accounts. A timetable has been adopted that plans for full implementation of the International Financial Reporting System as the Bank's financial reporting framework before 2010.

2.4.2 Public Financial Management

Of the 44 actions under the this section, 29 actions are in progress and on track, nine (9) actions are in progress but are delayed and six (6) actions are not yet due to start.

Planning, Coordination, Monitoring and Evaluation

The establishment of an enhanced sector-wide and cross-cutting consultation and coordination framework is ongoing. This benchmark continues to be a high priority for the Government as coordination has been shown to be fragmented at best. The Compact Implementation Framework (see page 41) has been designed to address this problem and to meet the benchmark over time. The strategy underpinning of the Framework is to take advantage of the numerous reform champions in Government to provide leadership and direction to the Administration to cement a common vision. This vision will be truly owned by Iraqis with a results focus in genuine partnership with the international community. The ICI's Joint Monitoring Matrix (JMM) is the primary tool that the Government is employing to facilitate the development of a strong and collaborative government and a robust administration. The Government's aim in this regard is to transform the strategy into sustainable and effective achievements for the benefit of all Iraqis.

The Government has already secured real achievements in this area and include: i) the establishment of Compact Steering Committee and its Secretariat; ii) the first steps taken towards the systematic monitoring, reporting and evaluation of sectoral and cross cutting policy implementation performance; and iv) functioning working groups. Support for just-in-time and sustained technical assistance and capacity fulfilment for the Secretariat has also been secured.

Looking forward to the following months and the next fiscal year, the Government views the Compact Implementation Framework as the mechanism that will help the international community work more effectively with Government in a way that is consistent with objectives agreed to by countries and international organisations adhering to the Paris Declaration on Aid Effectiveness. A particular area the Government will be focusing on during this period is the manner in which development partners coordinate amongst themselves as well as the arrangements for the selection and management of technical assistance and capacity development providers.

Budget and Budget Execution

Central to the Government's objective of establishing a vision for Iraq's Public Financial Management system is the completion of the Public Expenditure and Institutional Assessment (PEIA). The PEIA, which was launched by the Minister for Finance on 7 July 2007, will be delivered in partnership with the World Bank and other development partners including DFID and the EC. The PEIA is the first deliberate step towards reaching a consensus on the current PFM system and prepares the way for the Ministry of Finance and other key ministries to agree an achievable vision for reform that attends to both immediate priorities and sustainable development.

Discussion on measures required to achieve an integrated and comprehensive budget are in progress, however, the new oil subsidy arrangements, which have achieved efficiency gains (see Figure 1 on page 26) have actually taken significant revenues and expenditures off budget. The Government is currently considering the best way to bring such items back on budget, likely to be in the form of reporting of special appropriation arrangements in the Budget papers. Coordination between MoPDC and MoF through budget execution enhancement initiatives have realised improvements in the coordination of recurrent and investment budgets. Reporting of donor aid flow continues to be weak. However, action planning for implementation of recommendations from a recently commissioned report concerning the Donor Assistance Database (DAD) is underway. The key recommendation is the development of Standard Operating Procedures to ensure timely reporting of appropriately classified donor aid flows for inclusion in the DAD.

The Government is improving budget reliability and accountability. The first stage to commencing implementation of a new budget classification system based on the IMF's Government Finance Statistics (GFS) is complete. Moving from the legacy accounting framework to a GFS based system will be implemented over time. The first round of economic classification updates has been agreed. Training on the new classification system is ongoing. The function based classification component of the system is likely to be implemented within context of the 2008 Budget.

A high level Budget Execution Committee was established at the beginning of the year and is undertaking regular reviews of in-year fiscal reports and a mid-year budget review is currently underway.

Early successes of the roll-out of the Financial Management System (FMIS) in parallel with the existing legacy system have been marred by the recent abduction of internationals supporting this project. The Government will be undertaking a review of FMIS

implementation arrangements within the context of the PEIA in accordance with the World Bank's "Six Pillars for Successful FMIS Reform" and the IMF's "Five Preconditions for Development of an FMIS."

The Government has initiated a number of specific measures to improve budget execution and effectiveness and is heading in the right direction to achieve a 90+% budget execution rate performance. The Government has identified this as a priority given the low execution rates of between 67% and 78 in 2006 when the Administration was in caretaker mode for most of the year. Budget facilitation measures are underway: administrative bottlenecks have been identified and corrective measures are being implemented; capital project contracting procedures have been clarified and training provided; and procurement assistance teams have been established at the central and provincial levels.

A hurdle approach to procurement and financial control reform is underway. The Government has approved new delegation instructions where Governors and Ministries are provided with greater levels of delegated responsibility. As a first step, contracting delegation thresholds to budget holders have been established: Governors can now approve contracts up to \$1 million without going to the High Contracts Committee; ministries: \$10 million; and large contracting ministries (e.g. Defence, Interior and Trade, Oil, and Electricity): \$20 million.

The Ministry of Finance has established a Tax Policy Unit which is receiving technical assistance from international partners, including the IMF. The Government intends to develop a tax strategy that significantly broadens the base of revenue collections and contributes positively to Iraq's economic outlook. Priority areas for the tax strategy include the oil sector, personal and non-oil corporate income, and consumption taxes, options for the strengthening of tax and customs administrations. The Government has also decided to maintain the five (5) percent reconstruction levy and to reduce the number of customs exemptions.

Procurement

This Government is progressing much needed procurement legislation as a matter of priority. The previous interim governments failed to give the attention that the current Government now assigns. For example, but not limited to, the CPA initiated procurement law did not have implementing regulations until the National Unity Government issued new and consolidated regulations early this year. These recently published regulations for the pre-existing law are now in force, thus establishing needed stability in the absence of a new unified legislative regime.

The draft of the new Procurement Law is substantially complete, and has been discussed with the Inter-Ministerial Committee on Procurement, and consultation has taken place with various stakeholder groups. Once all policy principles and technical matters are resolved, the Government intends to transmit the Bill to the CoR, which is expected to be around the end of the year.

Procurement training on the new regulations is well underway and includes development of a procurement accreditation program. The Government is also considering a medium

term capacity development strategy that supports the implementation of the draft Procurement Law once it comes into force.

Intergovernmental fiscal relations

The Government has made significant progress in increasing the transparency of allocations to sub-national governments. The 2007 Budget law, for the first time in Iraq's history, enshrined rule based allocations to the provinces and region. The draft revenue sharing law reflects these same principles. Regional and provincial workshops and analysis is progressing well. The Government expects to review a report on sub-national public finances before the end of the year.

The setting of criteria for budget requests from sub-national governments is also on track. The 2007 Budget Law demonstrates the consultative arrangements to which Government undertook made real progress in ensuring provincial councils and the Kurdistan region are adequately involved in the planning and budget process. The content of 2008 budget call circular related to provincial council involvement is also under discussion.

Work towards the streamlining of criteria for disbursement of resources has started early. The first ever Provincial Development Strategy for Basra was agreed implemented. The strategy is currently under review to reflect the shifting circumstances in the province.

For a detailed status report of the progress against commitments under the Public Resource Management see Annex 3.

2.5 Strengthening Institutions and Improving Governance

Of the 34 actions under this section, 23 actions are in progress and on track, one (1) action which was due to commence has been delayed, and 10 actions are not yet due to start.

2.5.1 Engaging with Civil Society

The Government is adopting and carrying out policies to stimulate civil society engagement in reforms. The National Training Centre is providing services on rights of civil society and an enhanced program is in preparation, focusing on syllabus development and outreach. A train the trainer program is being developed in consultation with the existing technical assistance and capacity development provider.

Broad participation in national and local elections has been encouraged and engagement in the constitutional debate continues. Activities have included educational workshops about the Constitution and distributing voter information. Relevant training courses for the Rule of Law sector are being delivered to management, police, judges and penitentiary officers.

A unit within the CoM is operational and is undertaking a review of obstacles faced in establishing respect for the rule of law. Preliminary findings have identified certain administrative weaknesses in applying existing legislation. Consequently, standard operating procedures for filing, verification and monitoring will be developed. The current draft law on Non-Government Organisations is under review.

2.5.2 Good Governance and Anti-Corruption

The Government is continuing to implement measures to strengthen the judiciary. Independence of the High Judicial Council (HJC) is in place and physical separation is progressing, with new building works envisaged to commence in 2008. The Government has provided judges and investigators with special salary packages including higher rates of pay, risk allowances and generous life and disability insurance. The Government has also provided additional resources for the provision of high levels of security. Additional guards (e.g. 4 guards per judge) are now in place and armoured vehicles have been provided to priority level judges and investigators. Offices have been moved to secure locations. Additional building security measures are being progressively rolled out (e.g. work is progressing well in Basra).

Adoption and implementation of legislation, regulations and procedures is on track, as are the Government's efforts to strengthen the legal and institutional framework for anti-corruption. The Joint Anti Corruption Committee (JACC) is operational. It is chaired by the Secretary General of the CoM. Members include BSA, CPI, IIG and the High Judicial Council. Disclosure processes are being implemented.

Initial measures to prevent corruption have been initiated. For example, public financial management and procurement reform and other budget execution facilitation measures are underway. The new procurement transparency measures include the unification of regulations and publication of tenders in the MoPDC Gazette and other Government websites. The High Contracting Committee (Sub-Committee of High Economic Committee) and Tribunal have been established, which are two oversight bodies mandated to resolve contract disputes. In addition, preparations are underway for an e-procurement website to be maintained by the MoPDC. An ethics course currently being delivered by the National Training Centre is being enhanced. The Government envisages that the PEIA process will identify a specific program of preventative measures.

Draft UNCAC related legislation, which was informed by outcomes of well attended public conferences on the subject, has been approved by the CoM and is currently with CoR. Once ratified, UNCAC will be domestic law.

Many conferences on anti-corruption have been delivered with national media present. High level members of Government have made frequent strong statements in the media on the importance of fighting corruption (e.g. the PM has been often quoted as comparing the problem of corruption with the problem of terrorism in Iraq.)

The Government has also issued new implementing regulations for the Anti Money Laundering (AML) Law and has set up an office within the CBI to administer implementation requirements.

2.5.3 Civil Service Reform

The Government is progressing work to adopt and implement policies, legislation, regulations, and procedures and continues to build the institutions of public service management. The Governance and Institutional Working Group {the former Capacity

Development Working Group (CDWG)} has completed preparatory work for a national capacity development strategy. Discussions are underway with development partners to support the development of civil service reform options for Government's consideration.

The Government established a committee of senior officials representing various agencies to draft the Public Service Federal Council. The work of the committee is now complete and a report has been sent to the Shura Council.

A capacity development training program designed to strengthen capacity of senior management is currently being delivered by the training centre in the MoPDC. The program is in a process of enhancement and expansion.

Implementation of a civil service census to support operational headcount management and payroll control has commenced. Census objectives, methodology and survey forms are complete and surveying is underway. Linkages to establishment control and payroll reform will be explored in the near future.

The Government has established committees to review the civil service remuneration framework and qualifications recognition scheme and is tasked with preparing policy options and drafting instructions for new legislation in these areas. The Government has also submitted a Civil Service Code of Conduct to CoR for approval.

For a detailed status report of the progress against commitments under the Strengthening Institutions and Improving Governance theme see Annex 3.

2.6 Economic Reform

Of the 41 actions under this section, one (1) action is complete, 25 actions are in progress and on track, one (1) action is not yet due to start, and at the time of publication, the status of 14 actions are not yet reported.

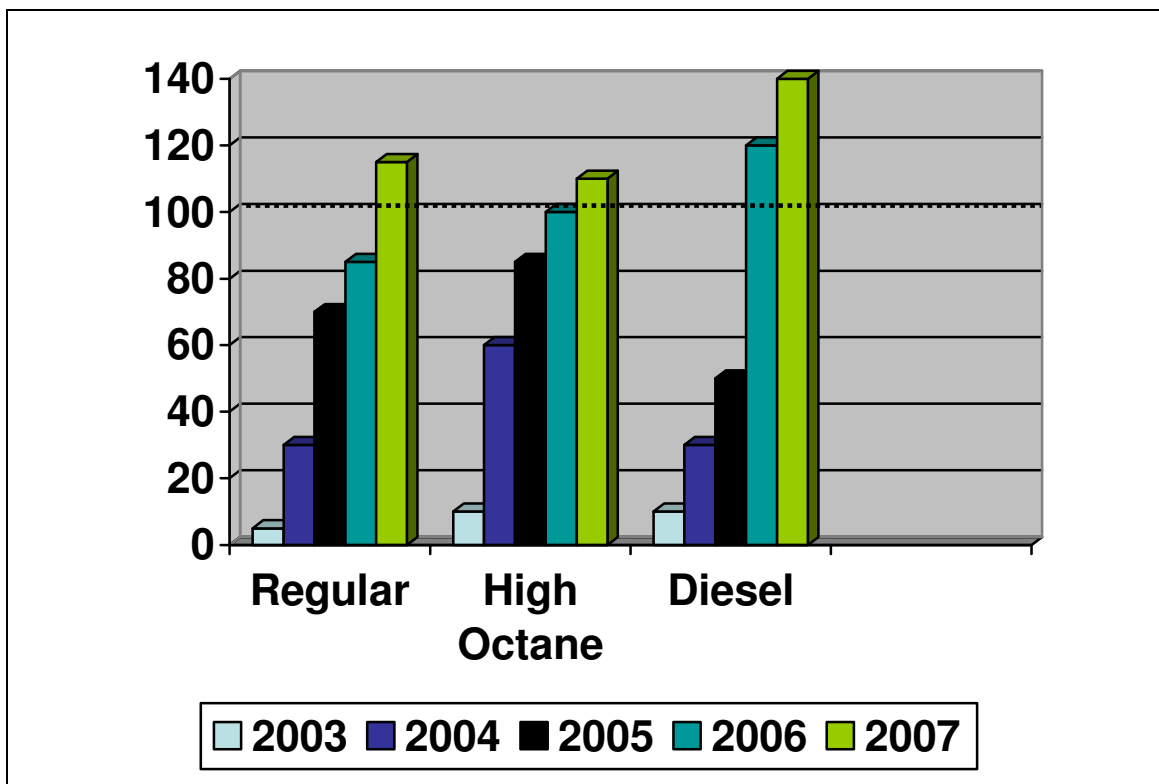
The Government is delivering on its economic reform agenda on a number of fronts. It is in the process of: i) reforming government subsidies; ii) developing the private sector and promoting investment; iii) restructuring the financial sector; and iv) strengthening regional and international economic integration.

2.6.1 Reforming Subsidies

Over the past year the Government of Iraq has achieved real success in the reform of fuel subsidies by bringing prices well above the average of other oil exporting nations in the region (see Figure 1 below) and liberalizing the import of fuels to meet excess demand. Government continues to make impressive strides in this area. Effective July 1, regular gasoline was raised further from 300 to 400 ID per litre. The challenging policy was carried out with targeted interventions aimed at protecting the most vulnerable by, for example, exempting kerosene which is the main fuel staple in poor households. The Government is considering developing a rule-based mechanism for setting domestic fuel prices in the future and will seek technical assistance from the international community on the design and implementation of such a mechanism.

Fuel supplies for power generation were also exempted so as not to exacerbate power shortages until a mechanism for cost recovery is in place. Fuel import liberalisation is underway with an increasing share of fuels being delivered by the private sector. Security environment challenges, however, are preventing the private sector from fully taking advantage of available opportunities in this area.

Figure 1: National Unity Government of Iraq’s Success in Reducing Fuel Subsidies: *Fuel prices as a percentage of average fuel prices in other oil exporting countries in the Middle East and North Africa region, 2004 - 2007[^]*



[^] Assumes no price increase in benchmark countries in 2007.
 Source data: Ministry of Finance, Ministry of Oil and IMF

A framework for the reform of the Public Distribution System is emerging. Like fuel subsidies, a key element in this area is public engagement through education and consultation in order to ensure support for the initiative and the protection of the most vulnerable.

With the increase of the number of internally displaced people over the past year adding a systemic strain, measures are being put in place to ensure the delivery of the rations in areas of temporary accommodation and to prevent abuse of the system.

2.6.2 Private Sector Development and Investment Promotion

The initiative to implement the Investment Law is another highlight of the past year. The law following its passage opens a broad range of opportunities for private sector investments in areas previously reserved by the State. Emphasis is being placed in the

initial stages of implementation on Public Private Partnerships and private sector engagement in the restructuring of State Owned Enterprises (SOEs) through rehabilitation initiatives. Progress in this area will hinge on the development and implementation of a cross-portfolio strategy for the restructuring, corporatization and eventual privatisation of viable state owned enterprises (e.g. cement, fertilizer, petrochemical and pharmaceutical enterprises). The Government of Iraq invited the private sector to participate in the installation of new viable opportunity projects. As an example, 19 new cement plants in different parts of the country were announced by Government and accepted by the private sector with an estimated total production capacity of 19 million tons yearly.

The Government has also supported around twenty (20) public enterprises to submit a commercial business plan to obtain financing from State Banks. A key institutional element is the proposed establishment of a State Property Fund. Technical Assistance will be sought through the Compact process for the establishment of the Fund.

To reduce subsidies directed to the SOEs, to enable private sector development and promote fair competition in the market, the Government approved concessional loans from Rafidain and Rasheed banks for the reindustrialization and restructuring of SOEs. These loans are conditional upon submission of viable feasibility studies and guarantees secured with company assets. Vocational training programs are being delivered to upgrade skills, labour structural adjustment plans and active measures to mitigate the social impact of the SOE restructuring. Micro-loans and on-the-job-training are under consideration by the Ministry of Labor and Social Affairs (MOLSA) and other relevant governmental agencies. Employment services to assist those affected by structural reforms are explicitly defined in the Social Safety Net Law, which the Government expects to come into force in the coming weeks.

Under the Investment Law the government constituted a National Investment Commission which is currently in the process of being established. This Commission will be responsible for establishing strategic directions for investment frameworks. It has also taken steps to decentralise licensing and identification of investment priorities at the governorate level. A key achievement in this regard is the removal of the Baghdad only registration requirement for new business in conjunction with the development of governorate level registration regulations. This was the main outcome of the IFC 'Doing Business in 2007' process and should reflect positively on Iraq's ranking in the coming years.

Several ministerial and inter-ministerial committees and agencies have been established for the promotion of industry in general and private sector investment and development in particular. Over the coming months with support from targeted technical assistance delivered through the Compact, the Government anticipates that tangible improvements in the business and investment climate will result from its work.

Regulations have been drawn up to allow foreign participation in Iraq's securities markets. While supporting infrastructure will also need to be developed, these regulations have already prompted an increase in stock prices being traded on the Iraq stock exchange.

The Government continues to make resources available for the promotion of Small and Medium Enterprises, particularly through micro lending with US\$50m being made available this year. Progress on the restructuring of State Owned Banks and further development of the financial sector will be a key element in creating an environment conducive to private sector growth.

Corruption continues to be a key obstacle to private sector development and to healthy economic development in general. Progress in this area is most important if Government efforts at economic reform are to succeed.

2.6.3 Financial Sector Restructuring

The Government of Iraq recognizes the need to strengthening its banking system in the areas of corporate governance, management and organizational structure and human resource capacity, business strategy, and to develop capacity in the critical areas of credit, investment, risk management and controls.

The Government has taken the first steps towards addressing the need to restructure the financial sector highlighted by the signing of a Memorandum of Understanding (MoU) between the Central Bank of Iraq, as the financial sector regulator, and the Ministry of Finance, as owner of the State Owned Banks. This MoU agrees the restructuring of the Rafidain and Rashid Banks over the next several years, and allows similar consideration for Iraq's three (3) other state owned Banks (with the fourth state owned Bank – the Ishtiraqi Bank – being merged with the Rafidain Bank).

The MOU sets the stage for the financial and operational restructuring of Rafidain and Rasheed by allowing the Government to: (i) assume the large foreign debt liabilities of Rafidain; (ii) support the State Owned Banks by honouring all liabilities until such time as their capital structure is in full regulatory compliance; and (iii) develop and carry out a credible time-bound, medium-term plan for both operational and financial restructuring of the banks.

A Restructuring Oversight Committee (ROC) including the Ministry of Finance, Central Bank and Board of Supreme Audit, has been established to supervise a working group that will manage the restructuring program. The World Bank and IMF are providing advisory assistance to the committee as required.

The Government is taking steps to increase the participation of private banks in the financial sector. The restructuring of Rafidain and Rasheed Banks is an important step in this direction. Currently more than 32 private banks operate in Iraq with a variety of success – the Government will be focussing attention on strengthening regulatory structures to underwrite the improved performance of these banks. Foreign Banks such as HSBC, National Bank of Kuwait and a Jordanian bank are investing in Iraqi private banks, which the Government believes will bring much needed expertise and competition to the private banking system. The modernization of the payments and settlement systems and the development of housing financing options is progressing.

2.6.4 Regional and International Economic Integration

The Government is progressing well with negotiations with official creditors. Russia is the only Paris Club member with whom terms are not yet finalized. The Government already has bilateral agreements in place with nine non-Paris Club creditors. Six of these nine creditors (Czech Republic, Hungary, Indonesia, Malaysia, Romania, and South Africa) have provided Iraq with debt relief comparable to Paris Club terms while others have provided 100 percent debt relief (Cyprus, Malta, Slovakia and USA). In addition, the Government has received confirmations from 20 countries that they do not have any claims on Iraq. During the launch of the ICI on May 3 2007 commitments to provide debt relief totaling \$21 billion on at least Paris Club terms were provided by Bulgaria, China, Greece and Saudi Arabia.

Iraq is continuing progress towards World Trade Organization membership as well as a Trade and Cooperation Agreement with the European Union. These processes will help frame efforts in economic reform and provide access to targeted technical assistance in key reform areas.

The Government has approved the signing of agreements with the Islamic Development Bank's Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA). The Government has also approved a cultural cooperation agreement with France. The CoR is currently considering the Government's proposals to accept the constitution of the World Health Organisation and the United Nations Framework Convention on Climate Change (UNFCCC).

For a detailed status report of the progress against commitments under the Economic Reform theme see Annex 4.

2.7 Human Development and Human Security

Of the 75 actions under this section, four (4) actions are complete, 51 actions are in progress and on track, one (1) action is in progress but is delayed, nine (9) actions which were due to commence have been delayed, four (4) actions are not yet due to start, and at the time of publication, the status of six (6) actions are not yet reported.

The Government of Iraq has made significant progress in the area of Human Development while constraints and obstacles due to the prevalent conditions impede other planned actions within the Compact.

A national team has been established to supervise the preparation of a national report on Human Development and is supported by UNDP. The Government expects to publish the report before the end of this year and will provide for the first time in seven years, human development indicators at the national and governorate levels. One of the most important aspects of this report will be inclusion of the data in the annual UN human development report.

