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## Proposal for settlement of outstanding contributions of the Republic of Iraq

### Note to Executive Board representatives

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For: Approval

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## Recommendation for approval

The Executive Board is invited to approve the settlement of outstanding contributions of the Republic of Iraq in accordance with the principles set out in paragraphs 13 to 18.

## Proposal for settlement of outstanding contributions of the Republic of Iraq

### I. Introduction

1. The Republic of Iraq indicated to IFAD its desire to reengage with the Fund; therefore, discussions were entered into in order to settle Iraq's outstanding contributions to IFAD (herein after referred to as "dues").
2. In 2013 IFAD shared a draft agreement on the settlement of dues with the Iraqi authorities. Several meetings and communications followed between 2013 and 2015.
3. In 2015 the Iraqi authorities replied to IFAD on their commitment to honour their payment of the dues, and proposed a revised draft of the agreement (annex I).
4. In 2016 IFAD received a formal letter from the Iraqi authorities confirming acceptance of the agreement by the Government of the Republic of Iraq (annex III).

### II. Country context

5. Iraq is a middle-income country with a GNI per capita of US\$6,720 in 2013 and total population of about 33.4 million (2013). Iraq is one of the most youthful countries in the world: nearly 50 per cent of the population are less than 19 years of age. With abundant human and natural resources, Iraq has the world's third-largest oil reserves, considerable gas reserves and ample water resources. It attained the status of a middle-income country in the 1970s, developing good infrastructure and well-performing education and healthcare systems. However, over the past 25 years, bad governance and conflict have undermined the country's institutions and crippled its economy.
6. The 2016 budget was prepared with fairly conservative assumptions, but the oil market is undershooting these already. A sizeable part of expenditure will have to be met by borrowing, and Iraq is looking to a wider range of sources, including the International Monetary Fund, bilateral donors, and the domestic and international bond markets to try to fill the gap.
7. Although there are significant data constraints, earlier surveys indicated that poverty and human development indicators had worsened in the 1990s, and little improvement has been seen in recent years. Despite its potential to play a vital role in national and international efforts to alleviate poverty, food insecurity and unemployment in Iraq, the Iraqi agriculture sector continues to falter. Once representing the second largest contributor to national GDP, the contribution of agriculture has steadily decreased from nearly 9 per cent in 2002 to 3.3 per cent in 2013. Investment in agriculture is the most direct and sustainable path to addressing pervasive problems such as poverty and unemployment and leads to marked improvements in essential spheres of life such as health and education.

### III. Contribution arrears to IFAD

8. The Republic of Iraq ratified the Agreement Establishing IFAD on 13 December 1977 and committed US\$20,000,000, by way of a promissory note, as its initial contribution to IFAD. An amount of US\$6,283,200 was encashed against the promissory note, leaving a balance of US\$13,716,800 still to be encashed.
9. Iraq committed to paying an amount of US\$31,099,000, by way of a promissory note, for the First Replenishment of IFAD's Resources, the full amount of which remains to be encashed.
10. A sum of US\$2,000,000 was committed, by way of an instrument of contribution, for the Second Replenishment of IFAD's Resources, the full amount of which remains outstanding.
11. Moreover, Iraq pledged a sum of US\$1,500,000 for the Eighth Replenishment of IFAD's Resources, of which US\$1,000,000 has been paid to date.
12. Total contributions due therefore amount to US\$46,815,800 (annex IV).

### IV. Outstanding contribution settlement proposal

13. IFAD and the Republic of Iraq agree that the total amount outstanding is US\$46,815,800.
14. The outstanding amount will be settled in annual payments of US\$2,500,000 starting in 2017, unless the amount is paid in full in one instalment.
15. The sums will be paid to the credit of the Fund's account in the Bank for International Settlements.
16. The two parties recognize that the Member State's payment of the aforesaid sum in full according to the agreement exempts the Member State and releases it from liability for all types of obligations or claims that are owed to the Fund now, or that may be owed to the Fund by the Member State in respect of the outstanding sum mentioned in paragraph 13.
17. The agreement shall enter into effect once it has been signed by both parties. It shall remain in effect until all obligations stated in the agreement have been fulfilled.
18. The two parties shall seek to resolve any disagreement between them through amicable means. If payment does not occur as agreed for any reason, the two parties will agree upon a new schedule for payment.

## Amended Draft Agreement on the Settlement of Dues

This Contribution Settlement Agreement is made between the International Fund for Agricultural Development (IFAD) and the Republic of Iraq (the Member State);

The Member State ratified the Agreement Establishing IFAD on 13 December 1977 and committed US\$20,000,000 as its initial contribution by means of a promissory note dated 5 January 1978;

The Member State paid US\$6,283,200.

