



**Sixth Six-month Progress Report on Activities Implemented under the  
United Nations Development Group Iraq Trust Fund (UNDG ITF) of the  
International Reconstruction Fund Facility for Iraq (IRFFI)**

**Report of the Administrative Agent of the UNDG ITF for the Period 1 January to 30 June 2007**

**PART ONE**

**Multi-Donor Trust Fund Office  
Partnerships Bureau  
United Nations Development Programme**

**19 October 2007**

## **Executive Summary**

### **Introduction**

1. The Sixth Six-month Progress Report on Activities Implemented under the United Nations Development Group Iraq Trust Fund (UNDG ITF) is submitted to the Iraq Ministry of Planning and Development Cooperation (MoPDC) and the Donor Committee of the International Reconstruction Fund Facility for Iraq (IRFFI) in fulfillment of the reporting provisions of the Letter of Agreement (LOA). The consolidated narrative and financial report covers the period from 1 January to 30 June 2007 with the financial analysis covering the period 1 January 2007 to 30 September 2007.
2. The UNDG ITF is nearing the end of its third year of operations. Building on the lessons learned to date, including shortcomings and achievements, the UNDG ITF will continue to strengthen its governance and implementation mechanisms, and give greater attention to monitoring and evaluation of its activities at the project and cluster outcome levels. It will take measures that will further contribute to strengthen the Government of Iraq's (GOI) human and institutional capacity and the sustainability of the UNDG ITF funded activities. To this end, actions are being taken in consultation with IRFFI donors, particularly the European Commission (EC) and the Government of Canada to further implement Results Based Management (RBM) in support of strengthened UNDG ITF monitoring and reporting.
3. The IRFFI Donor Committee, at the fifth meeting, decided to extend the IRFFI until December 2010. The extension of the IRFFI provides an opportunity to the UNDG ITF to contribute to the implementation of GOI's priorities as articulated in the National Development Strategy (NDS) and the International Compact with Iraq (ICI).

### **Progress Reports**

4. Part one of the report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by the 16 Participating UN Organizations<sup>1</sup> and the individual cluster reports received from the Clusters (Part Two of the report). The report also builds on the five previous progress reports.
5. In addition to the consolidated bi-annual progress report, the UNDG ITF can provide donors the individual project progress reports submitted by the implementing Agency(s) presenting detailed information on the activities and achievements of each project. The individual project reports are available upon request from the UNDP Multi-Donor Trust Fund (MDTF) Office, the Administrative Agent for the UNDG ITF.
6. Moreover, individual project progress summaries or "fiches," providing a snapshot of qualitative and quantitative progress made to date at the project level are also available. The project summaries are prepared in response to request of major donors such as the EC. The

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<sup>1</sup> In the present report, as in the First, Second, Third, Fourth and Fifth Six-month Progress Reports on Activities Implemented under the UNDG ITF, the term "agency" is used interchangeably with "organization" to describe the Participating UN Organizations although only a few of the UN organizations are legally defined as agencies.

“fiches” for each Cluster are posted on the UNDG ITF section of the IRFFI web site ([www.irffi.org](http://www.irffi.org)) and are updated quarterly.

## **Report Structure**

7. The Sixth Six-month Progress Report is presented in two parts. Part One contains five sections. Section one provides a brief review of the GOI and the United Nations strategic frameworks and benchmarks that guide project identification, formulation and approval processes. Section two provides an update on project approvals during the reporting period and the challenges, lessons learned and strategies utilized in project implementation. Section three highlights cluster level achievements and projects. Section four provides an overview of the financial performance of the UNDG ITF.
8. Part Two of the report contains two sections that provide more detailed information to support the consolidated information contained in Part One of the report. Section one of Part Two contains individual cluster level reports prepared and submitted by cluster coordinators highlighting the specific achievements at the outcome and output levels during the reporting period. The reports are comprehensive and capture adequate detail to demonstrate the implementation progress as well as challenges and lessons learned. Section Two contains detailed financial annexes.