2.7.1 Poverty

The Government established an inter-ministerial committee on poverty reduction and has commenced discussions on strategy development based on COSIT information from an initial national household survey and poverty analysis. COSIT analysis revealed that at least 25% of the Iraqi population are living on less than 1\$/day. For perspective, this is higher than countries such as Fiji, Albania, Vietnam and Indonesia. To strengthen poverty data, the Government in partnership with the World Bank is undertaking a comprehensive household survey and poverty analysis study, which is on track for completion by June 2008.

In order to combat poverty in Iraq, the Government set up a nationwide means-tested Social Safety Net (SSN) Program, consisting of a package of cash benefits (of up to \$80 per month), employment services and micro-finance opportunities for income generating activities. For implementation of the SSN Program, the Government established a ID500 billion fund¹ in 2006 and provided another ID920 billion in 2007 to support between 1.0-1.5 million low-income families and totally disabled individuals. A key element of the Government's mutual obligation policy underpinning the SSN requires recipients to meet conditions on an ongoing basis to remain eligible. For example, the Government's newly introduced child allowance scheme is conditional upon school attendance. Access to the SSN benefits also requires registration of job seekers at MOLSA employment centres and payments are conditional upon continuous participation of the unemployed in Government accredited vocational training programs. As at the end of June a total of 1,035,000 unemployed persons are receiving Government support and many of them are already receiving vocational training and being assisted with job placement services.

2.7.2 Employment

Iraq has experienced one of the most successful job creation schemes in modern history with unemployment being reduced from 28% in 2003 to 17% in 2006. Public sector employment now stands at over 2.1 million jobs. Moreover, 136,000 jobs have already been created by the Government in 2007. The Government is, however, mindful that the immense pressure to reverse the loss in jobs due to the merciless security environment necessitated the adoption of potentially fiscally unsustainable measures, such as massive increases in civil service opportunities. The Government views these measures as appropriate given the circumstances and defers full rectification to future Governments. Nevertheless, the National Unity Government is committed to considering alternative and supporting measures that will mitigate the burden on future generations.

2.7.3 Education

The Government has rehabilitated and constructed numerous schools and established new maintenance arrangements. Funds are also being mobilized for infrastructure and transport in remote areas, where schools are yet to be rehabilitated or new classrooms built. Actions taken to improve attendance include the child allowance for the school age children of poor families, as well as the school feeding programme. Academic exchange and use of new media has also taken place between Iraqi and OECD universities. Security constraints remain the primary factor affecting the progress of all Compact activities. Measures to develop administrative capacity are being implemented.

¹ Administered by the Ministry of Labor and Social Affairs (MOLSA)

The Government has also reversed legacy instructions that led to the mandatory expulsion in 2005 and 2006 of school and university students for repeated absenteeism. This reversal is provided to account for the current security situation. Students are now coming back to school and attendance is high on exam days.

The Government has provided resources to help protect students in schools, colleges and universities. Buildings are now being better protected and more guards are being mobilized.

2.7.4 Health

A national maternal and child health strategy and an emergency preparedness and response plan have been adopted and are being implemented. The Ministry of Health, and the Health and Nutrition Committee are engaged the developing and drafting of health policy and strategy documents including Primary Health Care, National Drug Policy, a Package of Essential Health Services, a Referral System, a health insurance scheme and a capacity development plan for staff.

The Government has rehabilitated and constructed numerous health facilities. Further measures to improve access to health care for remote and vulnerable Iraqis are under consideration. Priority health programmes, which include immunization and maternal and child health, are transforming the Iraqi health system from hospital/curative based care to accessible primary health care supported by an effective referral system and outreach activities.

The Government recognizes that current funding for basic health and nutrition services only provides sufficient resources to meet between 70-80% of actual need. Investments are limited and further increases are needed. To address these, the Government is considering new health financing options to achieve the 4% of GDP goal.

The Government is planning to build ten hospitals of 400 bed capacity within Iraq to increase the provision of health care and to be closer to the specified objectives to improve health sector.

Other programmes aiming to meet the health needs of the population such as the food safety programme are impeded by the current security situation. For example, the “brain drain” phenomenon has been exacerbated. Consequently, the Government is considering new ways to strengthen local health sector expertise to support priority proposals like the health insurance scheme.

2.7.5 Environment, Water and Sanitation and Housing

During the conference “Iraqi Waters: The Road to 2050” held on June 2007, a number of detailed policy recommendations were prepared for Government’s consideration. Training on water rescue and environmental management, water and waste management including sewage networks, pumping stations and sewage treatment stations were identified as

priority areas of action required to strengthen Iraqi capacities for the management of water and sanitation.

Working Groups have been constituted for reforms related to: a) Housing and Slums; b) Land Planning and Infrastructure; and c) Legal and Regulatory Frameworks. The CoM has approved a draft bill to protect and distribute public land to Iraqis.

Construction of a world class waste management facility will be completed around the end of the year. Once finished, it will be one of the largest in the region. In addition, a new project has been prepared for desalination of farm land.

2.7.6 Social Sector

In order to reduce poverty among the aged and to improve equity and sustainability of pension funds, the Government of Iraq revised the pension legislation for the State Pension and Social Security for Workers schemes. The Government has successfully introduced universal coverage for all workers in the private sector in the social security system. The legislation guarantees access to old-age, survivor and disability pensions for all individuals employed in private companies, regardless of the size of the company.

The State Pension Bill introduced to the CoR by the National Unity Government has had its second reading. The Bill reduces discrepancies between existing and new pensioners, revises accrual rates to support fiscal sustainability, sets a minimum pension and adjusts benefits to compensate for inflation. The new pension arrangements also include similar retirement benefits for former political protesters, demobilized military personnel and police as well as survivors of martyrs and political detainees of the previous regime. The Bill effectively eliminates existing discrimination and strengthens equity amongst retirees.

See Annex 4 for a status report against the human development and human security benchmarks.

2.8 Energy

Of the 24 actions under this section, nine (9) actions are in progress and on track, seven (7) actions are in progress but are delayed, three (3) actions which were due to commence have been delayed, and at the time of publication, the status of five (5) actions are not yet reported.

The Government of Iraq recognises the significant role that the energy sector (oil, gas and electricity) plays in Iraq's socio-economic well-being and growth. Government revenue is currently derived almost entirely from oil revenues, thus underlining the importance of this sector for Iraq's fiscal sustainability (along with broadening the Government's revenue base). The electricity sector is important not only as a basic service, but also for employment creation, private sector development and economic diversification.

For these reasons the Government continues to focus on the energy sector performance as a key component of its economic strategy.

Oil and electricity production suffers from chronic deterioration in infrastructure as a result of insufficient investment in maintenance and development during the period of the previous regime. The Government is working to address this decline, and improve energy sector outputs by: improving its energy sector institutions, putting in place appropriate legal and regulatory structures to accelerate new capital development and taking short term measures to stabilise chronic deterioration in production. In each of these areas the Government is showing progress, despite the highly complex and political nature of this sector and the ongoing effects of instability in the security situation.

2.8.1 Oil and Gas

The legal and institutional framework for managing Iraq's oil wealth is being developed:

- An umbrella hydrocarbon law meeting all the requirements of the Compact benchmark has been drafted, unanimously passed by the Council of Ministers and will be submitted to the Council of Representatives soon.
- A complementary revenue sharing law has been agreed by the main political blocs and has had its first reading in the Council of Ministers. The government intends to table this law in the Council of Representatives in late July 2007.
- The Ministry of Oil law, which will lead to improvements in the institutional structure of the sector, has been agreed by the Government's Energy Committee, reviewed by the Shura Council and will be soon tabled in the Council of Ministers.
- The Iraq National Oil Company law is currently being drafted and will allow the re-establishment of the Iraq National Oil Company to manage certain aspects of Iraq's oil production. It will soon be discussed within the Energy Committee.
- The Annexes to the Hydrocarbon Law determining the distribution of fields to INOC and the Regions are now also being considered.

The legal framework for the oil sector is based on a set of principles embodied in the Constitution and reflected in the Government's ICI commitments: These include: undivided public ownership of oil wealth; co-management of the oil sector by the federal centre and the regions and a fair and transparent distribution of revenues among all regions and provinces on the basis of population.

These principles prepare the way for the establishment of a coherent sector management framework aimed at maximising the benefits from oil for all Iraqis and a separate revenue sharing mechanism which would assure all parties their fair share of the wealth. These principles will be underpinned by Constitutional amendments which clarify ambiguities and contradictions in this regard.

Despite significant security and other challenges, investment in oil and gas infrastructure continues. Although exports currently remain below target, the steps being taken by the Government to increase capital investment and strengthen oil resource management will lead to sustainable increase in production over the medium term.

The Government has recently signed an international services contract to drill 150 wells in the South Rumaila and West Qurna fields; a number of other investment projects are now being contracted to increase production; work is being undertaken to capture flared gas in the Zubair and West Qurna fields; and the trans-Iraq gas pipeline is under rehabilitation. Other capital projects are also being commenced that, along with those listed here, will contribute to the Government achieving its benchmarks for gas utilisation and oil production.

Other capital projects are also underway to increase refining capacity and meet requirements for local supply of refined product. These include Nahrain refinery, where detailed engineering is complete; Nasiriyah refinery where a contract is about to be let for conceptual design and contract specification; Koya refinery in the KRG which is under

development; and various rehabilitation and capacity development within existing refineries.

The import of fuel has been liberalized and public fuel subsidies essentially eliminated. While licences have only been issued in the KRG and licence applications for other areas have not yet been submitted, the Government's liberalization of fuel importation legislation marks the end of State's exclusive right to import, distribute and retail. The Council of Ministers has approved the Refinery Investment Bill, currently with the CoR. This Bill allows foreign investment in much needed refinery infrastructure. The CoR is also considering Government's oil product anti-smuggling Bill. This Bill imposes much tougher sanctions on those proven to be engaged in smuggling practices. While supplies remain well short of demand, this is in part due to security and fuel shortages, which are also being experienced in neighbouring countries. The Government has completed installation of meters at export terminals to minimise smuggling and siphoning of oil by criminal networks.

2.8.2 Electricity

The Government continues efforts to stabilise the chronic deterioration in electricity infrastructure that has resulted from lack of maintenance and investment under the previous regime. This is despite the challenge of the security situation that continues to hamper efforts to develop additional generation, maintain transmission interconnections, and provide fuel for electricity.

The Government is committed to its goal of meeting electrical demand with 10% lead factor by 2015, and has commenced efforts to ensure necessary capital investment not only through its own resources, but by also fostering private sector investment in the electricity sector. Late in 2006 the Ministry of Electricity published a newly revised Master Plan that details the Government's capital development plans for the electricity sector. This Master Plan outlines how the Government intends to better utilise Iraq's gas resources for fuel, manage electrical demand, and increase electricity supply through a series of significant capital investments.

Work continues, alongside significant development partners, to restore generation capacity to the Iraqi power system. Feasible capacity of the existing assets is approximately 8,400MW, with recent peak supply of 5,400 being achieved. In order to realize the Compact benchmark for electricity supply another 18,000MW must be added to the power system at 60% capacity factor. This represents significant mobilisation of capital which will not be possible through Government efforts alone. Thus the Ministry of Electricity (MoE) is currently working to develop programs that will lead to necessary legal and regulatory structure for independent power production within Iraq through private sector development. The MoE has also worked to secure finance from the Government of Japan and the World Bank for much needed power projects.

Better preventative maintenance is also being developed for existing assets. The MoE is working with development partners to undertake an operation and maintenance sustainability project commencing in September this year.

In late July the MoE will host a workshop to discuss delineation of policy, regulatory and operational functions within the power sector. This will be the first step towards a capacity development program for September delivery of an action paper on corporatization and regulatory development. This will not only contribute towards meeting 2007 benchmarks, but also lays the foundation for meeting the 2008-2010 benchmarks related to development of modern electricity law and financial sustainability through appropriate tariff structures.

Staff are currently being trained in new procurement procedures using FDIC contract documentation and new Iraqi procurement regulations. The Ministry's ability to manage large capital projects is also being enhanced by a variety of technical assistance from the US Government, Government of Japan, and World Bank.

The challenges faced by the MoE in maintaining the existing decrepit system, whilst seeking to expand supply through all means available, all in the face of constant pressure due to the security situation and infrastructure attacks, cannot be understated. Although supply is remains insufficient to meet the needs of the Iraqi people, significant steps are being taken to address this issue.

For a detailed status report of the progress against commitments under the Energy theme see Annex 7

2.9 Agriculture and Water Management Strategy

Of the 29 actions under this section, 22 actions are in progress and on track, one (1) action which was due to commence has been delayed, three (3) actions are not yet due to start, and at the time of publication, the status of three (3) actions are not yet reported.

The Public Distribution System (PDS) started as a program to distribute domestically-produced food when sanctions were imposed in 1990. In 1996, however, the United Nations agreed to allow importation under the Oil for Food Programme, which did permit the size of the rations to more than double and avoid a humanitarian crisis. The National Unity Government of Iraq is now faced with reversing some of the unintended consequences of related policies implemented by previous Governments.

The Government is continuing to analyse the effects of the Public Distribution System (PDS) on the domestic agricultural sector. A detailed report from the Ministry of Agriculture is expected to be submitted to the Council of Ministers by the end of year. The dilemma facing Government is that, while the PDS is very effective in reaching the poorest Iraqis, the PDS is an expensive and inefficient social safety net program. A recent Government commissioned study revealed that the PDS increases purchasing power of recipients by up to 50% and that 55% of the population are reliant on it. The problem the Government faces is that the PDS costs around US\$ 6 to transfer US\$ 1 worth of food to a person in need.

In resolving the problem, the Government has decided against moving forward with ambitious reform options such as rapid elimination of the PDS, monetization, and means

testing. The Government is, however, implementing and developing substantive reform policies such as: i) improving targeting of the poor through restricting access by the non-poor (e.g. ministers, members of the CoR, high ranking government officials and their families); ii) improving cost effectiveness by introducing a better mix of food basket products; and iii) increasing the role of the private sector. The Government has also decided that the phase-out of the PDS will occur when SSN recipients are the only ones reliant on the food basket. A mechanism for compensating low-income families registered with the Social Safety Net (SSN) program is provided for under the SSN law. Benefit adjustments will occur to compensate SSN beneficiaries for any missing item of the food basket once the Government has decided on when the intended phase out is complete.

An initial analysis of the impact of the PDS on domestic prices found that the PDS depresses open market prices well below border prices by directly supplying large quantities of food to the market. The analysis also revealed that the arrangements have reduced the demand for domestic agricultural products considerably. The Government is mindful that there are also significant supply constraints in the domestic market and the Ministry of Agriculture (MoA) is working hard to resolve these.

The MoA's strategic plan has been developed to address such supply constraints and is being implemented. The MoA has set the following priorities and is supported by action plans which are progressing: a) improving food security; b) increasing agricultural investment; c) improving qualifications and capacity of agriculture workers; d) improving management; e) correcting the imbalance of agricultural economics and agricultural marketing; f) developing value-added for national agricultural products; g) improving the environment through forestation and combating desertification, and building naturally-protected areas; and h) implementing the Integrated Pest Management Program in order to reduce of the use of chemical pesticides to protect crop production, and the environment.

The Ministry of Trade (MoT) is also progressing efforts to improve local content in the PDS thereby supporting the reversal of market distortions established by the Oil for Food Program. For example, the MoT has taken steps to increase the role of the Iraqi private sector in the PDS. The MoT has also expanded contractual arrangements with Iraqi entrepreneurs to handle a portion of PDS imports.

The phased reduction of input subsidies and the expansion of price support measures is progressing. For example, seed subsidies have reduced and price support for strategic crops has increased.

A number of various initiatives, both at central and at provincial level, are in process for increasing micro credit and SME agricultural investment credit both. The micro financing fund has been increased from ID26 billion to ID50billion. More training, however, is required for developing business plans and mentoring services.

The Government is undertaking specific measures to develop an integrated land and water development policy. A conference, "Iraqi Waters – The Road to 2050" was recently held to discuss important issues facing the agriculture and water sector. The conference was attended by key stakeholders and produced a set of recommendations that the Government

is currently reviewing. The Prime Minister's Office is also currently considering a plan to initiate a two-stage implementation strategy for National Water Resources Management.

A number of training programmes in Jordan and Syria are underway on subjects such as farm water productivity, water users' organizations, water use efficiency, drought monitoring, crop improvement, biotechnology and livestock integration. The Government has also reduced the rent on state owned agricultural land by around 50%. A world class waste treatment plant is expected to become operational by the end of the year.

Dialogue with Turkey and Syria on trans-boundary water agreements is progressing. An agreement with Syria is in place. Productive and cooperative discussions continue with Turkey on implications of proposed hydropower plans.

For a detailed status report of the progress against commitments under the Agriculture theme see Annex 8.

3 PROGRESS OF COMMITMENTS MADE BY THE INTERNATIONAL COMMUNITY

3.1 Sharm El Sheikh Commitments

The Government of Iraq acknowledges the strength of international support for the ICI, and for the actions that the Government will take to improve Iraq's political, security and socio-economic situation.

The commitments made by the international community at Sharm El Sheikh on 3 May 2007 are strong endorsement of the ICI, and will support the achievement of Iraq's vision of a peaceful and prosperous Iraq.

The Government has written to all countries and institutions that committed support at Sharm El Sheikh, either in the form of debt relief, direct financial contributions or technical assistance, and is reconfirming new and reaffirmed pledges made.

3.1.1 Record of Sharm El Sheikh Commitments

The record of all new and reaffirmed commitments made by the international community is provided in the following table.

Table 1: Record of New and Reaffirmed Commitments at Sharm El Sheikh

International Community Commitments – General	
	Commitments from the International Community to provide approximately \$38 billion in additional assistance through debt relief and direct financial contributions
	Commitment to build upon the achievements of nascent Iraqi unity
	Commitment to meeting regularly to coordinate efforts and review progress on Compact reforms and assistance, according to the mechanisms and timetables established in the annexes to the International Compact document
	Commitment to supporting the reforms and assistance contained in the Compact document and annexes
Country Specific Commitments from the International Community	
Australia	\$23 million in new assistance
Bulgaria	Committed to positive solution on debt - \$2.54 billion in debt relief
China	Committed to work to resolve the debt per Paris Club terms - \$6.22 billion in debt relief \$6.5 million in new assistance
Denmark	\$35 million in new assistance
EC	\$2.5 billion in assistance
Greece	Committed to debt reduction on Paris Club terms - \$177 million in debt relief
Iran	\$10 million in new grants
Italy	\$540 million in new assistance
Japan	\$104 million in new assistance
Korea	\$200 million in new assistance
Saudi Arabia	Committed to forgive official debts and follow Paris Club rules and regulations. - \$12 billion in debt relief
Spain	\$22 million in new assistance
UK	\$400 million in new assistance
USA	\$10.7 billion in new assistance (subject to change, pending Congressional approval): 2007 Supplemental: DoD - \$4.2 billion (incl. \$375 million for CERP); State - \$2.3 billion. 2008 Budget: State - \$400 million 2008 Supplemental: DoD - \$2.8 billion (incl. \$767 million for CERP); State - \$1 billion;
World Bank	About US\$2.5 billion of IBRD lending could supplement the Trust Fund and IDA funds

3.1.2 Progress on Sharm El Sheikh - Debt Forgiveness

Over the next several months the Government of Iraq will separately contact each of the countries that have committed to working towards debt relief under the ICI. As part of this out-reach, the Government will establish timetables against which it will work to achieve the full range of debt forgiveness committed at Sharm El Shiekh.

3.1.3 Next Steps - Financial Assistance

The Government will work with bilateral and multilateral donors to ensure that financial assistance committed at Sharm El Sheikh is directed towards projects and programs that support the Government's achievement of benchmarks outlined in the ICI document.

Adherence to the implementation mechanisms that the Government has adopted for the Compact will be key to ensuring harmonization of donor support and alignment of donor financial contributions with Government actions.

3.2 Status of Madrid Pledges

Although a significant proportion of pledges made since the Madrid Donor Conference have already been committed and disbursed in support of Iraq, the Government will work with the international community to ensure that any unallocated pledges will be delivered to support of the Government achieving the vision outlined in the Compact. For this reason progress against Madrid and other pledges will also be recorded in bi-annual progress reports.

An update on the status of Madrid pledges, indicating which countries participated in the update exercise is provided at Annex 9. The government will work with the international donor community to ensure periodic update of progress against these and other pledges.

4 COMPACT IMPLEMENTATION FRAMEWORK

The first goal for the implementation of the Compact is to translate the mutual commitments outlined in the Compact documents into detailed action plans including tangible, economically justified, properly costed, policies, programmes and projects which can be implemented by the Government of Iraq with support from the international community.

This will be achieved through an iterative tracking and monitoring exercise which will:

- identify performance and resource gaps, challenges, and opportunities;
- map-out next steps and action points; and
- identify necessary resources for their implementation

Projects to be undertaken in the course of implementing the Compact could include anything from ‘just-in-time’ technical assistance programmes to significant investments.

The most significant challenge that faces the implementation of the Compact is the capacity constraint in the ‘soft’ areas of policy planning, programme design, monitoring and evaluation as well as in the ‘hard’ areas of policy implementation and project execution.

Attempts by development partners over the past four years to by-pass these constraints produced a donor led reconstruction model. Without a central role for the Iraqi Government, donor led development activities could not adequately reflect Iraqi needs and priorities and faced coordination problems.

The Compact implementation framework developed aims to address some of these challenges.

4.1 Compact Steering Committee

A Compact Steering Committee (CSC) was established in the Council of Ministers to lead the day to day implementation of the Compact. The CSC is chaired by the Deputy Prime Minister and includes the Minister of Finance, the Minister of Planning, the National Security Advisor, the State Minister for Foreign Affairs and the Secretary General of the CoM Secretariat. The CSC will represent the Government at the Compact Executive Committee

Figure 2 below provides an overview of where the Compact Steering Committee and its Secretariat fit within the overall coordination and consultation framework.

