

# The World Bank Iraq Trust Fund Newsletter

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## KEY FIGURES:

- 17 donors deposited US\$454 million to date.
- Ten projects approved for a total value of US\$385 million.
- Eight projects are implemented by Iraqi institutions (6 ministries and one municipality)
- One project completed and closed
- US\$170 million contractually committed
- Contract awards amounting to US\$90 million
- 600 Iraqi civil servants trained, paving the way for emergency operations
- Almost 79 million textbooks distributed to 6 million Iraqi school children throughout Iraq
- Major rehabilitation of 135 schools completed

## 1. Latest News

**Country Portfolio Performance Review (CPPR).** The World Bank routinely carries out CPPRs with government counterparts to improve the implementation and impact of Bank-financed projects. The World Bank launched its first CPPR for the Iraq portfolio to identify generic and project-specific issues and recommend actions to be taken by both the World Bank and the Iraqi government to strengthen the portfolio. The CPPR is carried out in stages. The first step, an internal assessment by the Bank's technical staff, has been completed. The second step incorporates the views of the Project Management Teams (PMTs) and is currently underway. Finally, results of the review will be discussed with the incoming Iraqi government in order to agree on actions to be taken to improve project implementation.

**Fiduciary Monitoring Agent (FMA).** The FMA is active, working with PMTs, visiting hundreds of project sites throughout Iraq, and reporting back to World Bank teams on project implementation on a monthly basis. The FMA works closely with Bank teams and local consultants to conduct physical inspections of projects, monitor the procurement of goods, services and works, and review financial monitoring reports and expenditures.

## 2. Pledges, Commitments and Deposits

**Pledges, Commitments and Deposits.** Seventeen donors have pledged US\$457 million to the ITF, and deposited US\$454 million in the ITF account. Table 1 shows status of pledges, commitments and deposits as of March 31, 2006.

**Table 1: Donor Pledges, Commitments and Deposits to the ITF**

Donors	Pledges in Donor Currency <sup>1/</sup>		Pledges (US\$ million)	Commitments <sup>2/</sup> (US\$ million)	Deposits (US\$ million)
	Currency	Currency (million)			
Australia	AUD	22.0	16.1	16.1	16.1
Canada	CAD	30.0	22.3	22.3	22.3
EC	EUR	123.0	149.8	149.8	149.8
Finland	EUR	2.0	2.6	2.6	2.6
Iceland	USD	1.0	1.0	1.0	1.0
India	USD	5.0	5.0	5.0	5.0
Japan	USD	130.0	130.0	130.0	130.0
Korea <sup>3/</sup>	USD	4.0	4.0	4.0	4.0
Kuwait	USD	5.0	5.0	5.0	5.0
Netherlands	EUR	5.0	6.2	6.2	6.2
Norway <sup>3/</sup>	NOK	45.0	6.7	6.7	6.7
Qatar	USD	5.0	5.0	5.0	2.5
Spain	USD	20.0	20.0	20.0	20.0
Sweden	SEK	40.0	5.8	5.8	5.8
Turkey <sup>3/</sup>	USD	1.0	1.0	1.0	1.0
United Kingdom	GBP	40.0	71.4	71.4	71.4
United States	USD	5.0	5.0	5.0	5.0
			<b>456.8</b>	<b>456.8</b>	<b>454.3</b>

<sup>1/</sup> The Islamic Republic of Iran has pledged US\$ 10 million to IRFFI at the Tokyo Meeting. The allocation between the World Bank and the UNDG Trust Funds is still pending.

<sup>2/</sup> The "Commitments" column shows commitments in currencies other than US\$ converted at the exchange rate as of the date of the agreement and is for indicative purposes only. The "Deposits" column shows the actual US\$ equivalent amount credited to the ITF account.

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[www.irffi.org](http://www.irffi.org)

### 3. Status of ITF-Financed Projects

**ITF Project Summary.** The ITF finances ten projects totaling US\$385 million. Eight projects (US\$375 million) are implemented by Iraqi line ministries, which hire private contractors using internationally accepted competitive procurement procedures. Thus, 97% of the US\$385 obligated to projects is implemented by the government of Iraq. Iraqi implementation minimizes security costs, maximizes local employment, builds institutional capacity, and increases local ownership and sustainability. Two capacity building projects, valued at about US\$10 million) are implemented by the World Bank. Table 2 summarizes the status of the projects financed by the ITF.