Whereas the Member State's obligation to pay its initial dues totalling US\$13,716,800 remains outstanding,

Whereas the Member State committed to paying an additional sum of US\$31,099,000 for the First Replenishment of IFAD's Resources on 11 December 1982 and lodged a promissory note in that amount, payable on 13 October 1983,

Whereas the amount of US\$31,099,000 remains outstanding,

Whereas the Member State committed to an additional sum of US\$2,000,000 for the Second Replenishment of IFAD's Resources on 28 May 1988, which remains outstanding,

Whereas the Executive Board of the Fund, in its meeting of \_\_\_\_\_, authorized the President of the Fund to enter into an arrangement with Iraq to settle the outstanding sums,

And whereas the two parties wish to reconcile and settle all outstanding obligations pertaining to Iraq's contributions to the Fund's resources,

The two parties have agreed to the following:

1. The amount owed totals US\$46,815,800.
2. The Member State will pay the Fund the total sum owed in annual payments of US\$2,500,000 starting in 2017 unless the amount is paid in full in one instalment.
3. The sums will be paid to the credit of the Fund's account no. \_\_\_\_\_ in the Bank for International Settlements.
4. The two parties recognize that the Member State's payment of the aforesaid sum in full according to this agreement exempts the Member State and releases it from liability for all types of obligations or claims that are owed to the Fund now or that may be owed to the Fund by the Member State in respect of the outstanding sum mentioned in paragraph 1.
5. This agreement shall enter into effect once it has been signed by both parties thereto. It shall remain in effect until all obligations stated in this agreement have been fulfilled.

6. The two parties shall seek to resolve any disagreement between them through amicable means. If payment does not occur as agreed for any reason, the two parties will agree upon a new schedule for payment.
7. The Fund will lodge the original text of this agreement, whose Arabic and English texts are equally authentic, with the Secretary-General of the United Nations.
8. The following persons have been appointed as authorized representatives for the purposes of this agreement:

For the Fund: Director of the Office of Partnership and Resource Mobilization

For the Member State: Iraq's Permanent Representative to the United Nations Agencies in Rome

In witness whereof, the two parties, through their authorized representatives, duly signed this agreement on the dates specified below:

For the Fund

For the Member State

Date:

Date



5 August 2015

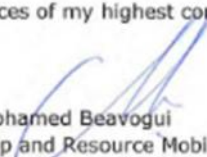
Excellency,

I refer to your letter dated 10 July 2015 on the settlement of debts owed by Iraq to the International Fund for Agricultural Development (IFAD). As I informed you, IFAD will review the amended draft agreement on the settlement of dues and revert back to you in due course. I am most appreciative of the commitment of Iraq to honour its pledged contributions and I would like to thank you for your strong support.

I encourage your esteemed Excellency to pledge to IFAD's Tenth Replenishment. Your contribution will bring IFAD closer to achieving its replenishment target and enable it to strengthen its efforts to eliminate extreme rural poverty through inclusive and sustainable rural transformation. IFAD's ultimate aim is to help create a world where every rural family lives in dignity, where communities can build prosperous and sustainable livelihoods, and where young people have a real possibility of fulfilling their aspirations for a better life for their own rural communities.

It is in this context that I appeal to your Excellency to demonstrate your support by announcing your Government's contribution to IFAD's Tenth Replenishment before 17 August 2015. It is crucial that we secure 85 per cent of this target by the aforementioned date. As of today, 71 member countries have pledged a total of US\$ 1.140 billion in core and unrestricted complementary contributions towards IFAD's Tenth Replenishment. This represents nearly 79 per cent of the US\$ 1.44 billion total replenishment target. Meanwhile, I am enclosing the IFAD policies on Loans and Grants requested by the Iraq delegation at the meeting held on 7 June 2015.

Accept, Excellency, the assurances of my highest consideration.



Mohamed Beavogui  
Director, Partnership and Resource Mobilization Office  
and Senior Adviser to the President

His Excellency  
Saywan Sabir Mustafa Barzani  
Ambassador  
Permanent Representative of  
the Republic of Iraq to IFAD  
Embassy of the Republic  
of Iraq  
Rome

*Copy for information:*

Dr. Ali Shamran Hachem  
Second Secretary  
Embassy of the Republic  
of Iraq  
Rome



[Official headed paper of the Permanent Representation of Iraq to the Food and Agriculture Organizations of the United Nations, Rome]

Republic of Iraq  
The Permanent Representation of Iraq to the  
Food and Agriculture Organizations of the  
United Nations, Rome

No.: 1207  
Date: 1 March 2016

To: Director, Partnership and Resource Mobilization Office, the Honourable Mr Luis Jimenez-McInnis

In reference to your letter of 13 January 2016, we would like to inform you that the Iraqi Ministry of Foreign Affairs has informed us that the Ministry of Agriculture has approved the text of the agreement attached to your aforesaid letter and that there are no remarks thereon.

Please inform us of the decision of the Executive Board and the concerned agencies in the Fund in respect of approval and the date and arrangements for signing the agreement between the Fund and the Iraqi Government.

With the utmost appreciation and respect,

/s/

Dr. Ahmed Bamerne

Ambassador and Permanent Representative of Iraq to the Food and Agriculture Organization of the United Nations in Rome

1 March 2016

[Stamp]: Republic of Iraq, Permanent Representation to the UN Organizations in Rome  
[end of stamp]

## IRAQ CONTRIBUTIONS ARREARS 2015

Amounts in US\$

Replenishment	Amount Pledged	Against Promissory Note	Against IOC	Arrears
Initial	20 000 000	13 716 800		13 716 800
1st	31 099 000	31 099 000		31 099 000
2nd	2 000 000		2 000 000	2 000 000
<b>Total</b>	<b>53 099 000</b>	<b>44 815 800</b>	<b>2 000 000</b>	<b>46 815 800</b>

IOC: instrument of contribution