## **UNDG ITF Strategic Framework**

9. Iraq’s National Development Strategy (NDS) along with the International Compact for Iraq (ICI) guide the UN’s activities in Iraq. The NDS prioritizes the following four areas as critical to enhancing Iraq’s prosperity: i) strengthening Foundations of Economic Growth, ii) revitalizing Private Sector, iii) improving Quality of Life, and iv) strengthening Good Governance and Improving Security. The NDS seeks to ensure that urgent humanitarian interventions are provided including basic services such as water, electricity, hospitals and schools. Simultaneously, the NDS seeks to initiate reforms, build institutions and develop capacities to support a vibrant, market-oriented economy.
10. The ICI is a long-term initiative of the GOI that aims to consolidate peace and pursue political, economic and social development over the next five years. It focuses on Iraq’s long-term economic development, while also stressing progress in the political and security fields, through a mutually re-enforcing relationship among Iraqis on the necessary security and political steps for the normalization of Iraq’s political problems and for the revitalization of the economy. The ICI will enable the international community to channel its support to the priorities set by Iraqis themselves.
11. The United Nations Country Team (UNCT) in Iraq is currently formulating the UNCT Assistance Strategy for Iraq 2008-2010 to better assist the GOI meet its current priorities. The Assistance Strategy is being developed in close cooperation with the GOI and will reflect the priorities articulated in the NDS and ICI. It will address the humanitarian challenges in Iraq and the UN’s role as outlined in Security Council Resolution (SCR) 1770 and ensure greater coordination and harmonization of the UN’s response to the humanitarian, reconstruction and development challenges.

12. The most recent Security Council Resolution (SCR) 1770 extends UNAMI's mandate for 12 months and broadens its level of responsibilities to "advise, support and assist" the GOI in advancing an "inclusive, national dialogue and political reconciliation" and to increase its role in encouraging national political dialogue, humanitarian assistance, promotion of human rights and facilitating IRFFI's support to Iraq's reconstruction and development priorities. SCR 1770 gives greater prominence to the humanitarian dimensions of the UN mandate in Iraq than its predecessor SCR 1546 by focusing added attention on the protection of civilians, including refugees and IDPs, and the provision of essential basic services. The resolution acknowledges the role of the UNDG ITF/IRFFI in support of this process as well as the need to foster the implementation of the ICI.

### **Projects Approved**

13. A total of \$1.22 billion have been deposited in the UNDG ITF as of 30 June 2007 of which \$1.03 billion had been approved by the Iraqi Strategic Review Board (ISRB) and the UNDG ITF Steering Committee following review and vetting by Iraqi authorities (line ministries, and where applicable, Sector Working Groups) to support 123 projects. During the current six-month reporting period, 21 new projects (and 2 existing projects) were approved and funded for a total of \$145.55 million. Of the 21 new projects, 11 were approved as joint programmes which reflect recognition by UN agencies of the need to develop partnerships to improve coordination during project development and implementation.

### **Project Approval Process**

14. The review and approval procedures for the IRFFI and UNDG ITF have been under comprehensive review during the reporting period as part of the IRFFI TOR review. The scope of the review included the evaluation of the roles and responsibilities of the various components of the IRFFI organizational structures and the reexamination of the current project identification and approval processes of the two trust funds. The final report proposes a number of recommendations to the UNDG ITF decision-making process to strengthen the involvement of the Iraq Line Ministries, to provide the MoPDC with a lead role at the project entry stage and the ISRB in decision making of UNDG ITF funded projects.

### **Earmarking**

15. Approximately 90 per cent of the contributions received in the UNDG ITF account are earmarked at the level of a specific Cluster(s) or sub-Cluster and/or specific Agency(s). Earmarking by project is not permitted under the UNDG ITF in line with the basic principle of multi-donor trust funds where funds are commingled and there is no one to one relationship between donor contribution and individual project(s). Irrespective of whether donor contributions are earmarked or not, all projects submitted by Participating UN Organizations to the ISRB and the UNDG ITF Steering Committee undergo the same review and approval procedure.

### **Implementation Challenges**

16. Agencies estimate that between 11-22% of their projects experience severe implementation difficulties while 52-80% experience moderate difficulties and 13-43% experience normal

implementation issues. Agencies have also reported that in the current security situation, project completion is taking 12 to 24 months longer than the originally planned implementation period accounting for the high number of project extensions. Of the 123 approved projects approximately 60 (49%) have requested a project extension (some more than one), which reflects the extent of implementation difficulty.

