

**Speech of the Iraqi Deputy Prime Minister
Barham Salih
At
Annual Review of the International Compact with Iraq
Investing in a Shared Future
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Stockholm – Sweden**

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Mr. Prime Minister, Mr. Secretary General
Excellencies, Ladies and gentlemen,

I would like to start by extending my thanks for the Kingdom of Sweden for hosting this conference, which marks one year after the International Compact with Iraq was launched in May last year. I would also like to thank all the other states, United Arab Emirates, Kuwait and Egypt, that hosted ICI meetings and the other countries that supported us throughout its implementation.

I am thankful to the Secretary General of the United Nations, Mr. Ban Ki-Moon and his Special Representative for the Compact Mr. Ibrahim Gambari who have invested significant personal efforts in pushing this process forward.

I would especially like to mention the SRSG Mr. Staffan de Mistura and his team at UNAMI who are making a considerable contribution in helping us achieve our Vision. Beyond the Compact, UNAMI continues to provide invaluable support in addressing the challenges we face today including the preparation for elections, resolution of disputed internal boundaries and support for displaced persons.

I must also note the help of friends like Bob Kimmitt, the US

Treasury Under-Secretary, and former SRSG SR Ashraf Qazi— and Lord Mallock -Brown the former UN Under-Secretary General who have been most helpful in the development of the compact process.

Finally, I would like to thank my colleagues, the Iraqi ministers, experts, the ICI working groups and Secretariat for their perseverance and commitment to achieving the goals set in the ICI.

We look forward to this conference to broaden the partnership we launched a year ago in Sharm El-Sheikh. We are delighted by the renewed resolve of our partners to launch **a New Chapter** of mutually beneficial cooperation. This is particularly the case in Europe.

We look forward to **Investing in a Shared Future**

The year since the launch of ICI in Egypt was rich in events; both achievements and challenges.

A devastating civil conflict has been averted as Iraqis from all backgrounds and communities rejected extremist and divisive ideologies. Iraqis from all backgrounds and communities are coming together to put an end to conflict and lawlessness, rebuild strained bonds and shattered livelihoods.

Former insurgents are turning their guns on the terrorists. Former militiamen are laying down their arms. Ordinary citizens are stepping up to protect neighbourhoods and communities: these are the real signs of National Reconciliation.

A New Beginning is at hand. The Government of Iraq guided by the National Vision must seize the initiative and proceed confidently to consolidate security gains, establish the rule of law and deliver public services.

As Iraqis put the divisions and suffering of the past behind them, they reach out to the international community and particularly their neighbours to **open a new chapter** of relations based on mutual respect and common interest.

Blessed with fabulous wealth, strong with the ingenuity and unity of its people Iraq does not need handouts. We are looking for partnership which holds the promise of rich rewards for everyone. Iraq's resources do not only carry the promise of prosperity to the people of Iraq but can help alleviate real needs the world over.

Bridging the Perceptions Gap

As Iraqis continue to expend effort to rebuild their country, they are confounded by the lack of appreciation of progress achieved. The significant security, political and economic achievements we have made in the midst of a brutal conflict are often ignored.

The recent episodes in Basra, Sadr City, and Mosul for a while seem to have overshadowed the real improvements in security made through Operation Rule of Law—but they demonstrate greater confidence and ability of the Iraqi government with outlaws. There and elsewhere we must carry out its constitutional duty to establish the rule of law and protect citizens from criminals and militias.

Likewise we are fully aware of the obstacles we continue to face on the road to an open and fair political process. Political tensions and slow progress in some key areas should not, however, obscure real achievements in implementing the bulk of our commitments under the Compact.

The IMF recently described Iraq's achievements under the Stand by Agreement as 'Impressive' and 'Remarkable' in the given context.

Given the keen interest in Iraq's energy sector, delays in adopting hydrocarbon legislation have drawn significant interest. A legislative framework for investment in the oil and gas sector, including transparent revenue sharing mechanisms, will create a better environment for the development of the sector including much needed foreign investment. There is now renewed political will to bringing the negotiations on the legislation to closure.

Despite the need for the legislation this is not a matter that can be rushed. Iraqis will need space and time to resolve those issues on the basis of consensus. Pending the adoption of the legislation, we should work hard to continue to increase output and exports and negotiate various forms of cooperation with our partners.

The perceptions gap can be explained in part by the changing dynamic in the relationship between Iraq and its international partners. Both sides need to do more to adjust to a new reality of a strong Iraqi Government taking the lead in the reform and reconstruction agenda.

The Government of Iraq is also fully aware of the need to improve the way it communicates with partners to bridge these gaps. Today we put in front of you a direct account of our achievements especially those which remain obscured to outsiders. We do not shy away from admitting failings and recognising challenges and will provide an honest assessment of prospects going forward. We will set realistic goals consistent with the historical context on the ground.

Record of Achievements

Diplomacy

This conference is the latest in a series of events marking Iraq's re-engagement with the international community. Starting with the

Compact inaugural meeting last May 2007 in Sharm el-Sheikh, such events included the meetings of Iraq's Neighbours in Istanbul and Kuwait, the meeting of Arab Parliamentarians in Erbil.