**Table 2: Summary of Projects Financed by the World Bank Iraq Trust Fund**

Emergency Project	Grant (US\$ m)	Implementing Agency	Grant Signing	Objective / Impact
First Capacity Building	3.6	World Bank	2/14/04	Closed. Trained about 600 Iraqi officials, paving the way for emergency operations.
Textbook Provision	40.0	Min. of Education	5/15/04	Financed printing and distribution of more than 79 million textbooks, benefiting 6 million students in all 19,000 schools throughout Iraq for the 2004/05 school year. Cost savings of \$9 million, from using competitive procurement procedures, were used for textbooks for 2005/06. The project is nearly completed and the final procurement activities took place last December: two contracts were signed for the printing of 1.2 million textbooks to be delivered within 2 months.
School Rehabilitation and Construction	60.0	Min. of Education	10/14/04	The major rehabilitation of 135 schools is completed and new school construction is in the design stage. The project benefits over 100,000 families with children attending unsafe or overcrowded schools and will create thousands of jobs through use of Iraqi construction companies.
Baghdad Water Supply and Sanitation	65.0	Municipality of Baghdad	12/4/04	Will benefit about one million residents of Baghdad - about 17 percent of the city's population. Finances rehab of water supply and sanitation throughout Baghdad and preparation of a comprehensive city development plan.
Health Rehabilitation	25.0	Min. of Health	12/4/04	Finances rehabilitation of priority emergency services, including emergency obstetric care, in 11 selected hospitals; provides hospitals with basic medical and laboratory equipment and essential drugs. Construction activity for the first five hospitals is expected to begin end-April 2005 and last six months.
Second Capacity Building	7.0	World Bank	12/6/04	A follow-up to the first capacity building project designed to help the authorities tackle medium-term policies, focusing on economic management, public sector management, and social safety nets. The project has financed more than twenty-four workshops, providing training for about 375 participants.
Private Sector Development	55.0	Min. of Planning and Min. of Telecom.	12/6/04	Procurement is nearly completed for the supply, installation, and commissioning of a high-capacity national telecommunications network. The project also finances infrastructure to interconnect key parts for the Central Bank's payments and settlements system.
Water, Sanitation, and Urban Reconstruction	90.0	Min. of Municipalities and Public Works	12/8/04	Finances high-impact water supply and sanitation rehabilitation in 9 governorates; and urban reconstruction in the poorest areas of 3 governorates, benefiting over 2 million people. A contract for the urban rehabilitation and upgrading of the water supply system of Badawa is expected to be signed this month allowing the first phase of civil works to commence.
Community Infrastructure Rehabilitation	20.0	Min. of Water Resources	12/18/04	Finances a flexible program of labor-intensive civil works to generate near-term employment while improving rural water infrastructure. Eleven subprojects amounting to \$US 12 million are underway, with completion rates ranging from 10% to 80%. In all, the project will finance estimated 20-24 subprojects, creating more than 20,000 jobs.
Disabilities Project	19.5	Min. of Health	12/28/05	Aims to improve services to the disabled by developing a comprehensive policy and legal framework for disabilities, strengthening government-NGO partnerships, and constructing or reconstructing 14 rehabilitation centers.
<b>TOTAL</b>	<b>385.1</b>			

## 4. ITF Sources and Uses of Funds

**ITF Disbursement Progress.** ITF disbursements total almost US\$53 million. Of this total, over US\$41 million has been disbursed through project grants to Iraqi. Disbursements from the two Bank-executed capacity building projects remain at about US\$4.6 million. Cost recovery for project appraisal and supervision, trust fund administration, and Monitoring Agent fees remain below US\$7 million. Table 3 summarizes the overall sources and uses of funds for the ITF from inception through March 31, 2006.

**Table 3: Sources and Uses of ITF Funds**

US\$million

<b>Sources of Funds</b>	
Donor Deposits	454.4
Investment Income	16.4
<b>Total Sources of Funds</b>	<b>470.7</b>
<b>Uses of Funds</b>	
<b>Operations</b>	
Emergency Textbook Provision	40.0
Emergency Education Rehabilitation	60.0
Emergency Health Rehabilitation	25.0
Emergency Water Supply, Sanitation & Urban Reconstruction	90.0
Emergency Baghdad Water Supply	65.0
Emergency Private Sector Development	55.0
Emergency Community Infrastructure	20.0
Emergency Disabilities	19.5
Capacity Building I	3.6
Capacity Building II	7.0
<b>Subtotal Approved Grants</b>	<b>385.1</b>
Operations Under Development	68.9
<b>Total Grants</b>	<b>454.0</b>
<b>Cost Recovery</b>	
Total Project Processing, TF Management, Administration & Fees	20.2
<b>Total Use of Funds</b>	<b>474.2</b>

*"US\$ 385 million  
is obligated for  
projects funded  
through the ITF."*



An Iraqi girl is displaying her new textbook financed through the WB **Emergency Textbook Provision Project**.