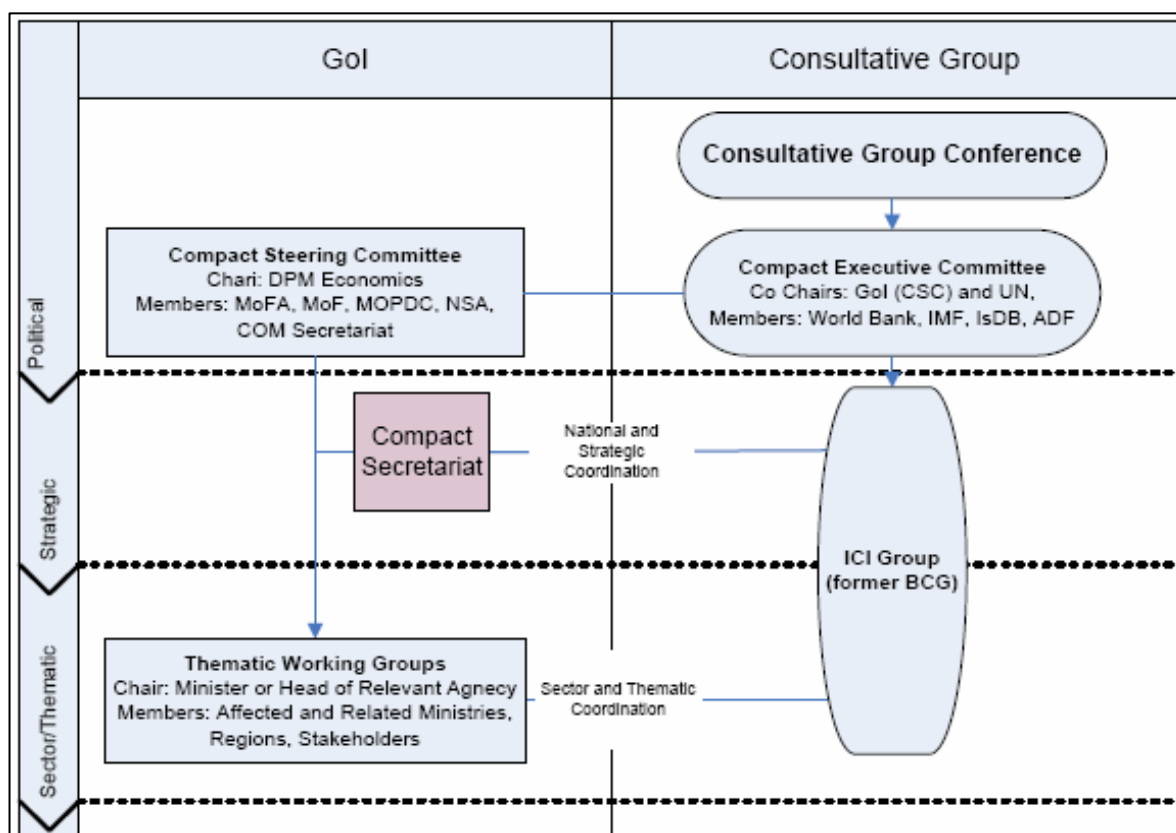
4.2 Compact Secretariat

The ICI Secretariat is the main agency in the Government of Iraq in charge of monitoring and coordinating the implementation of the Compact. Its aims to:

- track progress of ICI implementation: measure progress on Joint Monitoring Matrix (JMM) actions; facilitate the process of identifying resource gaps and actions needed to achieve ICI goals and monitor fulfilment of Development Partner commitments including debt restructuring.

- facilitate the process of translating the Compact document and the Joint Monitoring Matrix (JMM) into detailed action plans including economically justified, time-lined, properly resourced and costed projects which could be financed and executed expeditiously.
- provide policy, program, technical and administrative support for the implementation of the ICI, including policy planning, programme design, monitoring and evaluation.
- assist in the transition from a reconstruction model led by development partners to one which puts the Iraqi Government at the centre: ensure that projects reflect Iraqi needs and priorities, provide Iraqi government oversight of the entire process and accurate accounting of investment flows, particularly foreign aid in the budget.
- Coordinate and contribute to capacity development in the areas of policy design and monitoring: utilise Iraq’s own policy making capabilities together with technical assistance to enhance strategic planning capacity at the level of the Council of Ministers and to cross-fertilise across line ministries and at the sub-national levels.

Figure 2: Coordination and Consultation Arrangements



4.3 The Three Level Approach

The objectives of the framework are addressed through a three level approach – Administrative, Strategic and Sector/Thematic.

Level 1: At the administrative technical level the Secretariat's main role is to drive the flow of information among the various actors, carry out monitoring of ongoing projects and mutual commitments; and organise meetings and produce reports; and other supporting documentation.

To this effect an Administrative Technical Unit is established staffed by Government employees, supported by international advisors supplied by a Consulting Firm.

Level 2: At the strategic, national level the Compact Secretariat supports the consultative and iterative process, which is based on the National Development Strategy (NDS) by facilitating the development of policy programmes and the formulation of concrete detailed programmes and projects. The Secretariat comments on projects from a macro perspective (economic, political and social) assuring consistency with the NDS and the Medium Term Fiscal Framework (MTFF).

Those functions are carried out by a Programme and Policy Unit (PPU) staffed by senior Government officials seconded on a part time bases from key ministries and institutions.

The PPU is the heart of the secretariat providing the energy and expertise to drive the reforms envisioned under the Compact throughout Government and into the regions and provinces. The PPU will be shadowed by advisors supplied through the consulting firm and secondees provided by Development Partners

Level 3: The Thematic Working Groups (TWG) will form the basic building blocks of the Compact implementation process enabling ministries, sub-national governments and other competent agencies to carry out policy planning, programme design and monitoring and evaluation at the sector level. Sectors will include the full range of relevant agencies and stakeholders. Thematic working groups could be built around specific tasks and reform areas.

TWGs will provide a hitherto missing intermediate stage in Iraqi policy planning between the strategic level embodied in the National Development Strategy and the execution level at the line ministries, regions and governorates.

Like the Secretariat, TWGs are Iraqi-led from the ground up and will be established outside the Secretariat. Development partners will provide advisory and secretariat support to the TWGs as required.

4.4 Technical Assistance and Capacity Development

International partners will provide technical assistance and capacity development support in standing up the Compact Secretariat over a period of two years.

This assistance will act as scaffolding to help:

- Design, build and consolidate Secretariat structures, functions and operating procedures in the initial stages;
- Carry out administrative and technical support functions for the Secretariat through a Consulting firm;

- Elaborate and detail terms of reference and work-plans;
- Build a road-map for transition from donor centric to a Government-led reconstruction mode;
- Provide assistance which will include advisory; capacity development, administrative, procurement and logistic support.

Advisors will be supplied through an experienced Consulting Firm to the Administrative and Programme Units of the secretariat. Development partners will also second Advisors to the Secretariat and the Thematic Working Groups. Advisors will include expatriate Iraqis with relevant expertise including former ministers and executives.

The process of monitoring and tracking will identify needs for ad-hoc ‘just in time’ technical assistance projects which will be carried out in the context of mutual commitments.

4.5 Implementation Mechanism To-Date

The Compact Secretariat is largely in place: Secretariat TORs have been finalised and agreed, Government decisions have been adopted and recruitment of Government staff is largely complete. The process of selection of a consulting firm has commenced.

Data collection and processing systems have been set up. The monitoring database, data entry forms and templates are operational. The process has been tested with help from development partners for the production of this report

Some Thematic Working Groups have been operationalized

Funding application for Technical Assistance is in process in the interim just in time technical assistance is being provided focusing on secretariat and coordination support.

4.6 Next Steps

Once funding for the Technical Assistance is secured it will be possible to mobilise the consulting firm and key advisors in time to assist the GoI in the production of next progress report. For that, the certain TWGs and data collection and processing mechanism are expected to be fully operational.

ANNEX 1: STATUS REPORT ON THE LEGISLATIVE PROGRAM

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
Legislative Program						
Progress Legislative Program						
2007 L P	By end 2007: Agree on Legislative Timetable.	Completed	Timetable agreed			
2007 L P	By end 2007: Form a Constitutional Review Committee.	Completed	Pursuant to the Article (142/ First) of the Constitution, the establishment of the Constitution Review Committee is of Council of Representatives (CoR) jurisdiction. The CoR has established the committee and is fully functional.			
2007 L P	By end 2007: Approve the Law on the Executive Procedures for the Formation of Regions	In Progress - on track	A Committee has been established in accordance with Ministers resolution dated on March 20, 2007 to prepare a draft on Regions and Provinces (not constituted within a region) Affairs Law headed by State Minister for Council of Representatives Affairs. The Committee is currently undertaking its work.			
2007 L P	By end 2007: Approve the Investment Law.	Completed	The Investment Law No. 13 of 2006 has been issued and published in the Official Gazette.			
2007 L P	By end 2007: Approve the law for the Independent Electoral Commission of Iraq.	Completed	The Independent High Electoral Commission Law No. 11 of 2007 has been issued and published in the official gazette. Nine new election Commissioners nominated and appointed end of April .	Selection of 19 Governorate Election Offices Directors pending	CoR and provincial reps unable to decide of five candidates for each governorate to nominate to IHEC for GEO directors	Deputy Speaker CoR leading process and now seeking consensus (not unanimity) on five nominees per GEO
2007 L P	By end 2007: Approve the Governorate Elections Law and specify a date for holding	In Progress - on track	Discussions of new law or amending old election law underway	Decision to amend old law or adopt new law and passage by CoR	No action by CoR	Priority action for CoR

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007LP	By end 2007: Governorate Elections.	In Progress - on track		Legislation, budget, hiring of staff at IHEC, voter registry updated	No law, no funding, security situation, no updated voter registry	Law and budget passed concurrently, update of voter registry asap, security improvements for voter registry update
2007LP	By end 2007: Approve the Hydrocarbon Law.	In Progress - on track	Draft on Hydrocarbons law has been approved by CoM and forwarded to CoR.			
2007LP	By end 2007: Approve the Deba'athification Law.	In Progress - on track	Draft on De-Bathification law is now under consideration within the CoM agenda.			
2007LP	By end 2007: Approve a Law concerning the authorities of the Governorate Councils.	In Progress - on track	Draft law with CoR legal committee	Passage by CoR	No action by CoR	Priority action for CoR
2007LP	By end 2007: Approve a Law concerning the Flag, Emblem and National Anthem.	In Progress - on track	Removal of election provisions and decision to draft separate election law			
2007LP	By end 2007: Endorse CPA Order No. 91 concerning the Armed Forces and Militias in Iraq.	Completed	CPA Order No. 91 is currently effective and in force.			

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007 L P	By end 2007: Discuss the general amnesty, militias and other armed formations.	In Progress - on track	Discussions progressing well. Provisions related to Amnesty, Militias and other armed groups are specified by the Constitution and relative laws. Amnesty should be issued by a governing law in accordance with the article (153/1) of Penal Code No. 111 of 1969. Until now, no such a law is issued. As for Pardon, it should be issued by PM and agreement by Presidency Council, pursuant to the article (73/ first) of the Constitution. Order No. 91 is on Militias, and the article (9/first -b) of the Constitution has prohibited formation of armed militia out of the official armed forces of the State.			
2007 L P	By end 2007: Conclude the formation of independent commissions as specified in the Constitution	Completed	All independent bodies provided for in the articles (102 – 108) of the Constitution have been established, having their own laws that governing their work, except: 1 Waqfs (Religious Endowments). Currently, there is a draft to be considered. 2 A Public body for ensuring the rights of regions and provinces(not constituted within a region). 3 A Public body for monitoring federal resource allocations. 4 Public Service Council, State Shurra Council (consultancy Council) has prepared a law for that purpose to be considered. 5 High Commission for human rights/ slowing down until removing the conflicts between its own law and the law of Ministry of Human Rights.			

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007 L P	By end 2007: Constitutional Review Committee concludes its activities	In Progress - on track	The work of the Constitution Review Committee is not completed yet. It is, as we mentioned, established within CoR.			
2007 L P	By end 2007: Referendum on Constitutional Amendments	In Progress - on track	A Referendum will be conducted on the amendments of the Constitution following completion of the work of the Constitution Review Committee, making recommendations on necessary amendments, and getting approval of the CoR by absolute majority of votes in accordance with the article (142) of the constitution. CRC process underway, IHEC established and commissioners appointed	Voter registry updated, CoR passage of amendments, referendum law passed, budget provided to IHEC, IHEC GEO staff appointed and other staff in place, security situation able to host referendum	60 days time limit for holding referendum after CoR approval not met due to no updated voter registry, budget limitations, no GEO directors and key IHEC staff, security situation	IHEC undertakes immediate update of voter registry, budget prepared and agreed for referendum, GEO staff appointed and other IHEC staff hired. Or 60 day constitutional requirement is reconsidered by CoR

**ANNEX 2: STATUS REPORT ON THE NATIONAL RECONCILIATION AND DIALOGUE
PROGRAM**

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
National Reconciliation and Dialogue Program						
Develop and implement procedures for the NRDP						
2007NR	Form national head committee (the head National Committee of National Reconciliation and Dialogue project) that contains representatives from the three authorities, the state minister of the national dialogue and representatives from the parliamentary slates.	Completed	High Committee for Dialogue established and operational. Headed by H.E.. Mr. Akram Al-Hakim, Minister for National Dialogue.	n/a	n/a	n/a
2007NR	Form sub-committees in the governorates by the head national committee, which will take over the tasks of the committee to expand the reconciliation horizontally.	In Progress - on track	Sub-Committee established and operational (e.g. Iraqi Ex army officers sub committee, which is reviewing return to work and pension arrangements for ex-high ranking military officers)	Complete formation of sub-committees on all priority and remaining Governorates.	n/a	n/a
2007NR	Form field committees to put horizontal cultural and media conceptions, follow up the process of reconciliation and evaluate stages.	In Progress - on track	Field committees established and operational under the guidance of the High Committee for Dialogue.	Continue operations	n/a	n/a
2007NR	Hold conferences for the different slices of life such as:	In Progress - on track	Conferences held	n/a	n/a	n/a
2007NR	Conference to the religious leaders to support the reconciliation process and announcing (Fatwa) to convince people.	In Progress - on track	n/a	n/a	n/a	n/a
2007NR	Conference to the heads of tribes issues covenant of honor to confront the state fighting and fighting terrorism.	Completed	Conferences held - successful in sharing perspectives and building relationships	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007NR	Conference to the effective political parties pledge to support the government, protect the political process and confront the terrorist challenge and corruption.	Completed	Conferences held - marks a major milestone on the road to reconciliation	n/a	n/a	n/a
2007NR	Calling all the NGOs to carry out activities, conferences, education campaigns to achieve the aims of reconciliation plan.	Completed	Conferences held - overwhelming support, with around 1,500 participants and is an important first step in the mobilization of NGOs in support of Government's national dialogue strategy.	n/a	n/a	n/a
Develop and implement principles and policies required for the NRDP						
2007NR	Committee for follow-up and implementation of reconciliation	In Progress - on track	PM established a political committee headed by vice-president Adel Abdul Mahdi. Many meetings have been held to share visions of political parties to reach consensus and deepen the trust.	n/a	Absence of many political parties members	n/a
2007NR	Adopt a political reasonable address by the political powers that take part in the political process, and by the government to bring back the alternating currents and to achieve media neutralism.	In Progress - on track	n/a	n/a	n/a	n/a
2007NR	Adopt an honest national dialogue in dealing with all political visions and stances, which are opposite to those of the government in the political process.	In Progress - on track	The Government has adopted practical measures to impose the law through a set of procedures: (military operations are named by Impose the Law, successful organization to withdraw arms, organized unified licenses for carrying guns.	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007 NR	The political powers, involved in the government should take a rejecting stance against the terrorists and Saddam's followers.	In Progress - on track	Office of media advisor of the PM is working to organize press statements and conferences to clarify the position of political parties that rejects terrorists and saddamists.	n/a	n/a	n/a
2007 NR	Issue an amnesty to the prisoners who are not involved in crimes against humanity or terrorist acts and forming committees to set them free immediately. The insurgent who seeks to gain the amnesty opportunity has to denounce violence, support the national government and to obey the rule of law.	In Progress - on track	Establishment of a committee includes High Judicial Council, head of prosecution and ministry of justice to carry out a rapid review of all detainees who are not convicted and their immediate release.	n/a	Congestion of investigating files and technical constraints	n/a
2007 NR	Prevent human rights violations, working on reforming the prisons and punishing those responsible for torture crimes and allowing the international organizations to visit the prisons.	In Progress - on track	Establishment of Al-Adalla (Justice) compound in Rasafa side on high technical bases that ensure prisoner rights, forwarding detainees names periodically to Ministry of Human Rights, and arrange visits for them and to international organizations.	n/a	no control over MNFs prisons.	n/a
2007 NR	Deal with the MNF to put mechanisms to prevent human rights violations and the civilians' abuses through military operations.	In Progress - on track	Iraqi Security Forces have received Command and control in many fields.	n/a	CPA Orders grant MNFs powers and immunity	n/a
2007 NR	Find solutions for the personnel of the dissolved departments, especially in relation to economic part and to take benefits of their expertise.	In Progress - on track	Military Low ranks of the dissolved ex-army have been returned to their works and giving high ranks pension	n/a	Most of the low ranks have been back to their jobs, some prefer referral to the pension	n/a
2007 NR	Reconsider the Deba'athification Board according to the Constitution, the judicial authorities and the Law to take a constitutional and vocational pattern.	In Progress - on track	The Government has adopted draft on justice and reconciliation law that if approved, will ensure right to those who suffer from debaathification	n/a	Rejection by some parliament members	n/a

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007NR	Take prompt procedures to improve the services, especially in the hot areas.	In Progress - on track	The government has established a committee for basic service delivery in the hot areas at the beginning of military operations	n/a	n/a	n/a
2007NR	Activate the preparatory committees, emanated from the Cairo Conference for National Accord, in coordination with the UN and the Arab League and encouraging the Baghdad Peace Initiation	In Progress - on track	n/a	n/a	n/a	n/a
2007NR	The government to make a balanced Islamic-Arabic-Regional movement to make the other government be acquainted with what is going on in Iraq and gain their support to the National Accord Process, especially those enhancing terrorism or overlooking it.	In Progress - on track	The government is continuing its active participations in regional conferences, and study tours by Iraqi politicians aimed at engaging Iraq with its Arabic-regional countries, as well as the ability to fight terrorists	n/a	n/a	n/a
2007NR	Take a serious and quick step towards establishing the armed forces which will take the responsibility of managing Iraq's security in preparation of withdrawal of the MNF.	In Progress - on track	Joint committees have been established. Timetable has been developed to build capacity of Iraqi security forces supervised by high level committee headed by the national security advisor.	n/a	Signing of direct supply contracts are very complicated	n/a
2007NR	Take a serious and quick step towards establishing the armed forces in both Ministry of Defense and Ministry of Interior on professional and national bases for they will take the responsibility of managing Iraq's security instead of the MNF before they withdraw.	In Progress - on track	Works of security reform committee have been completed (structure is determined, preventing breakdowns and national balance)	n/a	By-laws of the security systems have not been approved yet.	n/a
2007NR	Activate the decisions that support victims of the former regime through compensations and making available all potentials to improve their living standards all over Iraq.	In Progress - on track	Al-Shaheed foundation commenced its work, lands distributed to martyr and prisoners families with free-like prices. This foundation is continuing its work in accordance with long action program. It is supported by the government.	n/a	Too much people were victims and missing from saddam's regime. The destiny of many of them is still unknown.	n/a

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007NR	Remove all obstacles facing the Iraqi citizens or organizations to take part in building Iraq according to the Constitution if they did not commit any crime.	In Progress - on track	n/a	n/a	n/a	n/a
2007NR	Give compensations for those who have been suffering from terrorist acts, military operations or violence.	In Progress - on track	Funds have been allocated to compensate those who have been suffering from terrorist acts and military operations or violence. The government is currently considering increase the allocation especially for security forces personnel.	n/a	n/a	n/a
2007NR	Activate the role of judiciary to punish the criminals, making it the only reference in dealing with crimes, former regime's top officials, terrorists and gangs of kidnapping and killing.	In Progress - on track	High judicial council. Supported by the government, I sought to settle cases referred to, to be fully independent, conducting training on judge rehabilitation in accordance with modern standards.	n/a	Prisoners in MNFs prisons	n/a
2007NR	Make the armed forces independent on the influence of the competing political powers, disbanding the militias and illegal armed groups and treat them according to politics, economy and security.	In Progress - on track	Military penal law has been approved by CoR and now in force, it included prevention of army personnel to be a part of any political party. The government is working to establish professional forces. An office for militia integration has been also established linked to PM and supported by experts.	n/a	n/a	n/a
2007NR	Gather the visions and stances towards the anti-Iraq terrorist and expiatory groups.	In Progress - on track	Political council for national security and committee of the four could restrict the terrorists in a single corner demonstrating its reality as an enemy for all Iraqis	n/a	Some interventions by regional countries in Iraq	n/a

SECTION	BENCHMARK/ ACTION	STATUS	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007NR	Start a wide-scaled construction campaign all over Iraq to treat the unemployment phenomenon.	In Progress - on track	The Prime Minister authorized governors to approve reconstruction contracts, increase investment allocation, give priority to the damaged areas. The government has supported more than 25.000 projects for creating employment and reduce unemployment of the youth included within social safety net	n/a	Administrative corruption	n/a
2007NR	The elections to lead to the forming Parliament, constitution and a government of national unity as the only legal representative of the Iraqi peoples' will in dealing with sovereignty and the existence of MNF.	Completed	Partnership committee has completed its recommendations to develop the nature of the relation with the existence of MNFs in Iraq, that will be organized in accordance with full sovereignty of Iraqis.	n/a	n/a	n/a
2007NR	Make the deportees get back home. The government and the security systems are responsible for their return and safety to prevent the terrorists from harming them in addition to compensating them for all the damages they have and adopt a firm security plan that ensures protecting people and prevents them from being subject to blackmail.	In Progress - on track	The government is very sure that resolve of the internal displacement is a result of the terrorism, so it seeks to conduct military operations in the areas of existing militias and armed groups that carrying out displacement to create safe environment to the displaced people to back their homes, giving the returned family money as a compensation.	n/a	The number of the displaced persons from the two sects are not equal	n/a
2007NR	Search and arrest operations happen according to judiciary orders before the raid or arrest. These orders should follow certain information, not vexatious one and should be in conformity with human rights. The military operations should also occur on the basis of official orders.	In Progress - on track	It is really done by Baghdad operation command through applying imposing the law operations.	n/a	n/a	n/a