Iraq is actively engaging with numerous international initiatives such as the Paris Declaration on Aid Effectiveness, the Extractive Industries Transparency Initiative, and UN conventions against corruption and torture.

Security

With support from the MNF-I, the GoI is continuing its determined effort to establish the rule of law across Iraq and protect the citizens from threats to their lives and property. Iraqi Security Forces have not only grown in size and equipment but also in skill and confidence. Today Iraqi soldiers and police are initiating and leading operations across Iraq and are gaining the trust and support of the people.

When we assumed sovereignty in June 2004, the Iraqi security forces were almost nonexistent. Today our security forces are nearly 600,000 strong, and Iraqis are primarily responsible for half of Iraq's 18 provinces. Through improved Iraqi security capabilities, through the coalition's "surge" of troops and, above all, with support from local communities, the violence that obstructed economic, social and political progress has receded significantly. Today, the levels of violence are at a 4 year low.

In parallel with voluntary demobilization and disarmament measures, the Government is enforcing the rule of law. In April the President, PM and the heads of political blocs in Parliament issued a 15 point statement calling on all parties and political blocs to dissolve their militias immediately and hand in their weapons.

Changing attitudes remains a challenge however— Whilst there has been progress in training and ensuring the professionalism of

the police force, there is still much to do.

Human Rights

The Government, through the Ministry of Human Rights, continues to coordinate with NGOs to activate and promote human rights in Iraq through civil education to promote tolerance, dialogue, acceptance of others and peace among Iraqi civilians.

The National Institute for Human Rights has been established; it is a cultural institute specializing in providing training courses, workshops, conferences and other activities related to human rights. Training is provided to both government and non-government staff.

As specified in the Compact, the topic of human rights has been added to the curricula at various levels within the education system. This has required collaborative work with the Ministry of Education, Ministry of Human Rights and other ministries.

However, significant challenges remain in the area of human rights as the conflict takes its toll on the people of Iraq: Terrorists, militias and criminals continue to target Iraqi civilians and vital civilian infrastructure, Despite GoI and MNFI efforts, too many civilians continue to suffer from ongoing military operations. Large numbers of detainees have been released as a result of expedited judicial reviews and implementation of the Amnesty law—but there remains challenges in this regard—No doubt there are also incidents of human rights violations by law-enforcement agencies, which we are attempting to rectify and resolve through various initiatives.

Large numbers of Iraqis are displaced as a result of violence in and outside the country are still awaiting adequate support and protection. Our task is to ensure that Iraq becomes again the house

for all its children and together with our neighbours and partners we have to exert all efforts to provide the conditions that will allow them a safe, dignifying, and sustainable return. The Government has recently adopted a policy initiative aimed at addressing this serious humanitarian challenge. The Government has allocated \$195 million to help with the settlement of displaced people back to their homes.

Political and legislative agenda

Political progress is key to consolidating the recent security achievements. A fair and inclusive political process which allows all Iraqis to express and protect their interests is the only guarantee to lasting peace and stability.

No doubt challenges remain on the road to building a political process which would be accepted as open and fair by all parties. But, significant efforts have been made to meet political and legislative benchmarks set out in the ICI and other GoI documents. In particular, great strides have been made on completing the legislative agenda with the passage of the Justice and Reconciliation, Amnesty, Provincial Powers Laws and the Budget. Provincial Elections and Hydrocarbon Legislation is still awaiting completion.

There is serious work underway to finalise the constitutional amendments process. We must accomplish this task to enhance our national unity. The issue of the Disputed Territories and internal boundaries addressed by Article 140 of the Constitution is yet to be implemented. We have agreed to seek the help of the UN to facilitate a resolution to this issue— and we are awaiting UN’s recommendations to help alleviate the terrible crimes of ethnic cleansing committed by the Saddam regime. We must address this constitutional obligation of the state of Iraq.

The Economy

Putting the terrorists and militias on the defensive has enabled tangible economic progress, and the government's competence is growing. We have managed to reduce annual core inflation from 36 percent at the end of 2006 to 16 percent now. Iraq now funds almost all of its reconstruction and the lion's share of the costs for its security forces. Budget execution is improving: In 2006 the government spent just 24 percent of its investment budget; in 2007, that spending rose to nearly triple - 63 percent. Per capita income, which was the equivalent of \$465 in 2003, passed \$2,100 in 2007. Unemployment has been reduced from a rate of around 28% in 2003 to an estimated 17.5% by the end of 2007. Very recently, our cabinet endorsed plans for a \$5 billion supplementary budget to finance an expedited program of major public works. This will be added to the \$14 billion already allocated for investment this year. Further, our economic growth rate is expected to top 8 percent this year, according to IMF.

The monitoring of oil production, exports and the resulting income streams has seen improvement. Metering is being improved throughout the oil sector. Measures to demonstrate transparency in oil related data have been introduced. A successor organisation to the International Audit and Monitoring Board has been established and take over the role of monitoring Iraqi oil revenue. The Government has also committed to join the Extractive Industries Transparency Initiative (EITI). Iraq has also ratified the UN convention to combating corruption.