17. *Security and Mobility:* The security environment affects all stages of project implementation. Agencies rely upon “remote control” project implementation, management and monitoring. Most Agencies are adapting their standard operating practices to cater to these new operational modalities including giving increased responsibility to Iraqi counterparts and contracting third parties to support day to day project implementation and periodic monitoring. This approach is empowering Iraqi line ministries and national counterparts which have resulted in increased capacity building and employment opportunities for Iraqis as they provide invaluable back stopping assistance to Agencies. However the security situation is also limiting the access and mobility of even Iraqi’s. Some projects have experienced theft, kidnapping and threats that have caused extended delays.

Building human and institutional capacity is one of Iraq’s and the UNCT’s main priorities. However, organizing training programmes and utilizing international expertise has become more challenging because international experts and manufacturers refuse to travel inside Iraq. In response, Agencies are organizing trainings and inspections outside the country but increasingly they are experiencing difficulties in securing participants’ visas on a timely basis and in some cases visa requests being denied. Such problems often result in last minute postponement and/or cancellation of training programmes that then need to be re-organized.

The security situation impacts on the transport of materials even more due to road blocks, issues of border crossings, difficulty with custom clearances, lack of communication between checkpoints, and the costly process of verification of the safe arrival of shipments.

Governance activities aimed at building capacity of the media, civil society and community based organizations (CBO) find it even more difficult and unsafe to carry out such activities, particularly for women. Establishing networks and conducting general public education at a national level is not practical and impact is uneven. There are also unforeseen events that lead to the periodic closing of government offices and facilities.

18. *Prolonged Political Transition:* Prolonged political transition has a significant impact on the ability to accelerate the strengthening of Iraq’s human capacity. It perpetuates the presently weak institutions and makes capacity building initiatives unsustainable due to high turnover of key leadership, professional and technical staff. This often creates a leadership vacuum. Critical decisions are not taken on time or are unduly postponed until the appointment of new staff that then need an orientation period and may have different priorities. Often this results in re-negotiating of projects and agreements that have been concluded after lengthy negotiations. Prolonged political transition coupled with security issues has made it very difficult particularly for governance projects to achieve effective interaction with counterparts. This has impacted on sensitive issues such as constitutional review, national reconciliation, and decentralized local area based local development.
19. *Individual and Institutional Capacity:* The strengthening of government institution’ capacity is sometimes weakened by the inadequate provision of resources to line ministries to sustain

activities and programmes, and the absences of consensus on national priorities, which can result in political divisions within key government ministries. Mandates, roles and responsibilities are often inadequately defined to empower government entities with sufficient clarity to take decisions. This is compounded by the limited delegation of authority and the slow centralized and/or committee decision making procedures.

20. *Appreciation of Dinar and Weak Banking System:* The absence of a viable banking system makes money transfers to implementing partners expensive and slow. Delays in intra-ministerial fund transfer and/or the lack of adequate operational funding in line ministries also delays activities. The appreciation of the Iraq Dinar against the dollar and market price fluctuation has led to a steep increase in the cost of commodities affecting rehabilitation, infrastructure and construction as well as security and labour costs, which results in a reduction in planned number of activities and outputs. Construction costs have doubled due to price escalation. Contractors make provisions for rapid appreciation of the Dinar and ever increasing security related costs. The lack of available supplies on local market leads to lengthy external procurement processes that delay project implementation.
21. *Communication:* The unstable communication infrastructure inhibits the ability to collect and disseminate timely data and information, communicate and coordinate activities, network, and strengthen national systems with decentralized structures. It impedes project implementation progress due to the inability to communicate with counterparts in the planning and implementation stages of most activities.
22. *Monitoring:* Monitoring project implementation continues to be a challenge for all Agencies given the restricted UN staff movement and the many hurdles highlighted above. Lack of in-country presence, inability of international experts to travel inside Iraq, inadequate communication systems to share information, and high turnover of counterparts create numerous barriers to monitoring and evaluation. Despite these difficulties most Agencies developed a range of monitoring systems to overcome these challenges as reported in previous reports. The increasing consultations with line ministry staff, the hiring of local contractors and third-party assistance is helping to partly address this problem. In the future greater attention will be given to the design of monitoring and evaluation mechanisms.