ANNEX 3: STATUS REPORT ON PUBLIC RESOURCE MANAGEMENT

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.1: Public Resource Management (PRM)							
4.1.1: Oil Revenues							
Establish and implement a petroleum revenue sharing framework							
2 0 7	By 2007, develop a framework for the sharing of the benefits of oil, integrated into the budget process and consistent with the constitution (Priority Action). Such framework must be: Transparent and equitable; Financially sustainable financing at all levels of government; Mindful of legacies of the past and differences in levels of development; Properly compensating the producing regions and governorates; Supported by appropriate organization structures; and Consistent with appropriate accounting and administrative systems.	In Progress - on track	45%	In-principle agreements between KRG and Federal Government are a result of several months of discussions and negotiations both in Baghdad and in Erbil between officials. High level Energy Committee operational. GoI has decided to table a package of key oil related legislation to ensure CoR has complete understanding of linkages.	Latest draft to be considered by Energy Committee. Committee approved Bill to be submitted to CoM for endorsement then tabling to CoR with package of oil related laws. Draft implementing legislation/instructions to be considered prior to transmittal to CoR? Resolve issue on how to address earnings retained by SOMO from sales of residual oil products.	Securing broad agreement on revenue sharing principles and other oil related draft legislation.	GoI has given highest priority to resolve obstacles. Technical assistance may be sought on available revenue sharing instruments and methodologies if obstacles remain. Implementing legislation/instructions to be considered prior to transmittal to CoR to clarify arrangements? Resolve issue on how to address earnings retained by SOMO from sales of residual oil products.
Establish and implement mechanisms to ensure transparency of petroleum sector flows							
2 0 7	By 2007, endorse EITI Principles and commence consultation on implementation (Priority Action)	In Progress - on track	20%	In principle endorsement of EITI given my MoO.	Letter to EITI secretariat requesting EITI engagement sent. Formal endorsement process to be determined through dialogue.	Formal endorsement subject to dialogue with EITI secretariat	As a matter of priority, the DPM will be writing to the EITI secretariat to commence the process
2 0 7	By early 2007, deliver EITI workshops involving the MoO, MoF, MoPDC, and CoR.	Start delayed	0%	Workshops to commence after EITI secretariat support confirmed.	Letter to EITI secretariat requesting EITI engagement sent	Timely delivery of TA	n/a
2 0 7	By end 2007, install, fix and regulate oil flow meters at all oil production and distribution facilities (Priority Action)	In Progress - on track	75%	Shell and BP's study of Iraq's metering system complete. Export and pipeline meters in the South fixed and installed. World class system of automated meter data communications operational.	Review of effectiveness of new metering system. Implement metering at fuel production and internal distribution systems.	Risks of sabotage	Risks mitigated by automation system design

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, provide copies of all oil sale contracts to the MoF and CBI within 15 days of signing the contract	In Progress - on track	50%	Copies of contracts being transmitted to CBI.	Provision of data to MoF still pending. Processes for transmittal of information and status tracking system under review (to track time between signing and delivery to MoF and CBI).	Establishment of new system to track completeness and timing of transmittal of contracts	Priority directive to establish system. TA may be sought. Letter from Steering Committee/Secretariat to SOMO issuing instructions for timely delivery of contract information.
2007	By end 2007, report volumes sold and payments received for oil sales to the MoF and the CBI within 30 days of each transaction (Priority Action)	In Progress - on track	40%	Copies of contracts being transmitted to MoF and CBI.	Processes for transmittal of information and status tracking system under review (to track time between signing and delivery to MoF and CBI).	Establishment of new system to track completeness and timing of transmittal of data	Priority directive to establish system. TA may be sought. Letter from Steering Committee/Secretariat to SOMO issuing instructions for timely delivery of contract information.
2007	By 2007, follow up on the recommendations from the audits of DFI and CBI (Priority Action)	In Progress - delayed	35%	MoF and CBI following up on recommendations. Numerous discussions with auditors on the Government's response to audit recommendations are complete. Agreed responses and actions in place. MoF unit established and functional for management of DFI related information.	Tasking BSA to review audits and make recommendations to CoR. MoO, MoF and CBI to undertake parallel review of audit findings. Follow up on agreed actions on an ongoing basis.	Resource constraints	Higher Economic Committee to write to BSA, MoO, MoO and CBI.
2007	By 2008, publish quarterly on a website maintained by the MoF & MoO detailed reports on: i) Oil Production including: a) refined products and residual fuel oil, (b) Exports including quantities, prices and revenues (c) All other oil related payments to Iraqi entities including taxes, royalties, fees, leases, and any other revenues related to petroleum activities and (d) the status of the DFI audited by an independent internationally recognized audit firm.	In Progress - on track	5%	Decision to start early on establishment of website.	Agreement on lead agency to maintain website. EITI dialogue.	Website not properly maintained	Energy Committee to review lead agency status. TA may be sought. S.t EITI engagement

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, require in all future contracts with buyers of petroleum and petroleum products, contractors and operators, including IOC's to submit information on all payment (or deliveries of crude petroleum) to Iraqi entities in relation to petroleum operations to the MoF/CBI. Annually reconcile this data with government figures using an internationally recognized independent auditor and publish the report on the MoF/MoO website	In Progress - delayed	10%	DFI extension secured. Standard contracts under review.	Agreement on standard contracts. Arrangements for DFI successor to be determined.	Timely agreement on standard contracts and DFI successor arrangements	Standard contracts to be reviewed by Energy Committee. Priority status to prepare action plan for DFI successor to be developed.
2008	By 2008, improve monitoring, accounting and reporting standards at state owned hydrocarbon entities	Not Started	0%	Contingent action.	Mapping of existing processes and accounting frameworks to be considered and streamlining options to be developed. Technical Assistance (TA) to be sought.	n/a	Energy Committee standing issue
2008	By end 2009, begin audits of all state entities operating in the hydrocarbon sector by recognized international firms within a year of the close of financial year; disclose the results of these audits to the MoF and other relevant ministries within 30 days of completion of audits	Not Started	0%	Contingent action - Government is reviewing this action.	Resolve status of competent authority to undertake audits.	n/a	Energy Committee standing issue. MoF recommendation that audits should be compliant with international standards rather than undertaken by international firms. BSA viewed as the competent authority.
Establish and operationalize a single petroleum account							
2008	By 2008, require in all contracts with buyers of petroleum and petroleum products, contractors and operators, including IOC's to: a) deposit all payments due to Iraqi entities in the Petroleum Account; and b) deliver all oil due to Iraqi entities to SOMO or any successor state marketing organization (Priority Action)	In Progress - on track	5%	Initial successor DFI arrangements considered. DFI extension secured. Standard contracts under review. DFI audit action planning underway.	Agreement on standard contracts	Securing agreements on administrative arrangements	Energy Committee standing issue

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, eliminate any exports outside the established DFI and successor Single Account (Priority Action)	In Progress - on track	5%	Initial successor DFI arrangements considered. DFI extension secured. Standard contracts under review. DFI audit action planning underway.	Economic cost of Barter transactions to be reviewed. Estimates are low value, however, MoF views that barter transactions to stop as a matter of priority and subject to clear financing for SOEs. Current agreements to be reviewed. Consideration of bringing economic cost on budget. Review of DFI audits.	Reversing historical agreements. Completion of supporting reviews.	Energy Committee standing issue
2008	By 2008 or at any time before the expiration of DFI, set up a single petroleum account to deposit all revenues related to petroleum operations due to government(s) (Priority Action)	In Progress - on track	5%	Initial successor DFI arrangements considered. DFI extension secured. Successor to IAMB progressing well (reflected in draft revenue sharing law). DFI unit in MoF established and functional (awaiting contract and sales data provision to complete reconciliation processes).	Detailed action plan to establish single account. Implement action plan	Resource constraints	Energy Committee standing issue. Letter from Steering Committee/ Secretari at to SOMO issuing instructions for timely delivery of contract information.
2008	By 2008 streamline the process, clarify the mandates and improve accounting between the various institutions managing oil revenues, SOMO, MoF, CBI, FRBNY, TBI and the Ministries and the KRG	In Progress - on track	5%	Good progress achieved in discussions. MoF unit for DFI established (awaiting contract and sales data provision to complete reconciliation processes).	Mapping of existing processes and accounting frameworks to be considered and streamlining options to be developed.	Change management obstacles. Discussion needed with KRG on accounting and reporting framework.	Initiation of mapping and review process. Streamlining process to be supported by a change management strategy. Discussion needed with KRG on accounting and reporting framework.

4.1.2: Public Financial Management (PFM)

A: Planning, Coordination, Monitoring and Evaluation

Effective functioning of an enhanced sector-wide and cross-cutting consultation and coordination framework

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	During 2007, operationalize an enhanced sector-wide and cross-cutting consultation and coordination framework.	In Progress - on track	20%	Compact secretariat established, monitoring system functional, oversight committees and working groups established. Financing for TA and capacity development agreed.	Decision on which working groups to focus on yet to be agreed. Capacity building strategy to be formulated. Selection process for consultancy firm to provide TA and capacity building services to be commence soon.	Broad support needed from high level and implementing government officials the international community. Timely mobilization of consultancy firm required asap.	Internal compact roadshow planned. Broad-based consultation with the international community to continue. Monitoring progress of selection of consultancy firm.
2007	During 2007, undertake and complete a functional review of the MoPDC as provided for in the Public Financial Management Law (Priority Action)	In Progress - delayed	10%	Coordination between MoPDC and MoF improving due to measures implemented to enhance FY07 budget execution performance. Roles and responsibilities clarified in relation to procurement, budget and accounting.	Further review subject to PEIA and project preparation outcomes	Change management issues	Pilot programs of certain functions (e.g. budgeting and macroeconomic forecasting) to be considered. Institutional issues to be reviewed in PEIA. Full functional review of MoF and MoPDC unlikely to be complete before 2008.

B: Budget and Budget Execution

Develop and implement legislation and build institutions to improve Public Financial Management

2007	By end 2007, complete and publish a Public Expenditure and Institution Assessment (PEIA) to evaluate the quality of budget management, including the process of setting spending priorities and establish and implement a PFM reform and a comprehensive GPM capacity building strategy (Priority Action)	In Progress - on track	5%	Steering committee established. Workshop preparations well underway. Support from key Government agencies secured. High level opening planned. Initial steps for a national Capacity Development Strategy taken. Ministerial instructions to participants given in June.	Commence workshops as planned.	Declining support from key officials and/or development partners.	Continue to engage ministries, officials and development partners to support process
2008	By end 2008, assign primary responsibility, provided for in the Public Financial Management Law, for all aspects of budget management to the MoF and clarify the role of other agencies (Priority Action)	In Progress - on track	10%	Improved coordination between MoPDC and MoF through budget execution enhancement initiatives.	Contingent action - pending outcome of PEIA and resulting reform program and functional review.	Change management issues	Contingent action - pending outcome of PEIA and resulting reform program and functional review.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2009, undertake a comprehensive Public Expenditure Review (following the Public Expenditure and Financial Accountability (PEFA) PFM Performance Measurement Framework) of PFM systems, procedures and legislation to identify strengths, weaknesses and forward action plans	Not Started	0%	Contingent action - not due to start until late 2008.	n/a	n/a	n/a
Achieve an integrated and comprehensive budget and increase strategic content							
2007	By end 2007, capture in the budget all significant revenues and expenditures, including all subsidies and donor flows (Priority Action)	In Progress - delayed	5%	Loans reflected in draft budget papers and law (taken out at the request of the CoR for ratification procedural purposes) PEIA process underway. Loans to be reflected in next major fiscal report. Development of models to estimate the economic cost of all subsidies and barter transactions continues. Initial steps taken to bring off-budget items on budget (e.g. framework for macroeconomic outlook reporting under consideration). Action planning of review recommendations concerning the Donor Assistance Database progressing. Data review of 2004-2007 donor budget and outturns commenced. Improved coordination between MoPDC and MoF through budget execution enhancement initiatives have realized improvements in the coordination of recurrent and investment budgets.	Completion of PEIA. Finalization of methodology and reporting arrangements for providing the economic cost of all subsidies and barter transactions in the Budget. Agree arrangements for macroeconomic outlook reporting. SoPs and classifications for DAD agreed and implemented.	New oil subsidy arrangements have taken significant revenues and expenditures off budget. Uncertain national and subnational taxation arrangements. Failure to deliver successful PEIA and subsequent PFM reform program. Late and incomplete delivery of donor aid flow data in line with SoPs.	FY08 budget reporting standards to be agreed and actioned. Ensure PEIA delivered with broad participation by implementing officials. Seek action plan to implement DAD review recommendations.
2007	By mid 2007, procedures implemented for the regular and timely provision of development partner aid flows to the MoPDC (Priority Action)	In Progress - delayed	0%	Action planning of review recommendations concerning the Donor Assistance Database progressing. Data review of 2004-2007 donor budget and outturns commenced.	SoPs and classifications for DAD agreed and implemented.	Late and incomplete delivery of donor aid flow data in line with SoPs.	Seek action plan to implement DAD review recommendations.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, monetize domestic deliveries of crude oil and fuel to refineries and power stations to reflect the full economic costs of these transfers (Priority Action)	In Progress - on track	5%	Monetization options being consolidated and developed. Direct appropriations to power stations provided to reduce call on in-kind delivery of fuels.	Agreement on methodologies and budget reporting arrangements (e.g. special appropriations)	Broad support for approach required. New oil subsidy arrangements have taken significant revenues and expenditures off budget.	New oil subsidy arrangements have taken significant revenues and expenditures off budget.
2008	By end 2009, integrate the recurrent and investment budgets and establish a Treasury Single Account (TSA) (Priority Action)	In Progress - on track	5%	First integration step complete (move towards GFS classification). Options for further integration of the budget being developed. Preparation of an action plan to review of ministry and budget unit bank accounts underway. Real time TSA subject to establishment of payment and settlement systems. Coordination between MoF and MoPDC improving due to budget execution enhancement measures. Procedures for opening of Bank accounts developed.	Complete PEIA. Develop PFM reform program. Census of Government Bank Accounts. Monitoring of accounts etc.	Difficulties in securing agreements to TSA options (e.g. closure of Bank accounts). Slow progress of banking and payments systems development. Delays in functional review of MoPDC and MoF and resulting pilots.	Actions to be considered within the PEIA context
2008	By end 2009, apply a realistic medium-term policy-based perspective to planning and managing the public finances	In Progress - on track	5%	First step to introduce enhanced medium term fiscal forecasting and reporting under consideration.	PEIA and resulting reform project contingent action.	No agreement on enhanced medium-term fiscal forecasting and reporting action plan. PEIA delays.	Agree FY08 reporting guidelines. Actions to be considered within the PEIA context
Establish and implement procedures and regulations to improve budget reliability and accountability							
2007	In 2007, implement a budget classification system based on the IMF's Government Finance Statistics (GFS) and UN's Classification of Functions of Government (COFOG) (Priority Action)	In Progress - on track	50%	First stage complete. 2007 recurrent budget presented on basis of GFS economic classification.	Training on accounting under the new CoA ongoing. Review of CoA for second stage planned. Processes established to support the integration of recurrent and capital budgets.	Change management, process review and systems issues	Action plan required for 2nd stage required.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, improve the timeliness, accuracy and transparency of in-year fiscal reporting (Priority Action)	In Progress - delayed	10%	Budget execution committee established and undertaking regular reviews of in-year fiscal reports	Progress FMIS roll-out and initiation of change management strategy. Documentation of legacy accounting framework and proposed accounting framework for FMIS supported system. Functional classification system is likely to be implemented in the 2008 Budget.	Successful roll-out of FMIS and change management strategy. Delays in documentation of accounting frameworks.	Review in PEIA
2007	By mid-2007, undertake and mainstream a mid-year budget review and inform the CoR of the results. If appropriations need to change by +/- 5% in aggregate or at the ministry level, a revised 2007 budget appropriation bill will be submitted to the CoR by Aug 2007.	In Progress - on track	50%	Mid-year review announced in 2007 Budget Law. Preparations for appropriation realignment underway.	Implement proposed options for appropriation realignment and procedures for CoR reporting.	Congestion of CoR legislative program	2007 mid-year review triggers to be reviewed.
2007	By end 2008, implement the major components of the Financial Management Information System (FMIS) (Priority Action)	In Progress - delayed	35%	Provincial treasuries connected. CoA developed.	Remaining provincial treasuries to be connected. Officials trained. Change management strategy implemented.	Security. Broad support from implementing officials needed.	Review FMIS implementation and change management strategies
2007	During 2007, shift the current manual accounting system to the FMIS	In Progress - delayed	20%	Legacy and FMIS systems are running in parallel in 2007	Agreement on updated FMIS implementation strategy. Officials trained. Change management strategy implemented.	Security. Broad support from implementing officials needed.	Review FMIS implementation and change management strategies
2007	By mid-2007, connect all provincial treasuries and priority sites;	In Progress - delayed	20%	Provincial treasuries connected. CoA developed.	Remaining provincial treasuries (and Governorates) to be connected. Officials trained. Change management strategy implemented.	Security. Broad support from implementing officials needed.	Review FMIS implementation and change management strategies
2007	By end 2008, Accounting framework to be documented and implemented	In Progress - delayed	10%	Work progressing to document the legacy accounting framework and FMIS envisaged accounting framework	Review of accounting frameworks. Officials trained. Change management strategy initiated.	Security. Broad support from implementing officials needed.	Review FMIS implementation and change management strategies

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
207	Prior to the application of further FMIS modules (e.g. payroll and budget preparation modules), establish detailed user specification requirements	In Progress - delayed	10%	Roll-out schedule being considered within the general FMIS implementation strategy.	Workshops needed for discussion on the GoI functional requirements (commitment control, procurement management, asset management, and budget preparation).	Security. Broad support from implementing officials needed.	Review FMIS implementation and change management strategies
208	By 2008, carry out and publish regular international standard audits of government finances including public procurement audit	In Progress - on track	5%	Independent audit capacity development programs delivered. Ongoing assistance under consideration.	Program of assistance needs to be developed	Timely delivery of TA and capacity building programs	Progress discussions with development partners
208	By end 2008, strengthen oversight capacity of the Council of Representatives (CoR) and Board of Supreme Audit (BSA) through a prioritized and sequenced capacity development program	In Progress - on track	5%	Preliminary workshops on budget oversight delivered. Medium term CoR oversight capacity building program to be developed. Independent audit capacity development programs delivered. Ongoing assistance under consideration.	Complete PEIA. Develop PFM reform program.	Timely delivery of TA and capacity building programs	Progress discussions with development partners
Undertake specific measures to improve budget execution and effectiveness. Achieve over 90% budget execution							
207	By end 2007, based on a PFM capacity building strategy, initiate a comprehensive training program to build the administrative capacity at all junctures of PFM at national and sub-national levels (Priority Action)	In Progress - on track	10%	Budget execution facilitation program of training underway in provinces and central government. Preparations for national and PFM capacity building strategies commenced. Initial GPM capacity development review complete.	PEIA and resulting reform project contingent action. Capacity development strategy	Coordination and consultation	PEIA to identify key constraints
207	By 2007 remove administrative bottlenecks, to enhance capacity for procurement and capital project contracting, and to invest in projects of significance as may be fiscally sustained over the medium term (Priority Action)	In Progress - on track	50%	Budget facilitation measures underway. Key administrative bottlenecks identified and measures implemented. Capital project contracting procedures clarified and training provided. Procurement assistance team established.	Preparation for systemic issue identification addressed within PEIA and resulting PFM project.	Coordination and consultation	PEIA to identify key constraints

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007 execute more than 90% of 2007 recurrent and investment budgets (Priority Action)	In Progress - on track	0%	Budget execution facilitation measures underway. Aggregate targets agreed. Mid-year review trigger based on slow investment budget execution communicated during Budget Execution conference. Budget Execution Committee reviewing performance on a monthly basis. A hurdle approach to procurement and financial control reform is underway. The Government has approved new delegation instructions where Governors and Ministries are provided with greater levels of delegated responsibility. As a first step, contracting delegation thresholds to budget holders have been established: Governors can now approve contracts up to \$1 million without going to the High Contracts Committee; ministries, \$10 million and large contracting ministries (e.g. Defence, Interior and Trade), \$20 million	Ongoing monthly monitoring of budget execution performance	Change management issues	PEIA to identify key constraints

C: Procurement

Pass and implement legislation and regulations build and operationalize institutions for public procurement

2007	By end 2007, draft a new public procurement law, regulations, and standard national competitive bidding documents consistent with good international practice including latest WTO agreements (Priority Action)	In Progress - on track	75%	Draft Bill substantially complete, and discussed with Inter-Ministerial Committee. Initial work has been done with various stakeholder groups.	Shura Council, Cabinet, and Parliamentary actions still need to be taken.	Securing broad agreement required on Inter-ministerial committee and other stakeholders. Timely delivery of TA	Increase frequency of interministerial committee meetings. Ensure timely delivery of TA supported workshops with stakeholders on the draft law.
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SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, enact the law and supporting regulations and the standard bidding documents (Priority Action)	In Progress - on track	50%	Subject to outcomes of further discussions, the Government may be transmit the Procurement Bill to the CoR by the end of 2007/2007.	Implementing regulations will need extensive dialogue and policy development.	Regulations may not be simultaneously transmitted with the procurement Bill.	The current Government is progressing legislation as a matter of priority. CPA initiated law did not have implementing regulations until the new Government issued new regulations this year. These recently published regulations for the pre-existing law are now in force, thus establishing needed stability in the absence of a new legal/regulatory regime..
2008	By 2008, establish the new the public procurement system based on the law	In Progress - on track	30%	The Government's procurement regulations published in April 2007 accomplished the first step to the new public procurement system and provide much-needed stability, and a new set of norms that will support implementation of the new draft law once it is enacted.	Refer above actions	Refer above actions	Procurement reform project proposed in partnership with the World Bank
2008	By end 2008, begin regular audits for compliance with the new public procurement law and regulations	In Progress - on track	20%	The Government's is implementing new compliance measures consistent with the recently published regulations. In particular, the Ministry of Planning, the Inter-Ministerial Committee for preparation of the Procurement Law, Procurement Assistance Teams and the Higher Contracting Committee comprise a comprehensive compliance regime.	Further measures are planned in line with principles currently reflected in the draft procurement law.	Refer above actions	Procurement reform project proposed in partnership with the World Bank
2008	By 2008 use e-Procurement for most public sector transactions	In Progress - on track	25%	E-Procurement is progressing. Publication of Government projects occur on a number of ministry websites, including the Ministry of Industry and Minerals.	The Ministry of Planning is preparing the groundwork for a Government wide e-procurement system.	Refer above actions	Procurement reform project proposed in partnership with the World Bank