Development of a Financial Management Information System has resumed and we expect to have this operating in early 2009.

Co-financing initiatives recently endorsed by the Government will

see Iraq and International Development Partners working together to plan, finance and execute investment and reconstruction efforts. Co-financing is an effective way not only to leverage Iraq's own resources and move away from the donor centric approaches of the past five years but also to practice policy coordination.

The Government recognizes the need to develop a vibrant private sector if it is to meet its vision of a new Iraq. Over 2007, it has made improvements to the climate for small business development and is developing structures which will be supportive of investment. We launched a major Micro-credit program across Iraq, and it is proving a major success story.

The example of the Kurdistan Region is instructive— Private sector investment has helped the economy of the region making Kurdistan a hub for economic and construction activity.

Iraq welcomes foreign investment and we are working to develop a suitable climate for investors. We are receiving technical support from the OECD to do this. In April 2008, the National Commission of Investment and the OECD signed the “Areas of Cooperation between the Iraqi National Investment Commission in Iraq INIC and the MENA-OECD Investment Program” agreement.

The Government is actively working to remove barriers to private banking. It has agreed with the IMF that it will complete a comprehensive set of prudential regulations for commercial banks by 31st July 08. The switch from domestic accounting standards to International Reporting Standards is under preparation.

The Compact

The Compact Secretariat is helping to bring together senior officials from across government to design and implement complex reform and reconstruction programs and projects. This report before you that is produced by the Compact Secretariat demonstrates that the mechanism is working, engaging across government to monitor and review progress on policy implementation.

Challenges, however, remain in policy design and coordination. Many initiatives are under-way across government – at the Office of the Prime Minister, Secretariat of the Council of Ministers, and Office of the National Security Advisor to name but a few which will need to come together to achieve coherence and integrity.

A performance based review of Compact implementation mechanisms will be carried out following the Conference to improve integration with existing Government of Iraq initiatives.

Investing in a Shared Future

There is a New Beginning in Iraq today. As it emerges from conflict, Iraq is seeking to re-engage with neighbours and the international community on the basis of mutual respect and benefit.

For the first time in its history Iraq is seeking full integration into the global economy with all the benefits this promises to both Iraqis and their international partners. The world economy today needs Iraq and its resources more than ever before. This is a unique opportunity to engage with one of the most resource rich countries in the world.

Iraq is looking forward to mutually beneficial cooperation in the

energy sector. Discussions on the supply of gas to Europe is one example of such cooperation. Iraq has a lot more to offer in this area especially with the rising demands for energy. Iraq, with its abundant oil and gas reserves, plans to develop its capacity to at least 6 mbpd of production in the next 3 to 4 years.

I said earlier that this is not a donor/pledging conference. Iraq is not seeking handouts. It is fabulously wealthy with its people and resources. Iraq is looking for partnership and cooperation which will help it unlock its own resources and reap the benefits of cooperation.

Iraq is seeking to further dismantle internal and external obstacles to trade and investment and put future cooperation plans on the right footing by undertaking the following measures:

- Some of the obstacles to cooperation are political and represent a legacy of the past which must be left behind. Saddam era debts and compensation payments also belong to the past. It is time to liberate the people of Iraq from this burden. Everyone stands to benefit more from trade and investment which can be unlocked by the removal of such obstacles.
- We need strong support from the UN Security Council to ensure protection of Iraqi assets from the disputes and claims that may arise from legacies of the Saddam era.
- Iraq is looking to conclude bilateral and multilateral trade, investment and cooperation agreements and treaties to remove them. We particularly look forward to joining trans-regional initiatives—oil and gas pipelines, through Syria and Jordan, are but one example. The World Bank can help foster the economic integration of Iraq with the rest of the region and beyond.

- By signing the Paris Declaration on Aid Effectiveness Iraq is making a commitment to promoting: Ownership, Alignment, Result-Oriented, Harmonization and Mutual Accountability in its relations with international partners. The co-financing mechanisms will help leverage Iraq's own resources to attract investment and know how and provide a framework of mutual accountability.

Conclusion

Ladies and gentlemen,

Just as Baghdad needs to make more of an effort, so do others in the region and the international community. The intricacies of Iraq, a society traumatized by decades of tyranny and ravaged by wars and sanctions, have been greatly complicated by regional and international crosscurrents. The legacy of the past, far and recent weighs heavily on the Iraqi people and their institutions. Despite best efforts they are bound to be setbacks and the results will often fall short of the ideal. Now is the time for Iraq's neighbours to support Iraq's government and the political accommodations reached in Baghdad.

Over the past five years, the people of Iraq have demonstrated their determination to move ahead along the road to peace and democracy against incredible odds. This review demonstrates clearly that strong progress has taken place in Iraq—it affirms that success is possible and attainable in Iraq—and I am confident that you agree with us that failure is not an option.

Hoping to meet you for the next annual review in Baghdad.
Thank you.