### **Cluster Status and Achievement Highlights as of 30 June 2007**

23. ***Cluster A: Agriculture, Food Security, Environment and Natural Resource Management.*** The Cluster has 19 active UNDG ITF projects, 2 closed, including 11 extensions and 1 joint programme. Total approved funding is \$149.19 million (14% of total) with \$103.1 million (69%) in contract commitments and \$78.8 million (53%) in disbursements.

Cluster achievements include:

- Improved water supply through the provision of safe drinking water to 15,000 residents in 6 communities using Environmentally Sound Technologies;
- Increased availability of rehabilitated agriculture and grazing land for farmers and families through the clearing of 11,000 ha of crop and pasture land for agricultural production;
- Improved water supply and management gains through the excavation and cleaning of 1,750,000 square metres in Hilla-Hashimia drain area representing 85% of the total

contract value and 80% of excavation work completed, the completion of 6 pumping stations in Kirkuk, Mandeli, Al-Sijilla, North Suweira, Al-Amiriyah and 3 stations in the final stages of completion in Hutaman, Al-Hussainyah and Salman Pak and delivery of 6 drilling rigs for grouting of Mosel Dam;

- Increased employment and income generation through the provision of equipment and training to 900 mine action operators;
- Enhanced access to Vocational Training Centers through the completion of three centers;
- Strengthened capacity of over 460 senior policy staff in environment, veterinary and water management areas in data collection, survey methods and planning; developed surveys;
- Increased dialogue on regional water policy through the facilitation of three strategic meetings and two joint trainings with Turkey, Syria, Iraq and Iran;
- Increased progress toward livestock, crops and fish production to help improve nutrition through the construction and equipping of artificial insemination/embryo centers, labs, annexes, and cold storage facilities as well as strengthened rural technical institutions.

24. **Cluster B: Education and Culture.** The Cluster has 9 UNDG ITF active projects, 13 closed, including 11 extensions and 3 joint programmes. Total approved funding is \$163.71 million (16% of total) with \$135.7 million (83%) in contracts commitments and \$108.1 million (66%) in disbursements.

Cluster achievements include:

- Improved access to education through the construction of 124 classrooms in 34 schools, and the rehabilitation of 354 schools, 100 playgrounds and 150 WES facilities;
- Improved learning environment through provision of teaching and learning materials benefiting 5.4 million children (2004/05), 4.5 million (2005/06);
- Increased quality of education through the establishment of 17 vocational institutions, and rehabilitation of 7 technical colleges, 11 TVET schools and 5 community learning centres; distribution of 9 million text books benefiting 6 million students, etc;
- Improved health and nutrition through provisions to 1.9 million primary school children, training of 278 specialists and teachers, and development of school health manuals and National Nursing Strategy; 550 community leaders and 250 teachers trained in good health practices;
- Accelerated Learning Programme provided to 20,000 out of school children (42% increase from 2004);
- Improved knowledge of 33,000 teachers trained in using modern pedagogical methods;
- Strengthened education and management capacity of MoE;
- Enhanced promotion of cultural heritage through rehabilitation projects including National Library.

25. **Cluster C: Governance and Human Development.** The Cluster has 14 UNDG ITF active projects, 5 closed, including 9 extensions and 4 joint programmes. Total approved funding is \$108.92 million (11% of total) with \$45.4 million (42%) in contract commitments and \$36.9 million (34%) in disbursements.

Cluster achievements include:

- Strengthened constitutional drafting process through support to the members of Constitutional Review Committee and parliamentarians on 60 issues identified as possible amendments; preparations for establishing secretariat; and production of 20 radio programmes broadcasted on 22 stations;
- Improved Donor Assistance Database with information on 70% of donor funded projects;
- Enhanced groundwork for the establishment of the Human Rights Commission including a drafting law for its establishment;
- Enhanced managerial and technical skills in more than 1,500 civil society organizations and increased awareness of democratic principles;
- Strengthened dialogue and reconciliation through 5 national dialogues and 4 workshops involving government and civil society; multiparty dialogue on judiciary system, federal structure and fiscal arrangements of Iraqi constitution; 213 various events in 18 governorates bringing together 23,400 persons from diverse cross sections of society;
- Improved collaboration with ministries to establish baseline data and policy instruments to address poverty and employment concerns;
- Enhanced multi-sector support for the provision of basic social services, income and employment generation and support to local governance through the approval and development of the joint local area development programme (LADP).