Build capacity to comply with the new framework for public procurement

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2 By 2007, develop and deliver standard 0 accredited training programs on public 0 procurement for the public servants 7 and private sector (Priority Action)	In Progress - on track	30%	Procurement training underway. Development of standard accreditation program ongoing.			
D: Intergovernmental fiscal relations							
Increase transparency of allocations							
	2 By 2007, move to consistent rule 0 based allocations for transfers to 0 regions and governorates (Priority 7 Action)	In Progress - on track	80%	2007 Budget law enshrined rule based allocations. Draft revenue sharing law reflects the same principles. Initial workshop on fiscal instruments delivered. Regional and provincial workshops and analysis underway.	n/a	n/a	n/a
	2 By 2007, publish both in-kind and cash 0 transfers allocated to the regions and 0 governorates in the budget and the 7 allocation criteria as part of the documentation for the budget (Priority Action)	In Progress - on track	10%	Preliminary estimates of value of in-kind transfers complete. Regional and provincial workshops and analysis underway.	n/a	n/a	n/a
Set criteria for budget requests							
	2 By 2007, in consultation with 0 governorates and Provincial Councils 0 set clear guidelines for budget 7 requests for investment and recurrent expenditure from provincial Councils (Priority Action)	In Progress - on track	80%	Content of 2008 budget call circular related to provincial council involvement under discussion. 2007 Budget law demonstrates consultative arrangements	n/a	n/a	n/a
Decide on and implement oversight process for transfers							
	2 By 2007, establish unit that is 0 responsible for monitoring and 0 evaluating intergovernmental transfers 7 (Priority Action)	In Progress - on track	80%	Budget execution facilitation strategy underway. Administrative options under consideration.	n/a	n/a	n/a
	2 By 2008, in consultation with regional 0 authorities and Provincial Councils lay 0 out process including timelines and 8 reporting authority for transfers made to regions and provinces (Priority Action)	In Progress - on track	75%	Regional and provincial workshops and analysis underway.	n/a	n/a	n/a
Clarify expenditure assignment							
	2 By 2007, specify which level of 0 government is specifically responsible 0 for each expenditure in a way that 7 ensures, efficiency, equity and transparency and is consistent with the constitution (Priority Action)	In Progress - on track	50%	Regional and provincial workshops and analysis underway. Governorate legislation has improved clarity.	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By mid 2007, identify expenditures with regional spill-over effects for the coming fiscal year (Priority Action)	In Progress - on track	50%	As above.	n/a	n/a	n/a
2007	By end 2008, provide conditional grants to regions and provinces to cover the above expenditures	In Progress - on track	75%	2007 Budget provides conditional grants to regions and provinces. Draft revenue sharing bill reflects same principles.	n/a	n/a	n/a
2008	By end 2008, provide conditional grants to regions and provinces to cover the above expenditures	In Progress - on track	30%	2007 Budget provides conditional grants to regions and provinces. Draft revenue sharing bill reflects same principles.	n/a	n/a	n/a
Clearly delineate sectoral roles and responsibilities							
2008	By 2008, review of consistency between sectoral and PFM laws and intergovernmental legislation regarding roles and responsibilities of local governments (Priority Action)	Not Started	10%	Contingent action	n/a	n/a	n/a
Establish clear taxation powers for each level of government							
2008	By 2008, review of taxation and customs policy procedures, with the aim to provide sustainable method of raising resources for GoI and promoting growth and private sector development (Priority Action)	Not Started	0%	Contingent action - Regional and provincial workshops and analysis underway.	n/a	n/a	n/a
2008	By 2008, either as part of the Constitutional Review process or as separate legislation, the Parliament should clarify taxation authority in a way that ensures, efficiency, predictability and national fiscal integrity	Not Started	0%	Contingent action - Constitutional review process to address taxation issues	n/a	n/a	n/a
Clearly identify own source revenues for each level of government							
2008	By 2008, conduct assessment of revenues that can potentially serve as productive revenues for regions and provinces (these should include revenues dependent on relatively immobile tax base e.g., real estate)	Not Started	0%	Contingent action - This action will build on the first step of progressing a TSA (see action 4.2.B.2 dot point 4)	n/a	n/a	n/a
Identify fiscal capacity							
2008	By 2008, set up transfer system based on the fiscal capacity of the regions and governorates (Priority Action)	Not Started	0%	Contingent action - Regional and provincial workshops and analysis underway.	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
Streamline criteria for disbursement of resources							
2 0 0 8	By 2008, decide and set out criteria for disbursement of resources to regions and governorates using new legislation, if required (Priority Action)	In Progress - on track	80%	Action started early. First ever Provincial Development Strategy developed. 2nd Basra PDS under development - workshops held in June 2007.	Provincial Resource Statement. Increased capacity of local government staff.	Security constraints restrict access to development partners. Institutional capacity.	n/a

ANNEX 4: STATUS REPORT ON INSTITUTIONS AND IMPROVING GOVERNANCE

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.2: Strengthening Institutions and Improving Governance							
4.2.1. Engaging with Civil Society							
Adopt and carry out policies to stimulate civil society engagement in reforms							
2 0 0 7	During 2007, conduct training to educating policy makers, administrative and law enforcement personnel as well as the public about the rights of civil society and the role it can play in promoting citizens' legitimate concerns, mitigating social conflict and monitoring the government's actions (Priority Action)	In Progress - on track	30%	National training centre providing training services on rights of civil society. Broad participation in national and local elections have been encouraged and the engagement in the constitutional debate continues. Activities have included and educational workshops about the constitution and distributing voter information Training Course in Rule of Law sector for police, judges and penitentiary	Finalize TA and capacity building program (e.g. syllabus, costs and beneficiaries). Deliver train the trainer program by existing TA and capacity building provider (Tatweer).	Agreements on key aspects of program - syllabus, venue for workshops.	Program of support likely to be extend in to 2008. Clarification of MoI inputs.
2 0 0 7	By 2007, adopt a law on NGOs and non-profit associations which guarantees their political and economic independence, facilitates their establishment and minimizes bureaucratic obstacles (including the freedom to cooperate and receive funds) (Priority Action)	In Progress - on track	30%	Unit in CoM established. Initial review of obstacles identified that administrative weaknesses in applying existing legislation. SoPs for filing, verification of and monitoring to be developed. Current draft law reviewed.	Draft being revised to incorporate international standards.	Stakeholder consultation. Implementation constraints of SoPs. CoR legislative program congestion.	SoPs and implementing instructions needed.
2 0 0 8	By 2008, introduce regulations to ensure an appropriate advisory and consultative role for civil society in legislative, administrative and policy making processes	Not Started	0%	n/a	n/a	n/a	n/a
Adopt and implement comprehensive transparency policies and legislation							
2 0 0 7	By 2007, strengthen and implement the public income and asset disclosure law (Priority Action)	In Progress - on track	30%	Strengthening implementation of law underway. CPI orders delivered on asset disclosure. 60% of officials (DG level and including military officers) disclosure forms returned and filed.	Review of returns and monitoring and actioning a priority. Administrative procedures under consideration. Confidentiality policy and systems required.	Review of current implementation arrangements to preceded drafting of amendments. Agreement on confidentiality policy and systems required.	Improved implementation of current legislation a priority. Subordinate legislation or SoPs to be considered.
2 0 0 8	By 2008, pass freedom of information legislation and policies on public disclosure mandatory for public officials and institutions	Not Started	0%	n/a	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2 By 2008, pass media law to guarantee 0 and protect the rights of media, 0 watchdogs and other information 8 sharing institutions	Not Started	0%	n/a	n/a	n/a	n/a
4.2.2 - Good Governance and Anti-Corruption							
Implement specific measures to strengthen the judiciary							
	2 By 2007 separate the High Judicial 0 Council from the Ministry of Justice 0 (Priority Action) 7	In Progress - on track	60%	HJC independence in place. Physical separation progressing. New building works envisaged to commence in 2008. Priority project identified by MoPDC.	Capital project preparation underway.	Capital project preparation constraints	Judicial training remains remit of Ministry of Justice.
	2 By 2007, provide sufficient security to 0 reduce significantly fatalities and 0 injuries of judges and investigators 7 (Priority Action)	In Progress - on track	75%	Judges and investigators provided with special salary packages including higher rates of pay, risk allowances and life and disability insurance. Increased budget provided for high levels of security: additional guards in place and armored vehicles to priority levels. Offices moved to secure locations in Baghdad. Additional building security measures being progressively rolled out (e.g. Work progressing well in Basra).	Review of outstanding building security measures.	n/a	US Marshalls programme to upgrade security at Basra CCC (I) courthouse has stalled, PRT have made a request to CERP to continue programme. US also planning to build a new courthouse in Basra, with secure judicial enclave.
Adopt & implement legislation, regulations & procedures & strengthening legal & institutional framework for anti-corruption							
	2 By 2007, strengthen the effectiveness 0 of Anti-Corruption Working Group 0 (ACWG) chaired by the Prime Minister 7 by developing guidelines and procedures for transparent and streamlined inter-agency cooperation (Priority Action)	In Progress - on track	50%	ACWG name changed to JACC (Joint Anti-Corruption Committee). JACC established and functional.. Chaired by PM with SG as alternate. Members include BSA, CPI and IIG. Organic law drafted.	Implementing and coordination procedures to be drafted	Coordination issues	TA to be sought for the development of a master plan and comprehensive capacity development strategy
	2 By 2007, begin to disclose promptly 0 and transparently to Parliament and to 0 the Public the instances where the 7 Government has prevented cases of corruption being brought to court (Priority Action)	In Progress - on track	25%	Disclosure processes to CoM implemented. CPI has recommended an amendment to Article 136. Information requirements for disclosure and verification requirements under review.	Agree disclosure requirements	Courts overwhelmed with misdemeanors hearings and unverified allegations. Agreement on disclosure and verification requirements	TA to be sought for the development of a master plan and comprehensive capacity development strategy. Early indications that resolution on approach to the increase in misdemeanor hearings in the courts is needed.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, Parliament to be notified of instances where Article 136 of the Law of Civil Procedure is invoked	In Progress - on track	20%	Disclosure processes to CoM implemented. CPI has recommended an amendment to Article 136. Information requirements for disclosure and verification requirements under review.	Agree disclosure requirements	Courts overwhelmed with misdemeanors hearings and unverified allegations. Agreement on disclosure and verification requirements	TA to be sought for the development of a master plan and comprehensive capacity development strategy. Early indications that resolution on approach to the increase in misdemeanor hearings in the courts is needed.
2007	By end 2007, anticorruption action plans developed for institutions with substantial revenue and expenditure assignments (Priority Action). Action plans to include the following: Improving transparency of procurement; Enhancing public disclosure; Systematizing complaints handling mechanisms; Strengthening internal audit; Strengthening financial management and control and reduce risks of collusion and fraud; Improving ethical standards; and Increasing civil society involvement in project/program implementation.	In Progress - on track	20%	Initial preventative measures initiated (FMIS, procurement reform and other budget execution facilitation measures). Procurement transparency measures implemented (unification of regulations issued and publication of tenders in MoP Gazette). High Contracting Committee (Sub-Committee of High Economic Committee) and Tribunal to resolve contract disputes operational. Preparations underway for e-procurement website (initial publication General Procurement Notice - All investment projects approved in the Budget). Ethics course delivered by National Training Centre being enhanced. PEIA process to identify program of measures.	Priority agencies for anti-corruption action planning to be identified. Guidance on action planning to be developed. TA to be sought if required. Pilot program may be required.	Timely delivery of TA if required	Progress dialogue with development partners.
2007	By end 2007, review and harmonize legislation to work towards compliance of UN Convention Against Corruption (UNCAC), including the application for the principle of 'de minimus' to minimize the abuse of anti-corruption legislation (Priority Action)	In Progress - on track	90%	UNCAC conferences held. Draft law approved by CoM and is with CoR. Once ratified UNCAC will be domestic law.	CoR ratification and gazettal. Design of implementing measures	CoR legislative program congestion	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, strengthen audit capacities at ministries and the Board of Supreme Audit (see also 4.1.2) (Priority Action)	In Progress - on track	20%	Preliminary workshops delivered and planned. Currently working on audit standards. JACC considering master plan for oversight institutions with a supporting capacity development strategy. Academy proposed.	Master plan for oversight institutions with a supporting capacity development strategy. TA to be secured.	Untimely delivery of TA and capacity development support.	JACC consulting with development partners for capacity development support
2007	By 2007, review the mandate of the inspectors general and the commission on public integrity to ensure their working as independent, professional and non-political bodies (Priority Action)	In Progress - on track	15%	Higher economic committee and JACC targeted reviews complete. IG relationship to CPI clarified (mandated to report all criminal offences to CPI. Existing reporting arrangements of IG to Minister and CoM stand).	JACC to undertake specific review of mandates. Secure TA if needed.	Untimely delivery of TA and capacity development support.	JACC consulting with development partners for capacity development support. Review of mandates have identified the importance of improving implementing procedures (e.g. targeting events rather than people).
2008	By 2008, develop a comprehensive system of internal and external controls within government, including conflict of interest policies, audit and evaluation	Not Started	0%	n/a	n/a	n/a	n/a
2008	By 2008, complete a master plan for the anti-corruption agencies, developing Task Forces for high-risk institutions	In Progress - on track	5%	Discussions underway with development partners to support the development of a master plan and capacity development strategy.	Agree TA and Capacity building support	Untimely agreement and/or delivery of TA and capacity development support.	n/a
2008	By 2008, Iraq will ratify and implement the UNCAC, and other relevant international agreements	In Progress - on track	90%	UNCAC conferences held. Draft law approved by CoM and is with CoR. Once ratified UNCAC will be domestic law. Implementation strategy to be developed	CoR ratification and gazettal. Design of implementing measures	CoR legislative program congestion	n/a
Begin recovering ill gotten assets							
2007	By 2007, introduce legislation as necessary to authorize asset seizure and forfeiture (Priority Action)	In Progress - on track	35%	BSA completed draft law under consideration by CoM. Special committee established comprising MfF, CoS to the PM and BSA. Process for authentication being developed.	If required, respond to comments from CoM and resubmit. Implementation plan to be developed.	CoR legislative program congestion. Lack of implementation plan may compromise timely and authorized seizure of GoI assets.	CPI likely implementing agency.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2 By 2008, create a unit to pursue asset recovery in Iraq and abroad and the extradition of individuals wanted for corruption (Priority Action)	In Progress - on track	35%	Special committee established comprising MfF, CoS to the PM and BSA. Process for authentication being developed.	Implementation plan to be developed.	Lack of implementation plan may compromise timely and authorized seizure of GoI assets.	CPI likely implementing agency.
Carry out public awareness campaigns on anticorruption							
	2 By 2007, undertake a public awareness campaign on the seriousness of corruption and the urgency of the need to fight corruption (Priority Action)	In Progress - on track	20%	A number of conferences on anti-corruption delivered with national media present. Frequent statements in the media by members of Government on the importance of fighting corruption (e.g. PM quoted as comparing the problem of corruption with the problem of terrorism in Iraq.)	Development of a roadmap and communication strategy being considered.	n/a	n/a
	2 By 2008, develop an education-based rule of law program for primary and secondary school aged children in order to create a "culture of lawfulness"	Not Started	0%	n/a	n/a	n/a	n/a
4.2.3 - Civil Service Reform							
Adopt and implement policies, legislation, regulations, procedures and build institutions of public service management							
	2 By 2007, develop a blueprint for civil service reform, establishing values, principles and objectives and an overall capacity development strategy (Priority Action)	In Progress - on track	15%	CDWG preliminary work towards a national capacity development strategy. Discussions underway with development partners to support the development on civil service reform options. Key objectives identified (see 2008 JMM) and certain budget reform priority actions (section 4.1.2). Public Service Ethics training developing. Committee established to review the civil service remuneration framework preparing policy options and drafting instructions for new legislation.	Progress development of national capacity development strategy. Work on incorporating priority objectives into blueprint for civil service reform. Continue dialogue with Development Partners. Continue work of civil service remuneration review committee.	Untimely agreement and/or delivery of TA and capacity development support.	n/a
	2 During 2007, strengthen capacity of senior management through international partnerships and the National Centre for Consultancy & Management Development (NCCMD) (Priority Action)	In Progress - on track	15%	Training program delivered by NCCMD being expanded. Syllabus development and train the trainer programming are priorities. Support provided by development partners (Tatweer).	TWG to progress program in consultation with OPM. Consistency with eventual national capacity development strategy.	Availability of sufficient trainers to maximize outreach.	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, establish a unit within the Prime Minister's Office with responsibility for overseeing the administrative reform agenda, including issues regarding the size and structure of government and human resource policy	In Progress - on track	75%	Unit in office established to oversee administrative reform agenda operational. Working with development partners on a program of support.	Finalize program of support with development partners	Untimely agreement and/or delivery of TA and capacity development support.	n/a
2008	By 2008, establish a Federal Civil Service Commission (FCSC) for regulating the affairs of public office, including appointments, promotions and other matters provided for in law (Priority Action)	Not Started	5%	Dialogue commenced with OPM	n/a	n/a	n/a
2008	By 2008, set up the Federal Public Service Council (FPSC) as per Article 107 of the Constitution to oversee civil service reform and establish merit based employment principles and oversight	Not Started	5%	Dialogue commenced with OPM	n/a	n/a	n/a
2008	By 2008, develop and implement an internal and external controls/accountability system, based on agreed values and principles, while strengthening capacity for audit, evaluation and oversight (internal and external) (Priority Action)	Not Started	0%	Civil Service Code of Conduct with CoR for approval.	n/a	n/a	n/a
2008	By 2008 develop machinery of government strategy providing guidelines and best practices for the overall shape and operations of government, including the number and mandate of Ministries, explore other institutional arrangements such as departmental corporations, and transition State Owned Enterprises (SoEs) to ensure operational and financial independence	In Progress - on track	2%	Key officials within CoMSec provided with priority mentor support	Continue mentoring support and work with a focus on the development of options for a machinery of government strategy.	Change management issues	n/a

Carry out specific actions to improve human resources management practices

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, implement a civil service census to support operational headcount management and payroll control (Priority Action)	In Progress - on track	20%	Census objectives, methodology and survey form complete. Surveying commenced.	Linkages to establishment control and payroll reform to be explored.	Security	Strategy for integration of survey objectives and methodologies in support of implementation strategies for establishment control and payroll processing reform
2007	By end 2007, finalize policy on the re-introduction of establishment control	In Progress - on track	0%				
2007	By 2007, introduce a payroll management system that minimizes the abuse of public funds (Priority Action)	Start delayed	0%				
2008	By 2008, specify the mandates of different agencies and tiers of government in human resource management (Priority Action)	Not Started	0%	n/a	n/a	n/a	n/a
2008	By 2008, adopt merit-based hiring and promotion practices (Priority Action)	Not Started	0%	n/a	n/a	n/a	n/a

ANNEX 5: STATUS REPORT ON ECONOMIC REFORM

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.3 – Economic Reform							
4.3.1 - Reforming Subsidies							
Phase out universal subsidies (see also 3.1, 4.5 and 4.6.1)							
2 0 7	By end 2007, develop a program for the transition from universal subsidies to targeted benefits which would ensure efficiency and equity and protect the vulnerable (Priority Action)	In Progress - on track	75%	Transition program developed and implemented. Program of gradually decreasing fuel subsidies to that of average levels of other oil exporting countries in the Middle East to improve efficiency is matched with a coordinated program of measures designed to protect the poor and the economy. Specific measures include: I) the introduction of a social safety net to protect the one poor million families; ii) decision to retain the a subsidy on kerosene as it is the primary fuel source for the poor; iii) retention of the PDS until a viable alternative policy and implementation mechanism is established; iv) enhanced public and private pension schemes; v) introduction of a temporary policy of directly subsidizing fuels for public electricity generation until the introduction of cost recovery measures becomes viable; vi) a high level and high domestic penetration communications strategy aimed at educating the public on the importance of removing fuel subsidies; and vii) analytical work to help identify the most vulnerable groups in Iraqi society that are adversely affected by fuel subsidy reduction policy. Completion of household survey.	Continuation of high level communication program to education the public on the importance of fuel subsidy reduction. Completion of household survey. Implementation of a fiscally sustainable pension policy.	Implementation difficulties to ensure the vulnerable are protected. Availability of systems and timely and accurate data to help identify priority vulnerable groups.	Targeted measures identified to protect the most vulnerable through provision of a social safety net to one million poor families. Data collection continues. Household survey preparations well underway and is expected to be complete by the middle of 2008.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2 0 0 7	By end 2007, formulate coherent domestic pricing policies for fuels and electricity (Priority Action)	In Progress - on track	50%	<p>Program of gradually decreasing fuel subsidies to that of average levels of other oil exporting countries in the Middle East to improve efficiency progressing well above expectations. The Government has succeeded in gradually reducing implicit fuel subsidies, provided through low official fuel prices, from around 90% of the average levels of other oil exporting countries in the Middle East in 2004 to around 10% in 2007. In particular, the Government has recently achieved a domestic price for gasoline which exceeds the average level of other oil exporting countries in the Middle East.</p> <p>Pricing policy for electricity under development. The Government intends to study the options for a move cost recovery in the electricity generation sector and intends to implement the agreed policy once electricity generation is sufficiently stable with sufficient capacity to meet electricity demand at cost recovery prices. Policy options, measures and infrastructure projects underway to increase electricity generation efficiency, capacity and stability.</p>	Continue to develop cost-recovery pricing policy options for electricity. Continue to implement and develop policy options, measures to increase electricity generation efficiency, capacity and stability.	Sabotage, security environment, timely access to parts, and timely delivery of maintenance services. Widespread opposition to fuel price increases and introduction of electricity charges during current levels of electricity generation capacity and stability. General opposition to introduction of cost recovery measures for electricity once electricity is sufficiently stable with sufficient capacity.	Develop and implement a public education program on the importance of user charges in the electricity sector.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, develop a public education and consultation program to ensure public support for subsidy reform (Priority Action)	In Progress - on track	75%	Public education and consultation program on fuels subsidy policy developed and implemented successfully. Numerous conferences with stakeholders held in Iraq and with high level representation from Government. Media strategy on fuels subsidy policy component implemented successfully. Print media, TV and radio utilized extensively with high level communications from the Prime Minister and his senior members of Government stressing the importance of fuels subsidy reform and the consequential short and long-term benefits to the Iraqi people. Public education program on electricity pricing policy to gear up pending finalization of detailed policy options to ensure electricity capacity and stability is at sufficient levels.	Continuation of high level communication program on fuel subsidy policy. Strategic policy development to continue on improving electricity generation capacity and stability.	Sabotage, security environment, timely access to parts, and timely delivery of maintenance services.	n/a
2007	By 2007, analyze effects of fuel subsidy reduction on prices, production and household welfare	In Progress - on track	25%	Preparations for household survey progressing well. Survey on track to be completed by mid 2008.	Commence and finalize survey in time. Prepare Government statisticians and analysts for the timely delivery of analytical reports based on the survey data.	Security environment	n/a
2007	Over 2007-2010, implement public education and consultation program (Priority Action)	In Progress - on track	20%	Implementation successfully implemented - see above	see above	see above	see above
2007	By 2007, implement subsidy compensation mechanism along with complementary safety net targeting	In Progress - on track	80%	Implementation successfully implemented - see above	see above	see above	see above

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, discuss with the IMF the possibility of the introduction of a petroleum dividend payment to each family to partially compensate for subsidy reforms	In Progress - on track	5%	n/a	n/a	n/a	n/a
2008	By 2008, restructure PDS to benefit poorest households, and implement targeting of PDS (see also 4.4.2)	Not Started	0%	n/a	n/a	n/a	n/a

