

WORLD BANK GROUP – ACTIVITIES IN IRAQ OVERVIEW AND UPDATE

September 30, 2004

The **World Bank's Interim Strategy Note**, discussed by the World Bank's Executive Directors on January 29, 2004, provides the framework for Bank assistance to Iraq for the period January to October 2004. It aims to support Iraq's reconstruction and development to the maximum extent possible under the circumstances, employing an incremental approach based on the Needs Assessment and on what practically can be done. The Interim Strategy focuses on (i) building Iraqi capacity; (ii) preparing and beginning to implement emergency operations to generate employment and restore essential infrastructure and services; and (iii) laying the foundation for the medium-term program, through studies and policy advice. *The full Interim Strategy Note can be found on the Bank's external website: www.worldbank.org.*

The Bank's Interim Strategy Note relies on the **World Bank Iraq Trust Fund (ITF)** to finance projects.¹ Seventeen donors have pledged about US\$398 million to the World Bank Iraq Trust Fund (ITF). Thirteen donors have deposited US\$371 million in the ITF account (including the related holding account). Nearly all of the funds deposited have been allocated to operations that are either under implementation or preparation. *The first World Bank Iraq Trust Fund Report to Donors, covering the period March 30 to September 30, 2004, will be presented to the Facility Donor Committee during its meeting on October 14, 2004.*

One project, the First Capacity Building Project (US\$3.6 million) is implemented and closed. *The First Capacity Building Project Completion Report is shown under Tab 3a.* A second project, the Emergency Textbook Provision Project (US\$40 million) is being implemented. World Bank and Iraqi authorities are in advanced stages of preparing seven additional emergency operations, amounting to about US\$317 million, which will be approved in the next few months. *For more information on ITF-financed projects, see attachment: World Bank Iraq Trust Fund – Operations. Detailed Project Information Documents are also available in this binder (Tab 3).*

The Bank, through its own budget, is also laying the groundwork for Iraq's medium-term program through **economic and sector work**. To fully exploit cross-sectoral synergies, the economic and sector work program has been clustered into three themes: (i) economic reform and transition; (ii) poverty, safety nets and social development; and (iii) public sector management. In close collaboration with counterpart ministries, the Bank is finalizing a number of short policy notes focusing on key reforms, including investment climate and state-owned enterprise reform, trade reform, telecommunication sector reform, financial sector reform, oil and gas sector reform, and social protection and safety net issues. This work is informing the policy agenda of the Interim Iraqi Government. Working versions of policy notes currently available are: Investment Climate; Reform of State-Owned Enterprises; Food Grain Market Reform; and World Trade Organization Accession. *Executive Summaries of these working papers are available under Tab 4.* The full documents are also available upon request.

¹ As of the transfer of authority to an Interim Iraqi Government on June 28, 2004, Iraq has a de jure government that can access Bank resources, pending clearance of arrears (about US\$100 million, which is included in Iraq's 2004 budget). As of this writing, the Interim Iraqi Government has not formally requested to access IDA/IBRD.

World Bank Iraq Trust Fund – Operations
As of September 30, 2004

Completed:

First Capacity Building Program (US\$3.6 million)

- Funded by EC Rapid Response Mechanism (first donor commitment to the ITF).
- Implemented from January-August 2004.
- Financed over 20 seminars and workshops that *trained about 600 Iraqi officials from 19 ministries, the central bank, universities, and the private sector.*
- Focused on key topics for Iraq's reconstruction – project management, financial management, procurement, environmental/social safeguards, macroeconomic reform, private and financial sector development, and specific topics in the education, health, and infrastructure sectors.

Underway:

Emergency Textbook Provision Project (US\$40 million)

- Implemented by the Ministry of Education beginning in mid-May 2004.
- Financing the printing and distribution of *69 million textbooks (600 titles) for 6 million students in Iraq's primary and secondary schools (12 grades) in all 18 governorates for the 2004/05 school year.*
- The Ministry of Education has signed over US\$27 million in textbook printing contracts.
- *The Ministry of Education is delivering textbooks to schools at this time*, and most deliveries will be completed by the end of October 2004, a substantial improvement over textbook deliveries in 2003.

Under Preparation (seven operations amounting to US\$317 million):

Emergency Community Infrastructure Project (US\$20 million)

- Will finance *labor-intensive water supply, sanitation, and irrigation rehabilitation in rural areas throughout Iraq* using a flexible programmatic approach and increasing community involvement.
- Individual subprojects to range up to US\$1 million.
- Negotiations took place in September 2004. Project approval is planned for October 2004.

Emergency School Construction and Rehabilitation Project (US\$60 million)

- Redesigned at the request of the new Minister of Education.
- Will finance *construction of new buildings for about 110 existing primary and secondary schools in unsafe or overcrowded facilities, and major rehabilitation of about 140 schools.*
- Reappraisal completed in September 2004 in Amman with the Ministry of Education. Appraisal is completed. Negotiations and approval are scheduled for October 2004.

Second Capacity Building Project (US\$7 million)

- A follow-up to the successful First Capacity Building Project to support the authorities in tackling medium-term policies.
- To be approved in October 2004.

Emergency Baghdad Water and Sanitation Project (US\$60 million)

- Will finance *rehabilitation of water supply and sanitation infrastructure throughout Baghdad, including a large portion of sewerage system rehabilitation and extension (US\$32 million) in Sadr City.*
- Complements US investments in Baghdad water treatment facilities.
- Appraisal is completed. To be negotiated/approved by November 2004.

Emergency Water Supply and Sanitation and Urban Development Project (US\$90 million)

- Finances *water supply and sanitation rehabilitation in nine governorates; and urban reconstruction (roads, sidewalks, community centers, etc.) in the poorest areas of four governorates.*
- Appraisal is completed. To be negotiated/approved by November 2004.

Emergency Health and Rehabilitation Project (US\$25 million)

- Aims to improve quality emergency services in selected health facilities.
- Will finance *rehabilitation of priority emergency services*, including emergency obstetric care, in ten selected hospitals. Rehabilitated hospitals will also receive basic medical and laboratory equipment and a 3-6 month supply of up to 30 essential emergency medicines.
- To be appraised in October 2004 and negotiated/approved by November 2004.

First Private Sector Development Project (US\$55 million)

- Aims to fill critical gaps to improve the investment climate and develop the private sector.
- Finances *part of the telecommunications backbone* (US\$40 million) and related infrastructure needed for a payment system. Also develops and strengthens the institutional framework for private sector development (investment promotion, export promotion, and SME reform agencies); and provides direct support (through pilot funds) for private sector opportunities.
- Appraisal is scheduled for October 2004 and negotiations and approval are expected by December 2004.