26. **Cluster D: Health and Nutrition.** The Cluster has 13 UNDG ITF active projects, 6 closed, including 13 extensions and 2 joint programmes. Total approved funding is \$155.62 million (15% of the total) with \$96.7 million (62%) in contract commitments and \$82.5 million (53%) in disbursements.

Cluster achievements include:

- Reduced Infant mortality rate to 35/1000, which more than a 50% reduction since 1999, and under five reduced to 41/1000 live births from 131/1000;
- Reduced Maternal mortality rate to 193/100,000 compared to 292/100,000 in 1999;
- Increased access for over five million Iraqis to improved healthcare services through the construction/rehabilitation of PHC centers, hospitals, maternity units, mental health community units, training centers and other healthcare facilities;
- Improved health and nutrition legislation, strategies and policies to support the health reform process;
- Strengthened capacity of PHC system through policies, standards, research and information system;
- Establishment of five critical baseline surveys;
- Sustained reduction in the prevalence of communicable diseases – no major disease outbreaks in last three years;
- Iraq signed the Global Agreement on Tobacco Convention;
- Assessment of emergency medical services and provision of support to 600,000+ Iraqis.

27. **Cluster E: Infrastructure Rehabilitation.** The Cluster has 15 UNDG ITF active projects, 11 closed, including 8 extensions and 4 joint programmes. Total approved funding is \$246.13 million (24% of the total) with \$194.5 million (79%) in contract commitments and \$156.1 million (63%) in disbursements.

Cluster achievements include:

- Increased access to safe drinking water for 3.4 million people, and 150,000 individuals and IDPs assisted with supplies of safe water in underserved areas of Baghdad;
- Improved sanitation for approximately one-half million Iraqis provided with safe excreta disposal;
- Increased availability of electricity through the provision of over 350 megawatts of electricity generation capacity added to national grid;
- Increased awareness of critical legal, policy and programme requirements needed to support reforms;
- Increased availability of data to inform decision-making;
- Strengthened capacity of national personnel to support reforms;
- Dredging of approach channel and upgrading the Umm Qasr Port facilities to accept larger vessels;
- Completion of a comprehensive study of the conditions of 'supply' and 'demand' in the Iraqi Housing Market;
- Completion of a detailed Training Needs Assessment and Training Impact Assessment;
- Rehabilitation of approximately 2400 houses thus contributing to a significant improvement in the lives of nearly 16,800 persons.

28. **Cluster F: Refugees, IDPs and Durable Solutions.** The Cluster has 2 UNDG ITF active projects, 3 closed, 1 extension and 1 joint programme. Total approved funding is \$23.77 million (2% of total) with \$23.2 million (98%) in contract commitments and \$21.8 million (92%) in disbursements.

Cluster achievements include:

- Life-saving assistance readily available for over 300,000 IDPs and 3,300 refugees and distributed in a timely manner to persons of concern. Since 2004, 1.5 million IDPs have been provided with life-saving assistance;
- Adequate and sustainable housing facilitated the socio-economic (re)integration of over 5,564 returnee/refugee families in their communities, in addition to the provision of emergency shelter to over 19,230 IDPs and 2,310 refugees;
- Shelter solutions provided to 4,462 families met beneficiary needs and improved housing availability in communities, directly providing shelter for some 530 IDP families;
- Living conditions improved for 1.437 million people through community-based interventions in the sectors of water, sanitation, health and education. These projects also generated short- and medium-term income for hundreds of community members;
- Health awareness campaigns through mobile teams reached 2,020 IDP and host community women; MMR and PNIDs campaign reached 240,000 IDP beneficiaries. Education materials were provided to 180,000 IDP students;
- Vocational training and income-generation projects improved the socioeconomic well-being of some 15,748 persons of concern in northern and southern Iraq, as well as Baghdad;
- Effective and coordinated responses to displacement needs and other emergency situations were encouraged through institutional and operational support to central and local authorities and civil society actors;

- MoDM's institutional framework was developed and its operational capacities strengthened, while CRRPD was fully established and staff trained on best practices on property claims processing;
- Revision of *1971 Refugee Act* prepared; draft National Policy on Internally Displaced Persons available;
- Assistance, monitoring and reporting by national and international actors enhanced and supported advocacy for protection of 1.95 million persons of concern (IDPs, returnees) throughout Iraq;
- Awareness was raised and understanding of reconciliation enhanced for some 17,100 beneficiaries.