4.3.2 - Private Sector Development and Investment promotion

Undertake specific measures to design and implement private sector development policies

2007	By 2007, establish an institutional framework to conduct and coordinate private sector development activities (Priority Action)	In Progress - on track	90%	Institutional framework established and operational. Framework founded on the four pillars for effective coordination of PSD activities. Agencies established work on key PSD activities (e.g. PSIPA provides information on micro and SME financing facilities, licensing for access to specialized industrial zones and provides funding for development of infrastructure for SMEs, such as the Baghdad and Basra industrial zones. PSIDA assists Iraqi businesses with trade related information and support services. The overall PSD policy is based on the following five functional lines: 1) to provide financing to economically viable private sector initiatives; 2) support the development of critical infrastructure necessary to support industry and business in services and tradable and non-tradable goods; 3) rehabilitation of viable enterprises through equity injections from the domestic investors and foreign direct investments; 4) creating of an enabling environment for PSD by	Mainstream existing coordination arrangements	Security, declining business confidence, reduced support from international community. Displaced business people.	Continue to demonstrate tangible results from Government-led PSD initiatives
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SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, implement the recently passed Investment Law (Priority Action)	In Progress - on track	30%	<p>ensuring the cost of doing business is kept at a minimum through streamlined administrative operations; and 5) providing easy access to all relevant information on establishing and running successful businesses in Iraq.</p> <p>Implementation of Investment law implementation underway. Rehabilitation opportunities announced for private sector investment for 13 enterprises announced with another 7 announcement imminent. 10 rehabilitation public-private partnerships underway. Investment program designed to promote the private sector, improve efficiency, increase foreign direct investment and provided sustainable employment opportunities.</p>	<p>Oversee existing private-public partnerships. Announce new investment opportunities. Evaluate and award current round of investment proposals. Issue new FDI licenses.</p>	<p>Security, declining business confidence, reduced support from international community. Displaced business people.</p>	<p>Continue to demonstrate tangible results from Government-led PSD initiatives</p>

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	During 2007, improve availability of financing to private entrepreneurs, particular to SMEs including credit guarantees, concessionary financing including micro and SME specific packages through both state owned and private banks (Priority Action)	In Progress - on track	50%	Micro and SME financing facilities functional - Access to \$50m in seed funding for micro-credit services open to public and private sector financial intermediaries. Currently being serviced by state-owned banks. Around 1000 projects currently support through new financing facilities. Media campaign showing signs of increase in demand for financing services. MoLSA social program supporting business development through business start-up loans to the unemployed. Ministry of Agriculture microfinancing facilities progressing. IFC Iraq Small Business and Finance Facility operational. Iraq National Bank (INB) is the first financial institution selected to participate.	Continue media campaign demonstrating benefits of micro and SME financing facilities. Continue work on providing sustainable guarantees where the fiscal risk is quantifiable and reported in fiscal stance documentation. Target private financial intermediaries for participation in micro lending services.	Security, declining business confidence, reduced support from international community. Displaced business people.	Continue to demonstrate tangible results from Government initiatives to improve financing to SMEs and entrepreneurs.
2007	During 2007, include provisions for the encouragement of private sector in public procurement legislation and regulations	In Progress - on track	50%	The Government has recently enhanced and consolidated procurement legislation, which include provisions for private sector. Draft procurement law includes the same provisions. Policy of competitive neutrality achieved. Implementation progressing well. The percentage of all Government investment projects awarded to companies in Iraq has reached 70% (30% to foreign) with around an equal share split between SOEs and private firms. Widespread publication of Government procurement projects achieved (print media, ministry websites - Trade, Planning and Interior).	Timely administration of e-procurement websites. Enhancement program to be developed for websites. Continue media campaign to promote the new arrangements for private sector opportunities in public investment projects.	Security, declining business confidence, reduced support from international community. Displaced business people.	Gear up media campaign promoting private sector opportunities in public investment projects.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	During 2008, streamline a commercial code and develop effective enforcement mechanisms	In Progress - on track	50%	Commercial Code considered to be consistent with the International Chamber of Commerce's INCOTERMS, which defines the trade contract responsibilities and liabilities between buyer and seller. This mitigates the risk of lengthy negotiation about the conditions of each transaction.	Options for enhanced compliance mechanisms with commercial code to be developed and discussed with key stakeholders.	Timely delivery of technical assistance	n/a
Design and implement policies including legislation and institutions for the Restructuring of SOEs							
2007	By 2007, enunciate a clear policy on privatization of SOEs (Priority Action)	In Progress - on track	50%	Draft policy position reflected in current draft of privatization bill. Privatization Commission wound up. Government policy focusing on rehabilitation, public private partnerships and encouraging foreign direct investment. Discussion on detailed policy options for inclusion in legislation continuing.	Continue to discuss policy options for inclusion in revised or amended legislation.	Securing broad agreement to key privatization, corporatization, rehabilitation and financial management (e.g. equity accounting) principles.	n/a
2007	By 2007, establish the legislative and institutional framework for privatization and initiate privatization for selected SOEs	In Progress - on track	50%	See preceding actions. Government decision to focus on rehabilitation through public private partnerships	See preceding actions. Government decision to focus on rehabilitation through public private partnerships	See preceding actions.	See preceding actions.
2007	By 2007, establish a State Property Fund according to an appropriate legal framework, and transfer state share in all SOEs to it	In Progress - on track	15%	Active discussion in Higher Economic Committee on policy options for a State Property Fund.	Draft policy options paper for a State Property Fund.	Timely delivery of technical assistance	Ensure timely delivery of TA.
Remove key Private sector development constraints							
2007	By 2007, initiate a detailed administrative barriers diagnostic at the national and provincial level (Priority Action)	Completed	100%	IFC sponsored "doing business 2007" diagnostic complete. Initial review revealed significant barriers to entry and participation for business arising from the requirement of Baghdad only registration of companies. The Government has removed these barriers with the passage of the Investment law and resulting Governorate level implementation mechanisms. Companies can now	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
				register businesses etc in the Governorates. The Government anticipate that this measure will show a dramatic improvement in the Iraq's rank against the IFC's "starting a business" category in "Doing Business 2008". Company registration is now estimated to take between 3-10 days. Number of company registrations totals 28,000. For full appreciation of the Government's achievement, this number needs to be compared with total company registrations up to the end of the former regime, which was around 9,000.			
	2007 By mid 2008, based on the diagnostic, the Government will identify a series of priority regulatory reforms in the trade, business establishment and operation areas (Priority Action)	In Progress - on track	5%	Diagnostic complete. Waiting for publication for review.	Diagnostic complete. Waiting for publication for review.	Timely delivery of workshops on diagnostic results	Ensure timely delivery of TA.
	2007 By end 2008, commence implementation of regulatory reforms to improve the ease of starting a business, employing workers, registering property, getting credit, dealing with licenses, trading across borders, closing a business and enforcing contracts with due attention to equality of opportunities	In Progress - on track	5%	As above	As above	As above	As above
	2007 By 2007, establish an Iraqi Interstate Commerce provision that prohibits provinces and regions from establishing barriers that inhibit the movement of goods within Iraq	In Progress - on track	50%	Current Iraqi law already prohibits establishment of any barriers that inhibit the movement of goods within Iraq.	Further review subject to outcomes of the Constitutional Review process.	n/a	n/a

4.3.3. – Financial Sector Restructuring

Undertake specific measure to restructuring State Owned Banks

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, conduct an assessment of the role of the four specialized state-owned banks in the banking system and in the economic sectors which they are meant to serve (Priority Action)	Unknown	0%				
2008-2009	Over 2008-2009, ensure that any financial support from the MOF is conditional on the satisfactory implementation of the restructuring program (Priority Action)	Unknown	0%				
2008	By 2008, implement Rafidain and Rasheed restructuring programs (focusing on strategy and business plans, lending policies, risk management, human resources and training, management information systems, internal controls, and information technology)	Unknown	0%				
Undertake specific measures to promote private banking							
2007-2009	Over 2007-2009, establish and operationalize a nationwide electronic payment system (Priority Action)	Unknown	0%				
2007-2010	Over 2007-2010, create an enabling environment for competition and for the growth of private banking, restructuring and consolidation of private banks, and for leveling the playing field in the banking system overall	Unknown	0%				
2007-2010	Over 2007-2010, facilitate participation of private banks in government payment accounts such as payroll	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2 By 2008, adopt a Non-Bank Financial 0 Institution regulation that allows for 0 appropriate supervision and growth of 8 the microfinance industry including the introduction of new financial intermediaries such as credit unions, cooperatives, and microfinance banks; as well as the diversification of product offerings such as savings mobilization, leasing, and insurance	Unknown	0%				
4.3.4 - Regional and International Economic Integration							
Conclude negotiations on outstanding debts and reparations							
	2 By 2007 formulate policy on non-Paris 0 Club debt, reparations, and the 0 remaining 20% of Paris club debt 7 (Priority Action)	In Progress - on track	75%	The Government has bilateral agreements in place for nine (out of more than 30) non-Paris Club creditors. Six of these nine creditors (Czech Republic, Hungary, Indonesia, Malaysia, Romania, and South Africa) have provided debt relief comparable to the Paris Club terms while others have provided 100 percent reduction. In addition, the Governments have received confirmations from 20 countries that they do not have any claims on Iraq. During the launch of the ICI in May 3 2007 commitments to provided debt relief of around \$21b on at least Paris Club terms were provided by Bulgaria, China, Greece and Saudi Arabia were provided.	Continue negotiations. Confirm commitments at ICI launch.		
	2 By 2007, start or intensify negotiations 0 on non-Paris Club debt (Priority 0 Action) 7	In Progress - on track	75%	As above			

Ratify signed agreements & treaties, undertake specific measures including legislation to implement ratified treaties. Negotiate & sign new ones.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	Over 2007, enhance relationships with UN, IMF World Bank, GCC, OPEC, Islamic Development Bank, Arab Fund for Economic and Social Development, and the Arab Monetary Fund (Priority Action)	In Progress - on track	70%	Agreements with the Islamic Development Bank's Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA). Cultural cooperation agreement with France. The CoR is currently considering the Government's proposals to accept the constitution of the World Health Organisation and the United Nations Framework Convention on Climate Change (UNFCCC).			
2007	Over 2007, explore bilateral and multilateral free trade agreements consistent with WTO (Priority Action)	In Progress - on track	70%	Iraq is continuing progress towards World Trade Organization membership as well as Trade and Cooperation Agreement with the European Unions.			
2007	By 2007, negotiate Trade and Cooperation Agreement with EU (Priority Action)	In Progress - on track	0%	On 25-26 June 2007 the EU and Iraq will hold the second round of negotiations for a Trade and Cooperation Agreement (TCA) in Brussels. The objectives for this round are to discuss the aims of the agreement, its overall structure, including its scope, as well as the pace and modalities for the negotiations. The TCA negotiations were launched by Commissioners Ferrero-Waldner and Mandelson, on behalf of the Commission, and by Barham Salih, Iraqi Deputy Prime Minister for Economic Affairs, on behalf of Iraq on 20 November 2006. The TCA will help to progressively strengthen the EU's relations with Iraq and integrate the country in the world economy.	continue negotiations	continue negotiations	

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, join the UN Anti-Corruption Convention, Extractive Industries Transparency Initiative, MENA-FATF and OECD-MENA (see also 4.1.1.2)	In Progress - on track	0%				
2008	By 2008, achieve significant progress towards World Trade Organization accession	In Progress - on track	0%				
2010	By 2010, join UN Framework Convention on Climate Change and its Kyoto Protocol, the Convention on Biodiversity, the Wetlands Convention and the Convention to Combat Desertification.	Unknown	0%				
Prepare negotiate, sign, ratify and implement treaties and agreements							
2008	Over 2008, conduct an analysis of the costs and benefits of membership in various treaties and organizations and best strategies for maximizing benefit from integration (Priority Action)	Unknown	0%				
2008	By 2008, pass legislation and establish the institutions necessary to facilitate active participation in international treaties and organizations (Priority Action)	Unknown	0%				
2008	By 2008, factor the goals of regional and international integration into economic policy including tax and customs policies, regulations of trade, finance, services, public procurement, quality standards, intellectual property and investment	Unknown	0%				
2008	By 2008, review the accession to existing International Conventions/Treaties/Protocols: ensure progress on signing/ratifying and reporting obligations	Unknown	0%				
2008	By 2008, build capacity across Ministries to negotiate and implement international treaties and agreements (Priority Action)	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, Iraq will develop mechanisms for working with recognized non-governmental institutions and business organizations (such as Chambers of Commerce) that can help facilitate international integration on favorable terms	Unknown	0%				

ANNEX 6: STATUS REPORT ON HUMAN DEVELOPMENT AND HUMAN SECURITY

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.4 Human Development and Human Security							
4.4.1. Delivering Basic Services							
Design and carry out specific policies including reforms and investments toward achieving the Millennium Development Goals							
	2 By 2009, reform public spending to gradually phase out non-targeted subsidies and redistribute funding for improving access to basic services (see also 4.3.1, 2.6.1/9) (Priority Action)	Unknown	0%				
	2 By 2008, revise legislation to guarantee equal opportunities to all for employment, social protection, and participation in public life to promote inclusion, with particular support for vulnerable groups such as IDP s, refugees, returnees, widows, orphans and disabled	Unknown	0%				
4.4.1.1 Eradicate Extreme Poverty and Promote Area Based Development:							
Enact and implement policies and operationalize institution aimed at expanding active social protection measures to reduce poverty and to promote inclusion							
	2 By end 2007, create an overall country policy and a regulatory framework for the promotion of socio-economic empowerment and maximum self-reliance of the different vulnerable groups (Priority Action)	Unknown	0%				
	2 By 2007, micro credit/grant pilot units are to be operational in poor areas and 100,000 projects are to receive micro- financing with the support and the participation of the civil society (see also 4.3.2.1) (Priority Action)	In Progress - on track	27%	1,601 loans out of the estimated 6,000 in total approved by MOLSA amounting to 7,999,603 USD. MOLSA formed four committees (registration, economic assessment, follow-up, central committee), opened 10 windows in Baghdad to assist applicants and developed the database of beneficiaries. Agreement was signed between MOLSA and Rafidain Bank regarding the contractual guarantees applicants need and the loan release in 12 branches in Baghdad.	Develop public-private partnership for business startup training, incubators and other financial and non financial services for loan recipients.	Lack of funding for training provided by NGOs (Small Business Development Center can train 100 loan recipients per week, but no specific funding is available in MOLSA'sbudget)	Cabinet Decision needed to allocate funds for training from the USD 30 Million loan

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2 0 0 8	By 2008, based on the outputs of the WB Living Standard Measurement Survey, issue the Poverty Reduction Strategy to combat poverty and social exclusion (Priority Action)	In Progress - on track	0%	The MOPDC is taking the lead on the survey and has formed an Interministerial Poverty Committee to develop the strategy. A donor coordination strategy will be discussed at the next meeting of the committee. The 12 month cycle of household interviews is more than half way complete and analysis has begun. The Interministerial Poverty Committee has been formed and has met twice.	Complete the fieldwork by end October. Prepare poverty profile report by May 2008. Complete strategy by December 2008.	Despite difficult security conditions in some parts of the country, the interviews are continuing with few interruptions.	
2 0 0 8	By 2008, establish Regional Development Agencies under MoPDC to coordinate employment generating local investments and social development programs to encourage growth	Unknown	0%				
4.4.1.2. Employment							
Undertake specific measures to promote continuous education for competitive skills and equal opportunities in the labor market							
2 0 0 7	By end 2007, develop a plan for retraining, compensation and job search for former government employees	Unknown	0%				
2 0 0 8	By end 2008, develop a labor market strategy incorporating labor legislation and targeted active labor market programs.	Unknown	0%				
2 0 0 8	By end 2008, analyze the effects on job creation, retention, and cost of the current "on the job training" wage subsidy program;	Unknown	0%				
2 0 0 8	By end 2009, based on the above analysis restructure and enhance targeted "on the job training" wage subsidy program with particular focus on unemployed youth, women and dislocated workers.	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2 By end 2009, expand a reformed 0 vocational training and continuous 0 education system linking supply of 8 skilled workers to private sector demand.	Unknown	0%				
	Undertake specific measures to strengthen social partners' role in expanding employment						
	2 By end 2007, institutionalize social 0 dialogue with social partners (unions, 0 employers' organizations) to assess 7 labor market needs and promote effective employment generating programs	In Progress - on track	50%				
	2 By 2007, establish a Social Dialog 0 Committee under MoLSA coordination 0 (Priority Action) 7	Complete d	100 %	Identified job opportunities for which the Employment Department of MOLSA selected and placed appropriate candidates from those registered as unemployed. Total number of employees placed by the MOLSA Employment Department to date reached 208,772.	Private sector companies to be encouraged to advertise jobs in cooperation with MOLSA employment centers for effective job mediation and placement	Private sector low job offer Security	Drafted new Labor Law to be approved; New provisions regarding the role of the employment offices expected to enhance labor market flexibility
	Enact and implement legislation to encourage job creation while protecting livelihoods of the labor force, particularly vulnerable groups						
	2 By 2007, prepare regulatory 0 framework for standardizing payment 0 of wages and salaries along with social 7 insurance arrangements, complemented by enforcement mechanisms, to encourage employment and cross sector migration of labor force	In Progress - on track	30%	Social security coverage universalized for workers, regardless of the company's size; Data Capture Unit to track social security payers (companies and workers) installed, Social Security Audit Board set up, Job mediation service operational; Labor Law drafted and cleared by the State Consultation Council of MOJ	Expedite approval on legislation under debate (Draft Social Safety Net Law establishing additional active measures to stimulate employment still under debates, Draft Law to amend Law #27/2006 and allow cross sector transfer of length of service waiting for final vote) and build capacity for implementation	adoption of new social legislation is politically sensitive	
	2 By end 2007, enact labor legislation 0 that reduces restrictions on new hiring 0 and labor turnover, permitting private 7 sector workforce to move to high- demand areas and to improve match of demand and supply.	In Progress - on track	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.4.1.3. Education							
Achieve universal access to basic education							
2007	By 2007, improved planning and higher proportion of direct funding for: construction of new schools; rehabilitation and maintenance of existing schools; and upgraded equipment for good quality education programs (Priority Action)	In Progress - delayed	35%	20 school were constructed at high standard specifications (WB) 52 schools were completely rehabilitated and upgraded to child friendly status (UN) 133 schools have been rehabilitated. 60 schools are scheduled for construction, 30 under way, average completion 22%.	Continuous coordination between World Bank agencies and MOE /DOEs to complete (WB) continue coordination between Un agencies and MOE /DOEs to complete (UN) PMT should accelerate implementation, by addressing delays in processing procurement and payment. WB to resolve some payment system problems (WB return)	Security conditions and fluctuation of market price for construction works Capacity of MOE-Project Management team (PMT) has been constrained by change of personnel. Bank problems have caused delayed payments. Security situation has delayed some projects. (WB return)	
2007	By 2007, expand child allowance conditional upon school attendance for primary school students from low income families included in the Social Safety Net program	In Progress - delayed	0%	3,339 mt of High Energy Biscuits and Vegetable Oil was distributed benefiting 584,646 Primary School Children	1. Government of Iraq to inject financial resource to complete the implementation of the project 2. Donor to respond positively by providing the need funds for the project to achieve its planned objectives	1. Funding 2. Security	
2008	By 2008 mobilize community funds to improve infrastructure and provide transportation to ease access to schools in remote areas (Priority Action)	Start delayed	0%	Planning, negotiation and signing of agreement	GOI should ensure Financing Agreement is ratified as soon as possible		Discussions are ongoing with Office of DPM on possible cofinancing or support arrangements to expand program. Lead Development Partner uncertain. Refer to ESWG to reach a consensus (WB return)
2008	By 2008, expand feeding programs in schools for primary education students (Priority Action)	In Progress - on track	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By end 2008, effective and efficient coordination between governance units progressively enabled, planning and service management provided through ensuring: Division of roles and responsibilities between the different levels of administration/government clarified; National/sub-national/regional coordination strengthened; Good-governance and institutional autonomy promoted; Capacities built at all levels in the planning, organization and management of the educational system embracing broad and active participation, partnerships and dialogue in decision making.	Unknown	0%				
2008	By 2010, increase education budget to a minimum 5% of GDP (while capping current share for payroll)	In Progress - on track	80%	Two workshops held that bring together MOE, MOPDC and MOF with WB specialists to review and share data on MOE budget and expenditure.	MOE will send principal co-author Dr Ali Al-Zubeidi to DC for two weeks to finalize draft.	Difficulties in arranging for travel of participants to workshops; delays in Dr Ali's travel to DC.	WB met with Minister and clarified purpose of Dr Ali's visit. Delays now due to passport and visa arrangements which are under way.
Carry out specific activities to promote adult literacy and skills training, early childhood development and life skills training							
2007	By 2007, expand formal and non-formal education partners and opportunities, skills (re)training that would link to employee opportunities, etc.	Unknown	0%				
2007	By 2007, establish Department of Non-Formal Education	Unknown	0%				
2007	By 2007, start execution of development strategy for building capacity of teacher's skills (Priority Action)	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, conduct programs to raise standard of higher education by adopting state-of-the-art, demand-oriented curricula, objective examination procedures and merit-based career paths	Not Started	0%				
2007	By 2007, provide adequate security to university campuses, academics and students	Not Started	0%				
2007	By 2007, develop programmers for further education and placement for academics displaced by violence	Not Started	0%				
2008	By 2009, policy framework developed that looks at education holistically (i.e., the learning continuum rather than compartmentalization of the process), ensuring continuity, relevance of curriculum, and quality, and the administrative, legislative and financial institutions to support the process (Priority Action)	Unknown	0%				
2008	By 2010, implement a mechanism that monitors ratification of and compliance with international standards and conventions (e.g. Beijing Platform and its iterations, the MDG s, Education for All, the UN Decade for Literacy, and Early Childhood Development)	Unknown	0%				
2008	By 2008, by leveraging international support, boost academic exchange and the use of new media to re-integrate Iraq into the international academic community (Priority Action)	In Progress - on track	80%			Security conditions and delays in the delivery of servers to Iraq	A new company is being contracted (Civilian Research Development Foundation - CRD) for the procurement of servers from Amman to Iraq.

4.4.1.4 Health

Undertake specific measures to improve access to the Primary Health Care system (PHC) and focus on prevention and healthy life style

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
207	By 2007, review existing policy, infrastructure and administrative and service delivery environments to (Priority Action): promote reproductive health and Maternal and Child Health (MCH); and facilitate access to quality obstetric health services, including emergency obstetric care, MCH and Family Planning.	In Progress - delayed	40%	Primary Health Care Policy has been implemented and still needs more advocacy especially with referrals system; Maternal and Child Health Strategy in Place	security and stability of MoH structure & leadership	Security situation does not allow for in the country meetings , high turnover of GOI DG, policy makers and expert health professionals. the distribution of the key health professional faculty For e.g.. in 2003 there were only 7 Medical Colleges while today there are close to 19 Medical Colleges almost one each Governorates. Such thin spread is affecting the quality of programs and graduates. The same increase is true for nursing, pharmacy and dentistry Colleges. Further many health professionals and professors have been kidnapped, killed or threatened to leave the country	Engagement of Directors of Health at governorate levels in detailed planning as early as possible has proven success with functioning public health system. The same model is proposed for other health areas. Further, engagement of MOP; MOF and Health and Environment Committee in the Parliament are also needed.
208	By 2008, establish a policy framework that defines the content of a package of essential health services accessible to all Iraqis regardless of their ability to pay (Priority Action)	In Progress - on track	30%	still in progress	the need to finalize the package, and then have a high policy meeting to adopt it and finance it	same as above	a high policy meeting will be scheduled to be held in Amman

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2009, ensure continuity and quality of care and include a referral system to secondary and tertiary health services (Priority Action)	In Progress - on track	10%	Initial draft of referral system has been initiated. However, needs to be developed further and worked on. The MOH has also a draft emergency medical services system supported by WHO/John Hopkins with EC funds under PHC that needs further dissemination and consultation. The Health & Nutrition Parliament Committee has already been engaged and informed about this draft.	Finalize the referral system proposal and pilot it, funding is needed the upgrade the 2ry and 3ry facilities, Human resources and capacity building	Security situation does not allow for regular dialogue, lack of technical capacity on the ground to guide the process	larger stakeholders engagement and health professionals , commitment of several ministries including Ministry of transport in supporting the referral system. Provision of sustainable continuous access to electricity ,safe water and health care waste management for hospitals
2008	By 2010, establish family health care as the care model that will cover 90% of the needs of the Iraqi family (Priority Action)	In Progress - on track	30%	A group of 10 FM doctors and one nurse are currently being trained in Bahrain as ToT these will be working in the three FM clinics and will provide training for others , the clinics have been refurbished by the MoH and WHO filled some of the gaps together with the printing of the FM patient files, and the provision of medical equipment and furniture. In Erbil, Hawler Medical University has completed a six weeks intensive course in FM with technical support from Professors from USA. The course mainly has been one to two hour sessions of theoretical case discussion. Couple of key Colleges of Medicine (Baghdad; Mosul; Al Mustansriya) have established Family Medicine Programme in their colleges.	Advocacy at all levels for the introduction of FM discipline, Technical support will be provided by WHO before the end of the year to review the Family Medicine curriculum conducted in colleges by experts and update it.	resistance from specialist physicians and lack of adequate future funding and lack of security	Seek the support of the MoF for it to be included in the next budget fiscal year

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	Over 2008-2010, increase resources of the Government health care system to finance the expansion of the scope and coverage of health services so that basic emergency services are available either through hospitals or primary care facilities (Priority Action)	In Progress - on track	15%	Civil works are ongoing in 7 sites with 4 about to be completed (Rizgari Teaching Hospital in Erbil, Saddam General Hospital in Missan, Samarra General Hospital Salahideen and Imam Ali Hospital in Baghdad). Procurement of medical equipment and furniture has commenced with some contracts already signed and goods about to be delivered to sites. Renovation of a MOH drug warehouse in Baghdad has been completed and is functional. Forty percent of pharmaceutical drugs planned under the project have been procured and distributed. Twenty-two medical doctors have received training on emergency preparedness management. recently the ministry received funding to support the building of mental health unit and regional blood banks	PMT needs more consistent support and oversight from senior MOH officials. Additional procurement support needed within the PMT and MOH to address the ongoing delays Needs assessment and fund allocation study for Najaf hospital in progress Increase awareness of the community and the society on the use of these facilities	Political and security constraints in the MOH have prevented more significant technical input from the relevant departments of the Ministry. Insufficient investment in Health	While the Bank was consulted in the preparation of the two Health Benchmarks under the JMM, the Bank is of the view that the benchmarks can be achieved on if the working group and the MOH are prepared to take full ownership and are prepared to work together with various stakeholders to implement these complex actions. Surveillance of cost effectiveness of the different interventions

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2010, ensure coverage for priority health programs in remote areas, targeting vulnerable group and in carrying out outreached activities, and community mobilization	In Progress - on track	30%	EHRP:4 hospitals about to be completed (Rizgari , Saddar, Samarra and Imam Ali). EDP: Design works for rehabilitation centers are ongoing and should be ready for tender before the end of the year (the one for Karbala has already been tendered and is being evaluated currently). Disabilities Working Group headed by the MOH and including members from other ministries have been established and the group will oversee the development of a national policy framework on disabilities. the use of Community based initiative as an approach and as part of the Strengthening of the PHC system , ensure community participation and fulfillment of their health and development needs. several NIDs targeting vulnerable groups such as the IDPs have been completed, Mother Child health programs are being implemented, and Integrated management of Child Illness programs are being piloted , these are examples of the MoH efforts to ensure the coverage of the vulnerable groups in basic health services.	PMT needs more consistent support and oversight from senior MOH officials. Additional procurement support needed within the PMT and MOH to address the ongoing delays. Disabilities Working Group needs to meet more regularly and prepare a workplan for implementing the policy framework. complete analysis of needs at remote areas based on established standards, increased support and investment in health to sustain the achieved gains,	Political and security constraints in the MOH have prevented more significant technical input from the relevant departments of the Ministry. insecurity, rotation of MoH staff , lack of adequate funding , dependence on external financing for such programs, lack of physical access to facilities due to military operations and the improper transport system	While the Bank was consulted in the preparation of the two Health Benchmarks under the JMM, the Bank is of the view that the benchmarks can be achieved on if the working group and the MOH are prepared to take full ownership and are prepared to work together with various stakeholders to implement these complex actions. Advocacy campaigns and improved Health Information Systems to provide evidence based information on the health situation in Iraq and the need for extra funding
2008	By 2010, increase public participation through a health insurance scheme	In Progress - delayed	10%	Still the draft is under discussion	Lessons learnt from other countries and initial consultation between all the stakeholders, National Health account to be applied	Lack of expertise in this area, insufficient consultation in utilizing experts	recruitment of an expert, be informed about lessons learnt from other countries and initial consultation between key stakeholders such as planning finance and health

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2010, public spending on health to be a minimum of 4% of GDP to secure access to basic health care for all (while capping current share for payroll) - increased funding to be targeted to support profound reforms in the delivery and financing of health care, and in changing the operation of health services by the MOH (e.g. in procurement of pharmaceuticals, accountability, and incentives)	In Progress - delayed	10%	work in progress	the consultation to happen before the end of the year	continuity and importance	Finalize the planning and the consultation to happen, implementation of the National Health Account
2008	Over 2008-2010, facilitate a strategic shift from the current hospital/curative focus to a primary health care centre/preventive focus	In Progress - on track	40%	some facilities have been rehabilitated / constructed in remote underserved areas, staff trained, policies reviewed and developed.	Advocacy as in current security environment curative services are still dominating	security, funding, technical capabilities at all levels , high turn over of staff	Advocacy with Ministry of Planning and finance
2008	By end 2010, strengthen programs and activities that have a direct measurable impact on the health and nutrition of the people, and prevent any further deterioration of the population's health and nutritional status, by ensuring access to programs such as: Accelerated immunization programs for women and children, control contagious diseases (Diarrhea Diseases, Acute Respiratory Infections (ARI)), address micronutrient (MN) deficiencies (Iodine, Vitamin A, Iron and Folic Acid), Infant and Young Child Feeding Strategy implemented, including Supplementary Feeding programs strengthened for pregnant and lactating women and vulnerable groups. These programs to be effectively delivered within the context of family (or primary) health care.	In Progress - on track	70%	Basic health and nutrition services are sustained at around 70-80 % ,National Immunizations days and Public Health programs are being implemented on time	Mostly national budget does not cover these programs particularly recurrent cost	security situation in some areas, lack of adequate funding	advocacy with MoF and MoP related to allocations of funding.
Improve administration and emergency management in the health care system							

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	Over 2007-2010, strengthen institutional capacity (Priority Action): Clear definition of the roles and functions of the central government (e.g. MOH vs. MoPDC and MoF) versus those of the provincial/regional administration in promoting and delivering health services (Priority Action); Pilot MoH specific civil service reforms (e.g. merit based incentives initiative).	In Progress - on track	10%	Initial sensitization is there and understanding of clarity on the governance yet to be completed	Series of consultations and conferences to advocate at different levels and agree on the roles and responsibilities	adequate expertise inside	recruitment of expertise , full support of MoP and the parliament
2007	Over 2007-2010, provide technical and logistical support for PHC system, improve quality and include community outreach programs (Priority Action)	In Progress - on track	70%	Continuity of trained personnel.	Advocacy with MoF for allocation of funds for especially for recurrent cost		Continued investment in health and sustaining the PHC approach
2007	Over 2007-2010, enhance national capacity and capability to deal with health sector aspect of emergencies and disaster preparedness	In Progress - delayed	15%	Emergency Preparedness and response plan has been developed in consultation with the different stakeholders	Advocacy , building capacity, exposure, Ministry of interior, defense and transport support, creation of High level emergency operation cell, engagement of civil society	Need for enhanced collaboration, communication between all the partners; need of clear leadership with identified of roles and responsibilities of all parties and implementation of the policy	Need for enhanced collaboration, communication between all the partners; need of clear leadership with identified of roles and responsibilities of all parties and implementation of the policy
2007	Over 2007-2010, institutionalize of a food safety regime covering: i) health, agro- sector, and industry ii) medical, accessories (blood bags, syringes) and ii) medical use oxygen and include training of manufacturing firms in policies, procedures and TQM	In Progress - on track	15%	Food safety labs established , enhanced collaboration between MoH and MoA and Ministry of Industry	Regular follow up on the Food Safety Committee; The Food Safety Laboratory at MOH is fully functioning and rehabilitated with EC funds; Joint signed agreement at Ministerial level with neighboring countries such as Jordan, Bahrain and Iran where food and drug safety are part of it.	Lack of sufficient border controls and lack of follow up with neighboring countries with regards to the import of safe food	Full support to the National Food Safety Committee; Active Engagement of Border Control and Ministry of Interior; Health Awareness Campaign to the public and to food handlers in all sectors;

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, policy framework redefined (within civil service reform) aimed at correcting imbalances in the distribution of health workers and in their skill mix, at tailoring their training, role and contribution to health in the reformed Iraqi health system. In current circumstances the policy framework will address protection of Health Workers from security threats	In Progress - delayed	10%	Not much	HRD assessment is needed, have a clear policy developed and endorsed in protecting the health professionals.	Lack of security and lack of protection for health professionals, MoF not allocating adequate funds to improve the salary scale of MoH , there is a big difference between the salary scale of the physicians working in MoHE versus MoH	Strategies for Human Resource Development and opportunities to upgrade knowledge and skills
2010	By 2010, improve regulation of private-for-profit activity, and moving to strengthen the Iraqi Health system by creating private-public synergies in priority Public Health programs and in HIS	Not Started	0%				

4.4.1.5 Environment, Water & Sanitation, Housing

Improve institutional capacity to administer environment and natural resources conservation programs

2007	By 2007, begin to conduct programs that protect water resources from qualitative deterioration and pollution by expanding sanitation drainage and the treatment of waste from industrial and health facilities	In Progress - on track	10%	<ol style="list-style-type: none"> 1. Established a Central Treatment Facility in Thi Qar Province (currently under rehabilitation).1. Establishing a Central Treatment Facility in Thi Qar Province. (currently under rehabilitation) 2. Expanding work relating to Karbala Province sanitation drainage project 3. Providing Nineveh (Mosul) with two small treatment units (currently under construction) 4. Implementing Baquba sanitation drainage networks project/ first phase 5. Balad sanitation drainage project is completed 6. Samarra sanitation drainage project completed 7. Establishing Sewerage network project in Kut Province/ Al-Zuhor town. 8. Implementing Kut drainage 			
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SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
				project/ first phase. 9. Implementing Samawa drainage project. 10. Basra drainage project completed/ third phase. 11. Rehabilitating drainage networks and projects 12. Implementing new drainage networks with total length (750) km. 13. Installed equipments for treatment of waste			
	2008 By 2008, establish and implement urgent environmental projects in critical areas (Priority Action)	Unknown	0%				
	2008 By 2008, develop legal and procedural frameworks that regulate the process for ownership of and access to natural resources, their proper use, maintenance and environmental conservation (Priority Action)	In Progress - on track	5%	recommendations of the conference	Follow up on recommendations of the conference		
	2008 By 2008, assess environmental conditions at the local administrative levels in order to identify and implement urgently needed clean up projects	Unknown	0%				
	Undertake specific measures to ensure universal access to services (wat/san, housing, etc.)						
	2007 By 2007, formulate and adopt National Housing and Land Management Policy and address norms and standards, construction standards, as well as for the land tenure, property rights and use of public lands and holdings (Priority Action)	In Progress - on track	25%	Working Groups have been constituted for reforms related to a) Housing and Slums; b) Land Planning & Infrastructure; c) Legal & Regulatory Frameworks. Law to protect and distribute public land with CoR.			
	2007 By end 2007, MoHaR to operationalize Housing Market Information System at national and sub-national level	In Progress - on track	40%	National Housing Market Study Completed. Urban Observatory Team constituted.			

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, restructure the Iraq Housing Fund and disburse loans to at least 10,000 poor and low income households, particularly supporting vulnerable groups such as IDPs, refugees, stateless, returnees and other disadvantaged social categories	In Progress - on track	5%	Working Group has been constituted for Housing Finance. IFC and UN-HABITAT are considering a joint project to support IHF restructuring.			
2007	By end 2007, complete a review of existing laws, policies and programs related to the management of urban solid, biological and hazardous waste and formulate and adopt a National Solid Waste Strategy	In Progress - on track	5%	The US Corps of Engineers are supporting the development of draft National Waste Management Master Plan. In addition, the recently ISRB approved UNICEF-UN-HABITAT Project on National Solid Waste Management to provide TA for further reformulation of laws, policies and programmes.			
2007	By 2007, establish a plan for granting land plots equipped with infrastructural facilities (roads, water supply, sewerage, electricity) and community facilities (schools, dispensaries, shopping space) and expand access to mortgaged housing loans (Priority Action)	Unknown	0%				
2008	By 2010, set prices linked to capacity to pay, with a minimum free packet of primary care services for all and additional support for poor and vulnerable while sustaining the strategic direction of the SSN system and what it encompasses	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By 2008, support projects that seek to raise efficiency of water resources in agriculture and domestic use, in urban and rural areas	In Progress - on track	5%	recommendations of the conference Building 3 new water towers in Basra Building water training centre in Basra Refurbishing a reverse osmosis plant in Basra Support secured to supply equipment for the water supply system in Basra.	Follow up on recommendations of the conference	Security	

4.4.1.6 Gender

Develop and implement legislation and institutional framework to develop social partnership and access for women to public life and to all of society's resources

2007	By 2007, establish the Ministry of Women Affairs as a line ministry (or Women's Council or Commission linked to the Prime Minister's Office) and allocate an annual budget for supporting specific programs to promote women rights (Priority Action)	Complete	100%	MoWA established and operational.	n/a	n/a	n/a
2008	By 2008, develop public education programs to encourage women's employment and participation in the decision making process in governmental institutions (Priority Action)	Unknown	0%				
2008	By 2008, formulate or revise the national strategy for the advancement of women in line with the Beijing Platform for action, and establish machinery within the government and civil society for the implementation of the strategy	Unknown	0%				
2008	By end 2008, revise legislation to ensure non-discriminative access by gender to all fundamental rights, including work, participation in public life, professional association (unions) and politics	Unknown	0%				

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	20 By 2010, increase women's share in Parliament through specific political training programs and Media support to encourage participation and develop solid men- women partnership for democracy and stability in Iraq	Unknown	0%				
4.4.2 Social Sector Reform and Integration of Vulnerable Populations							
Undertake specific measure to strengthen the targeted safety net							
	20 By end 2007, develop a social protection strategy, including a planned phase in of a targeted safety net and associated social services for the poor and vulnerable (Priority Action)	In Progress - on track	20%	SSN Beneficiary Assessment Workplan prepared and agreement reached with MOLSA and COSIT; Survey questionnaire and selected output indicators prepared; WB LSMS in progress	MOLSA Committee for Social Protection Reforms to be set up	1. Missing updated data on poverty, and access to basic needs	Antipoverty Committee of MOLSA to be enforced for social analyses
	20 By end 2007, introduce means tested effective delivery systems relying on efficient coordination mechanisms between national and sub-national levels	Completed	85%	Over 1,000,000 poor families registered, of which 850,000 families paid; 1,035,000 jobseekers registered with the Employment Centers	Capacity building for the local councils needed; SSN Pilot System and MS SQL Server 2005 application to store beneficiaries, check duplications and MIS development under rollout process	Local councils involved in the eligibility testing not trained; Annual reeligibility testing for 2007 has not yet started; Implementation of the WB Emergency Social Protection Project for SSN infrastructure in 18 Governorates delayed	MOLSA decision for reeligibility testing of the 1,000,000 families registered in the SSSN system needed
	20 By end 2007, raise coverage to up to one million households and adjust the SSN budget correspondingly	Completed	85%	Over 1,000,000 poor families registered, of which 850,000 families paid;	Expedite application processing and payment for the rest of the poor families up to 1,000,000	low capacity of local councils to timely process applications registered; payment system still running SSN benefits on a two-month payment process	Include local council SSN committees in training programs; Change SSN distribution system to monthly payments
	20 Over 2007-2010, build the statistics and information management capacity within the MoLSA to develop reliable vulnerability/eligibility criteria	In Progress - on track	20%	Installed SSN Pilot System in Baghdad made up of Data Capture Unit for Baghdad beneficiaries, Central Data Unit for the aggregation data of the nation wide SSN beneficiaries, Training Unit; MS SQL Server 2005 application installed and tested, MOLSA Baghdad SSN employees trained	Expedite WB Funded procurement for the nation wide SSN infrastructure; add software development for the MS SQL Server 2005 application to be roll out in 18 governorates; continue training	1. Security 2. Funding 3. MOLSA low capacity to comply with WB procurement procedures	Improve coordination MOLSA / USAID / WB

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2007, assess the impact of the cash-based safety net program on coverage, benefit adequacy, and cost (Priority Action)	In Progress - on track	20%	Preparation of Survey for Beneficiary Assessment in progress; COSIT/MOLSA partnership set up and responsibilities assigned	Funds allocated for BA Survey; COSIT to design sample; COSIT and MOLSA to assign responsibilities for field activity	Security	Strengthen cooperation MOLSA / COSIT
	2008, analyze targeting options to improve the performance of the safety net		0%				
	2008, implement an effective targeting system relying on effective coordination between national and sub-national levels while ensuring high coverage of the poor		0%				
Strengthen financial viability of the pension system							
	2007, obtain Parliamentary approval of amendments to Pension Law 27/2005 and organize the State Pension Fund self-standing administration (Priority Action)	Unknown	In Progress - on track	50%	Drafted amendments; Prepared MOF Instructions for the organization of the self-operating State Pension Fund	Appointment of the State Pension Fund administration board needed	Absence of political consensus
Design and implement a reform strategy for the pension system							
	2007 adopt a detailed medium term pension reform strategy (Priority Action)	In Progress - delayed	0%	Pension Reform Steering Committee set up to document pension reform strategy and engage with GOI stakeholders			
	Over 2008-2010, implement medium term pension reform strategy and complete administrative capacity improvements to achieve the following: (a) provide adequate and affordable pensions for plan members; (b) be financially sustainable; (c) allow for transparent and equitable redistribution; (d) allow for proper diversification of savings for retirement; (e) minimize economic distortions; and (f) incorporate best practices in terms of management and administration	Unknown	0%				
Undertake specific measures to promote social inclusion of the IDPs, refugees, returnees and other vulnerable groups							

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By mid 2007, develop a policy framework that clearly institutionalizes the planning, preparedness, coordination and response of the national power structures to emergencies, both natural and man-made, as well as clearly delineates responsibilities, roles and actions by the various state and non-governmental actors (Priority Action)	Unknown	0%				
2007	By mid 2007, set in place an early system to trigger contingency planning and mechanism to secure annual budgetary allocations towards the contingency plan and institutional coordination with clear objectives, assignments of responsibilities and authority	Unknown	0%				
2007	By end 2007, promote social and economic rights of vulnerable groups and host/receiving communities in a comprehensive, participatory and integrated manners	In Progress - on track	0%				

ANNEX 7: STATUS REPORT ON ENERGY

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.5. Energy (Oil, Gas and Electricity):							
Oil and Gas							
Pass and implement a Hydrocarbon Law and Fiscal Regime							
2 0 0 7	By 2007, clarify the fiscal regime for public and private enterprises in the hydrocarbon sector (Priority Action)	In Progress - on track	20%	Hydrocarbon law outlines general principles of fiscal regime. Oil and Gas Federal Council established under hydrocarbon law will clarify fiscal regime for public and private enterprises	Broad outlines of fiscal regime established in Law. Hydrocarbon law which will establish Oil and Gas Federal Council has been passed by CoM	Need for detailed regime, completion of model contracts for IOCs and fiscal regime for refineries and other domestic buyers of Crude and Gas	Technical Assistance will probably be necessary to move from general terms to detailed regime. There may be political issues which may require reopening negotiations
2 0 0 7	By 2007 pass Hydrocarbon law to: Clarify mandates between the national and sub-national levels; Develop a national strategy, policy and regulation and build the capacity of the Ministry of Oil in this regard; Consolidate national infrastructure and marketing; Restructure and commercialize upstream operators and liberalize the downstream; Promote foreign investment and private sector development; Improve monitoring and control including metering at all stages of the cycle; Anchor safeguards from the protection of the environment throughout the energy cycle including Good Oil Field Practice and a programme for reduction capture and efficient use of flared gas (Priority Action)	In Progress - on track	50%	1) Umbrella hydrocarbon law meeting all requirements of benchmark drafted, passed unanimously by Council of Ministers and will be submitted to Parliament in July 2007. 2) Revenue sharing law agreed by main political blocs, first reading by Council of Ministers early July, tabled in CoR end July. 3) Ministry of Oil law agreed by Energy Committee, reviewed by Shura Council, to be tabled to Council of Ministers in July, 4) INOC law close to final draft and close to being discussed by Energy Committee	Law drafted with agreement of key partners. Public discussion of law already underway	Complete package of hydrocarbon legislation including annexes and laws on INOC and MoO. Draft Model Contracts. Submit to Parliament, Debate in Parliament and Approve	Parliament will need time to discuss and approve law. Amendments may become problematic as law is compromise. There may not be enough time to draft all pending components of the legislation. Constitutional Review process could have implications for the form of the draft law.
Carry out Investments							
2 0 0 7	By early 2007, develop and update detailed project execution plans for approved investment projects (Priority Action)	Start delayed	20%	Project planning completed for current budget cycle and under implementation	n/a	n/a	n/a