29. **Cluster G: Support to Electoral Assistance.** The Cluster has 2 active UNDG ITF projects, 8 closed, including 7 extensions and 1 joint programme. Total approved funding is \$183.78 million (18% of the total) with \$165.9 million (90%) in contract commitments and \$163.7 million in disbursements.

Cluster achievements include:

- Enhanced technical capacity of IECI in its 2004-06 electoral operations through support in voters' registration process, electoral expertise, procurement, logistics, security, communications;
- Accelerated support to the newly established IHEC to help improve its capacity at both the institutional and individual levels. The provision of support has included the following achievements:
- Comprehensive analysis of existing capacity gaps in institutional organization processes, systems, and legal framework; staff knowledge and skills;
- Development of a joint programme to address gaps in IHEC's capacity;
- Training in the areas of legal drafting;
- Orientation for the newly appointed Board of Commissioners to the subjects of electoral management and administration;
- Increased knowledge and understanding of electoral systems among Iraqi electorate through series of successful workshops and outreach campaigns through Iraqi civil society and media;
- Increased public participation in electoral events;
- Increased capacity of electoral observer groups and successful observation of electoral events.

## **Financial Performance**

30. During the Sixth six-month reporting period, a total of \$80.06 million was expended, bringing the cumulative expenditure from inception in mid-2004 to 30 June 2007 to about \$779.92 million, or almost 76% of the total approved funding of \$1,031.40 million. The latest six-month expenditure figure is the lowest delivery of any or the previous six-months reflecting a slow-down of implementation due partly to the continued deterioration of security.

31. On a cumulative basis, from 1 July 2004 to 30 June 2007, expenditure on equipment, contracts, and supplies and commodities, accounted for 83% of total programme costs. Expenditures for personnel have stayed between 6 and 7 %, while cumulative security costs continue to account

for only 0.7% of total programme costs. These rates are significantly lower in comparison to comparable programmes in other countries as well as bilaterally funded programmes in Iraq. The low rates of personnel and security costs are explained primarily by the fact that the UN implementation mechanism relies exclusively on the use of national staff, line ministries and local contractors.

32. By June 2007, the level of disbursement on the approved projects had reached \$648.39 million (63% of approved funding) and by 30 September 2007, disbursements had increased to \$677.45 million (64% of the higher approved funding).
33. As of 30 September 2007, 1971 contracts that have been awarded by the UN agencies to suppliers from 46 countries have been posted on the UNDG ITF/IRFFI web site. These contracts are for services, supplies, commodities, equipment and other project inputs and have a combined value of approximately \$518.44 million. Iraq, with \$98.93 million in contract awards (841 separate contracts), is the largest single supplier of goods and services, indicating the large volume of national/local contracting, particularly for community-level infrastructure rehabilitation that is being undertaken in Iraq.
34. As of 30 June 2007, the UNDG ITF-Administrative Agent (Fund) earned interest income was \$22.28 million. Apart from this Fund earned interest, the UN agencies have reported interest earnings of \$22.58 million, of which \$18.15 million has been transferred to the UNDG ITF Account.

#### **UNDG ITF Transparency and Accountability**

35. The major vehicle for public transparency of UNDG ITF operations continues to be the IRFFI web site [www.irffi.org](http://www.irffi.org). The public posting of contract award data provides a high level of transparency to Iraqi authorities, donors, the public, the business community and the Participating UN Organizations. By accessing the site, UN programme managers, can easily determine costs for activities comparable to those that they are planning while vendors can benchmark their subsequent product and service offerings in order to be competitive in future bidding exercises. The commitment and disbursement figures also serve as benchmarks for the UNDG ITF Steering Committee for approving new projects because no project can be approved unless the implementing agency can demonstrate a commitment and disbursement rate of at least 50% and 25%, respectively, on previously funded amounts. Participating UN Organizations are increasingly publishing Expressions of Interest, Requests for Proposals and Invitations to Bid on the IRFFI public web site in addition to publishing such notices in their own agency procurement notice outlets. Adaptations in the content of some calls for tender have also been made in response to lessons learned through the posting on a shared web site.