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, develop individual investment plans including market and investment analysis and robust costing on the basis of integrated energy sector master plan that includes an overarching investment framework that encompasses oil, gas and electricity (Priority Action)	Start delayed	0%	Current budget cycle investment planning completed based on two directives: 1) maximisation of crude oil production for national revenues, and 2) maximisation of refined product production for domestic use	establishment of planning priorities based on best scenarios for revenue production and to meet domestic demand for refined products	more robust economic-return driven planning still to be developed to form basis for energy sector master planning	low institutional capacity
2007	By 2007, develop financing plans and mechanisms including public and private sources (Priority Action)	Start delayed	5%	With significant budget surplus this is not currently a significant priority. Alternate forms of finance through private sector engagement currently being structured JBIC/UNDP/WB workshop on Public Private Partnerships (6-8 May 2007) introduced MoE, MoO, MoF & MoPDC to the schemes adopted for private sector participation around the world	Investment law passed and hydrocarbon law tabled in parliament - opening the way for alternate forms of project financing. Project sheets developed for the electricity Sector	Develop additional bankable projects packages - support economic, EIAs &	Uncertainties and negative perceptions hamper private sector entry
2008	By 2008, prioritize natural gas development in conjunction with Energy Master Plan (Priority Action)	Unknown	20%	New hydrocarbon law constrains new field development to flaring of gas for first year of production. Work continues on Zubair and West Qurna fields to eliminate gas flaring in these fields, in conjunction with work on the trans-Iraq gas pipeline where rehabilitation contracts are being let - this infrastructure rehabilitation and development will significantly lower flared gas and transport for commercial and industrial use. The Ministry of Electricity has completed an Electricity Sector Master Plan, developed in consultation with Ministry of Oil, that prioritises development of gas resources for fuel	Master Gas Plan developed with Shell. Electricity Master plan incorporating gas fuel development tabled. Infrastructure work underway to eliminate gas flaring in southern fields. Dialogue with Turkey on gas export potential.	gas development plans to be incorporated in least cost development plans and capital assigned to projects	efficiency of public finance management systems as a source of capital finance, and government procurement and project execution

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By end 2010, meet the demand for refined products at world prices (700k bpd)	In Progress - delayed	10%	Investments in new refining capacity going ahead: Nahrain refinery, detailed engineering complete, will process 140,000 bbl/day; project feasibility being undertaken for Nasiriyah refinery to process 300,000 bbl/day, contract about to be agreed for conceptual design and contract specification; Koya refinery in KRG under development, will process 70,000 bbl/day; existing refineries being expanded with work on additional 70,000bbl/day vacuum distillation unit underway at Doura and other works to double capacity within next three years. Liberalisation of refined product import and sale now enacted.	liberalization of import and prices, investment in refining infrastructure	n/a	security constrains, shortage of refined products throughout the region
2008	By 2010 , increase crude oil output to 3.4 mbpd	In Progress - delayed	10%	Investment continues to be hampered by security and execution constraints, however the government has agreed to a contract to drill 150 new wells in Sth Rumaila and West Qurna. A number of other investment projects are also progressing. These will all contribute to increased oil production	Investment continues to be hampered by security and execution constraints, however the government has agreed to a contract to drill 150 new wells in Sth Rumaila and West Qurna. A number of other investment projects are also progressing. These will all contribute to increased oil production	Need to address execution constraints	Security, execution constraints - financial management systems and capital budget flows
Undertake specific measures to improve monitoring and execution							
2007	By end 2007, streamline disbursement of allocated investment funds (Priority Action)	In Progress - delayed	2%	Public Expenditure and Institutional Assessment being undertaken by Ministry of Finance in conjunction with World Bank. This will look at investment funding flows and systemic improvements in these.	PEIA launch held in Baghdad on 7th July 2007, series of workshops now underway with MoF, World Bank, and including request for participation from Ministry of Oil	Ministry of Oil participation in PEIA process	Change management related issues.

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By 2007, implement legislation to liberalize the import of fuel products (Priority Action)	In Progress - on track	20%	Liberalisation of refined product import and sale now enacted in law, government subsidies reduced beyond SBA requirements - further movement towards market pricing	Liberalisation of refined product import and sale now enacted in law	government to move to market based pricing to allow market dynamics to encourage entry of private sector	understandable political issues related to government pricing increases
2007	During 2007-2008, crack down on illegal siphoning and smuggling of crude oil, intermediate and refined products (Priority Action)	In Progress - on track	40%	export metering at ABOT now under compliance testing - soon to be in operation - will allow proper transference of oil custody. BP and Shell providing studies on metering requirements upstream, throughout the country and including all sites where there is transfer of custody, and production sites.	export metering at ABOT now under compliance testing - soon to be in operation - will allow proper transference of oil custody. BP and Shell providing studies on metering requirements upstream, throughout the country and including all sites where there is transfer of custody, and production sites.	completion of metering requirements studies and implementation of recommendations. Commissioning of export metering and continued maintenance of these	ongoing and appropriate maintenance of newly installed meters, installation of metering throughout the production and transfer cycle.
2007	Over 2007-2010, improve the protection of pipeline and oil facilities (Priority Action)	Unknown	0%		n/a	n/a	n/a
2008	By 2008, create conditions to encourage oil service companies to come to Iraq including through streamlining contracting procedure, providing protection and guarantees including with international assistance (Priority Action)	In Progress - delayed	20%	contracting and procurement techniques being refined with international consulting services	contracting and procurement techniques being refined with international consulting services	n/a	n/a

Electricity

Pass and implement legislation and undertake measures to align the sector's institutional and legal framework with good practice

2007	By end 2007, delineate policy formulation, regulation and operation functions for the sector (Priority Action)	Unknown	2%			policy level dialogue leading to agreement on the most appropriate institutional structure for the electricity sector. Development of legal framework/regulations to support this institutional structure	reduced institutional capacity
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SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
	2008 By end 2008, an appropriate institutional structure will be under implementation.	Unknown	0%		n/a	Policy decision. Change management plan for implementation of agreed institutional structures	reduced institutional capacity
	Make tangible progress towards cost recovery						
	2008 By end 2009, introduce cost-efficient tariffs, schemes to protect low-income consumers, and adopt appropriate budgeting, commercial and cost accounting practices	In Progress - delayed	2%	New tariff structure proposed in Electricity Master Plan 2007-2015 - presented at moE-UNDP Electricity Conference 5-7 November 2006	New tariff structure proposed	n/a	Socio-economic, political situation and low quality of current electricity supply services not favorable to rise in prices. Security situation hampers revenue collection
	Implement an adequately funded sector rehabilitation strategy						
	2007 By end 2007, adopt a plan for least cost development of the power system and a strategy for substituting crude oil with natural gas in power generation (Priority Action)	In Progress - on track	10%	Comprehensive Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006, World Bank TA agreed as part of Hartha power station rehabilitation loan - this will focus on least cost planning and feasibility study of three gas for fuel developments	Electricity Master Plan 2007-2015 (Version 1)	Annualize the strategic Master Plan into annual business plans with attached procurement plans, feasibility studies. Approve World Bank and Japanese electricity sector loans	Insecurity, Brain drain
	2007 By end 2007, develop and begin implementation of a plan to restore existing installed capacity to reliable operation (Priority Action)	In Progress - on track	10%	Comprehensive Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006	Electricity Master Plan 2007-2015 (Version 1)	Annualize the strategic Master Plan into annual business plans with attached procurement plans, feasibility studies	Insecurity, Brain drain

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, implement modern preventive maintenance programs for increasing reliability and availability of existing facilities (Priority Action)	In Progress - on track	10%	Comprehensive Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006. Training programme in Japan proposed for 10 Iraqi experts on distribution system management and maintenance and another 10 Iraqi experts on administration and management of gas turbine thermal power plant. Training programme proposed in Jordan for 50 Iraqi experts on power loss reduction and power system management including interconnection with surrounding countries.	Electricity Master Plan 2007-2015 (Version 1)	Annualize the strategic Master Plan into annual business plans with attached procurement plans, feasibility studies	Insecurity, Brain drain
2007	By end 2007, implement incentive programs for improved operation of existing facilities (Priority Action)	In Progress - on track	10%	Comprehensive Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006 Training programme in Jordan for 50 Iraqi experts on power facility development planning and project management. Training programme proposed in Egypt for 25 Iraqi engineers on operation and maintenance of thermal power plant. Training programme proposed in Syria for 45 Iraqi junior engineers/technicians on thermal power plant operation, maintenance, testing and welding. no action yet taken	Electricity Master Plan 2007-2015 (Version 1)	Annualize the strategic Master Plan into annual business plans with attached procurement plans, feasibility studies	Insecurity, Brain drain
2007	By end 2007, establish operating standards and quality inspection programs for new and existing facilities (Priority Action)	Unknown					

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	By end 2008, establish capabilities for project management of large capital projects in accordance with international standards (Priority Action)	In Progress - delayed	5%	Pointers to Capacity building in Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006. Training programme proposed in Jordan for 50 Iraqi experts on power facility development planning and project management.	Electricity Master Plan 2007-2015 (Version 1)	Develop capacity building plan based on comprehensive review of the Ministry's skill sets. Undertake technical assistance offered through World Bank loans	Insecurity, Brain drain
2008	By end 2008, identify and adopt optimum organization for electric power system technical management, including required technical expertise	In Progress - delayed	5%	Pointers to Institutional Structure in Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006	Electricity Master Plan 2007-2015 (Version 1)	Develop capacity building plan based on comprehensive review of the Ministry's skill sets	Insecurity, Brain drain
2008	By 2015, electricity supply from the national grid will be sufficient to meet total demand with a reserve margin of 10%.	In Progress - on track	10%	Comprehensive Electricity Master Plan 2007-2015 presented at MoE-UNDP Electricity Conference 5-7 November 2006. Consideration of legal and regulatory structures and contract models to allow Independent Power Production (private sector engagement) in generation of electricity currently underway. Support secured to rehabilitate two generating units in Al-Mussaib Power Plant to recover the capacity of 420 MW. Support secured to supply distribution equipment nationwide. Support secured supply equipments to substations and distribution facilities of the electric system in Kurdish Region. Signed loans with Japanese government and World Bank for a range of power sector capital developments	Electricity Master Plan 2007-2015 (Version 1) New gas pumping station (PS2) built and taken to site. Will begin functioning in Summer 2007. Damaged turbines at Khor Al Zubayr power plant replaced. Chimney at Al Hartha power station stabilized. (UK)	Annualize the strategic Master Plan into annual business plans with attached procurement plans, feasibility studies. Final technical testing of PS2, and warranty arrangements established before hand-over of plan to local authorities Ratification of Japanese and World Bank power sector loans by CoR	Insecurity, Brain drain The security environment has slowed down work, but IISP Power is nonetheless due to be completed this summer.

ANNEX 8: STATUS REPORT ON AGRICULTURE

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
4.6. Agriculture and Water Management Strategy							
Undertake specific measures to rationalize and transition the Public Distribution system to targeting in a way that is integrated with agricultural policies (see also 4.3.1 and 4.4.2)							
2007	By end 2007, analyze the effects of universal food subsidy on price and production levels of principal food crops and design alternative policy measures to remove the negative impact of food subsidy on the food grain market (Priority Action)	In Progress - on track	50%	An initial analysis of the PDS on the domestic prices is complete. The analysis revealed that the arrangements have reduced the demand for domestic agricultural products considerably. MoA is working hard to resolve these. The MoA's strategic plan has been developed to address such supply constraints. The MoA has set the priorities and supporting programs: a. Improving food security; b. increasing agricultural investment; c. improving qualifications and capacity of agriculture workers; d. improving management; e. correcting the Imbalance of agricultural economics and agricultural marketing; f. developing value-added for national agricultural products; g. Improving the environment through forestation and combating desertification, and building naturally-protected areas; and h. implementing the Integrated Pest Management Program for Pest Control in order to reduce of the use of chemical pesticides to protect crop Production, Quantity, and Quality as well as Protecting the Environment.			
2008 – 2011	Over 2008 – 2011: Implement a phased program of targeted food subsidy synchronized with removal of farm input subsidies	Not Started	0%	Contingent action			

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	Over 2008 – 2011: Shrink PDS budget	Not Started	0%	Contingent action			
2008	Over 2008 – 2011: Privatize of the General Company for Grain Processing	Not Started	0%	Contingent action			
Undertake specific measures to liberalize agricultural market							
2007	By 2007, phase out mandatory state procurement of food grains and substitute voluntary procurement for purpose of managing strategic stocks (Priority Action)	In Progress - on track	50%	Progressing in line with current policy			
2007	By 2007 withdrawal of all 'official price' and domestic movement restrictions on agricultural products	In Progress - on track	20%				
2007	Over 2007-2009, continue pre-planting announcement of wheat and rice support prices	In Progress - on track	20%	Announcement made			
2007	By 2007, gap between domestic and CIF grain prices narrowed	In Progress - on track	0%				
Replace market distorting input subsidy with market friendly price subsidy							
2007	Over 2007 – 2010: Implement a phased reduction of input subsidy budget and expansion of price support budget	In Progress - on track	50%	Policy being implemented. E.g. Seed input support reduced and price support for tomatoes provided.			
2007	Over 2007 – 2010: Effect divestiture of the State Company for Agricultural Supplies (SCAS), State Company for Industrial Crops (SCIC) and State Company for Animal Resources (SCAR)	In Progress - on track	0%	Subject to review			
2007	Over 2007 – 2010: 50% by turnover value of state owned or managed processing and distribution companies divested or closed	Unknown	0%				
Increase access to agriculture credit through financial market reforms							

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2007	By end 2007, increase financing for micro credit and farmer lending through private banks and NGOs (Priority Action)	In Progress - delayed	0%	Increase in financing fund from ID26b to ID50b.	Parallel to providing credit facility more training is required for developing business plans and mentoring services.		A major USAID support scheme INMA is commencing and the main objective is to support private sector agri business development and it would have close linkage with agricultural credit provision.
2007	By end 2007, changes in CBI rules for agricultural credit and lease finance finalized	Unknown	0%				
2007	By end 2007, strengthen laws and regulation for contracts, credit recovery, non-restraint of trade and competitive behavior, product quality, consumer safety and protection	Unknown	0%				
Reforming land tenure policy to encourage investment in agriculture							
2008	Over 2008 – 2011, enact and implement new agriculture land holding legislation	In Progress - on track	5%	Rent on state owned agricultural land reduced by around 50%.			This action may require high priority as it could provide for major collateral provision for private sector investments in the sector development.
2008	By 2008, reform the land tenure system to give farmers ownership/long term stake in government leased land	Unknown	5%	Initial actions commenced earlier than planned			
Undertake specific measures to develop an integrated land and water development policy							
2007	Over 2007 – 2008, production of the National Water Resources Management Plan (Priority Action)	In Progress - on track	5%	Papers presented at conference A draft plan has been prepared supported by USAID	Develop National Plan A draft plan has been prepared supported by USAID		

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
2008	Over 2008 – 2010, produce Regional Land and Water Use Plans indicating options for increasing efficiency of water use in agriculture and closing the demand-supply gap.	In Progress - on track	5%	Local Master Plans Developed	Develop All Regional Plan, ensuring full ownership		
2008	Over 2008 – 2010, produce alternative cropping models for different regions with optimal returns on investment	In Progress - on track	10%	A draft agricultural strategy working paper was prepared by MOA and key stakeholders were also consulted.	Continue SWG and sub-working group activities to focus the activities jointly.		
2008	Over 2008 – 2010, protect and rehabilitate unique Iraqi crop varieties and agricultural genetic heritage	In Progress - on track	10%	Special efforts is being taken with regard to date palms by MOA			
Negotiate trans-boundary water agreements with neighboring countries							
2007	By 2007, initiate discussion with Turkey and Syria on sharing of the Tigris and Euphrates rivers' water (Priority Action)	In Progress - on track	20%	Recommendations of the conference Some initial meetings have taken place. Agreement with Syria in place. Constructive negotiations continue with Turkey on implications of Turkish hydropower proposals	Follow up on recommendations of the conference		
2007	By 2007, manifest Iraq's position on water sharing and initiate talks with Turkey and Syria (Priority Action)	In Progress - on track	20%	Recommendations of the conference Some initial meetings have taken place. Agreement with Syria in place. Constructive negotiations continue with Turkey on implications of Turkish hydropower proposals	Follow up on recommendations of the conference		
2007	By 2007, define Iraq's position on water sharing with Neighboring Country consistently with the National Water Resources Management Plan (Priority Action)	In Progress - on track	20%	Recommendations of the conference Some initial meetings have taken place.	Follow up on recommendations of the conference		
2007	By 2007, build the capacity of GoI to deal with management of trans-boundary water resources; and to stand negotiations for International Agreements on Water resource Management (Priority Action)	In Progress - on track	20%	Recommendations of the conference Some initial meetings have taken place. Training programs underway	Building Negotiation Capacity		

SECTION	BENCHMARK/ ACTION	STATUS	%	ACHIEVEMENTS	STEPS NEEDED TO COMPLETE ACTION	OBSTACLES	CORRECTIVE ACTIONS/COMMENTS
Improve institutional and regulatory underpinnings of public agriculture							
2008	Over 2008 – 2010, strengthen the technical and management capacity of agricultural organizations (Priority Action)	In Progress - on track	5%	A draft agricultural strategy working paper was prepared by MOA and key stakeholders were also consulted.			
2008	By 2008, amend or introduce new legal and regulatory provisions for agriculture markets	In Progress - on track	5%	A draft agricultural strategy working paper was prepared by MOA and key stakeholders were also consulted.	Continue SWG and sub-working group activities to focus the activities jointly.		
2008	By 2008, review and amend existing laws and regulations relating to agriculture production, processing, marketing, finance, trade, quality standards, environment protection, contracts, etc. according to the needs of the sector.	In Progress - on track	5%	A draft agricultural strategy working paper was prepared by MOA and key stakeholders were also consulted.	Continue SWG and sub-working group activities to focus the activities jointly.		
Carry out Investment Plans							
2008	By 2008, develop individual investment plans including market and investment analysis and costing on the basis of integrated Agriculture and Water master plan (Priority Action)	In Progress - on track	5%		Continue SWG and sub-working group activities to focus the activities jointly.		
2008	By 2008, develop financing plans and mechanisms including public and private sources (Priority Action): Rehabilitate damaged physical infrastructure; Improve delivery of public agricultural services; Improve the efficiency of agricultural information services.	In Progress - on track	5%		Continue SWG and sub-working group activities to focus the activities jointly.		

ANNEX 9: UPDATE ON THE STATUS OF MADRID PLEDGES
Donor Pledges, Commitments, Contracting and Spending in Iraq

All Amounts in Millions

Donors	Donor Currency	Madrid Pledge 2003-2007		Additional Pledges as of May 2006 (Donor Currency)	As at March 31, 2006					
		Total (Grants & Loans)			Amount Committed		Amount Contracted		Amount Spent	
		Donor Currency	USD		Donor Currency	USD	Donor Currency	USD	Donor Currency	USD
Donors			26,472.32			21,357.16		19,015.63		13,098.04
Australia	AUD	65.00	45.59	65.00	101.50	72.83	91.50	65.66	91.50	65.66
Austria	EUR	4.65	5.48		2.56	3.02	2.32	2.74	2.32	2.74
Belgium	EUR	5.00	5.89		1.00	1.19	1.00	1.19	1.00	1.19
Bulgaria	USD	0.64	0.64							
Canada	CAD	245.00	187.47	0.00	209.00	169.13	206.00	166.53	153.00	123.69
China	USD		25.00							
Cyprus	EUR	0.10	0.12							
Czech Republic	USD		14.66	0.00		14.10		14.10		9.30
Denmark	DKK	170.00	26.95	25.00	195.00	31.27	188.00	30.15	153.00	24.53
Estonia	EUR	0.07	0.08		0.12	0.14	0.12	0.14	0.12	0.14
Finland	EUR	5.00	5.89	2.00	7.00	8.36	7.00	8.36	7.00	8.36
Greece	EUR	3.00	3.53	0.00	3.00	3.58	3.00	3.58	3.00	3.58
Hungary	EUR	1.05	1.24	0.35	1.40	1.65	1.40	1.65	1.40	1.65
India	USD		10.00	2.52		12.52		12.52		12.39
Iran	USD		5.00			10.00		0.00		0.00
Ireland	EUR	3.00	3.53	0.00	2.08	2.48	2.08	2.48	2.08	2.48
Iceland	ISK	200.00	2.50	0.00	200.00	2.87	200.00	2.87	190.00	2.59
Italy			235.62		23.90	28.54	23.90	28.54	23.90	28.54
Japan	USD		4,914.00			2,208.39		980.96		240.37
Korea	USD		200.00	0.00		200.00		118.00		51.00
Kuwait	USD		500.00			10.00		10.00		10.00
Luxembourg	EUR	2.00	2.36		1.70	2.03	1.70	2.03	1.70	2.03
Malta			0.27							
Netherlands	EUR		9.42		10.00	11.94	10.00	11.94	10.00	11.94
New Zealand	NZD	5.50	3.35	1.90	7.40	4.78	7.40	4.78	7.40	4.78
Norway	NOK	90.00	12.87		90.00	12.87	90.00	12.87	90.00	12.87
Oman			3.00							
Pakistan			2.50							
Qatar	USD		100.00							
Saudi Arabia	USD		500.00	0.00		87.92		87.92		87.92
Slovenia			0.42							
Spain	EURO		220.00			82.63		82.63		82.63
Sri Lanka			0.00			10.00		7.50		7.50
Sweden	SEK	253.00	33.00	0.00	253.00	32.82	253.00	32.82	253.00	32.82
Turkey	USD		50.00			6.62		6.62		6.62
United Arab Emirates			215.00							
United Kingdom	UKP	267.00	452.33	30.00	297.00	509.21	297.00	509.21	226.00	387.48
United States	USD		18,439.00	71.00		17,323.00		16,314.60		11,380.00
European Community	EUR	200.00	235.62	218.40	418.40	493.25	418.40	493.25	418.40	493.25
Financial Institutions			5,550.00			710.36		710.36		710.36
IMF	USD		2,550.00			475.36		475.36		475.36
World Bank	USD		3,000.00			235.00		235.00		235.00
Total			32,052.33			22,067.52		19,725.99		13,808.40

Key Donors Who Responded to the Pledge Update Exercise