1/ Includes estimated requirements for Project Processing, Monitoring Agent, and Trust Fund Management and Administration over the life of the ITF.

**ITF Disbursement Issues.** World Bank have identified specific factors that cause implementation delays, such as: the time needed to for Iraqi ministries to carry out competitive bidding procedures; systematic impediments stemming from, in part, Iraq's transitional situation; payment processing difficulties at various stages; and the readiness of large emergency operations to disburse at the time of project approval. Recently Bank teams began to focus on identifying the delays in the payment cycle, and are beginning to work with partner banks to eliminate or reduce the delays experienced for payments in Iraqi dinars. Improving the payment cycle within Iraq may have a positive impact beyond the scope of ITF-financed operations.

**Cost Recovery.** The World Bank recovers the full cost of managing ITF-financed projects and administering the trust fund. An administrative fee is charged to offset the costs of services provided by the accounting, legal, loan accounting, and other central support units of the World Bank. The fee is set at 0.4% for technical assistance projects (e.g. the capacity building projects) and 0.2% for investment operations (e.g. the grants implemented by Iraqi institutions). In addition, the actual full cost of World Bank staff and consultants involved in activities that are solely to carry out the World Bank's responsibilities under the ITF is charged directly to the fund. The eligible activities include: project analysis, appraisal, supervision, procurement, financial management, and other project-specific activities. The ITF also covers the full cost of the ITF management team, the monitoring agent, and the annual external audit.

As of March 31, 2006, the Bank's total cost recovery was US\$6.6 million. This level of cost recovery represents less than 2% of donor deposits (US\$454 million) or total project funding (US\$385 million). Current estimates for total cost recovery over the life of the ITF (based on the current portfolio) are currently projected to be about 4-5% of the value of the fund.

**Investment Income Earned.** The World Bank invests donor deposits pending their disbursement. Investment income earned on these funds is required to be credited to the fund principle and to be used for the purposes of the ITF. The investment income earned on ITF deposits as of March 31, 2006 totals more than US\$16 million.



Digging of a canal near Baghdad and construction of a water conduit near Sulaymaniyah (Northern Iraq) as part of the **WB Emergency Community Infrastructure Project** (February 2006)

*"The Emergency Community Infrastructure project will create more than 20,000 jobs, rehabilitate about 80,000 hectares of irrigated areas, and benefit more than 130,000 farmers."*

## 5. Use of Future Deposits

**Future Activities of ITF.** The World Bank, through the Second Interim Strategy Note, defined a framework to support a priority program, funded through IDA and the ITF, that is agreed with the Iraqi Transitional Government. ITF resources will be used for activities that are appropriate for grant funding rather than loans, and that complement the World Bank-financed studies, policy advice and IDA lending. The ITF could finance operations that promote social protection and development (e.g. pension and safety net reform, employment generation), strengthen the financial and banking sectors, advance good governance and public sector management systems, and help design sector strategies to underpin Iraq's own investment programs. ITF resources can also be used to cofinance IDA operations (e.g. power), to fund follow-up projects where there is a good implementation track record (e.g. education and health), and to launch pilot operations in new areas (e.g. environmental management) or in sectors where the World Bank enjoys a strong and effective dialogue with Iraqi counterparts. Bank interventions, whether funded by the ITF or IDA, will continue to focus on strengthening Iraqi institutions to promote the development of efficient and transparent local institutions that can lead to stable economic prosperity.

## 6. Focus On: Building and Rehabilitating Schools in Iraq



School yard of the newly constructed Al-Ameer Secondary School in **Najaf**



Al-Theeka Primary School in **Diwaniyah** (Rehabilitated in 2005)



The newly rehabilitated Al-Faraked Primary School in **Karbala**

Implemented by the Iraqi Ministry of Education, the US\$60 million **Emergency School Construction and Rehabilitation Project (ESCRP)** aims to improve conditions of learning in primary and secondary schools through the construction of new buildings for existing schools in unsafe or shared facilities. While the number of new schools (117) to be constructed under the project is relatively small compared to Iraq's total needs, the project will, more importantly, introduce to the Iraqi authorities new design standards for school construction.

The project will also finance the "major" rehabilitation of 135 schools, which includes the construction of additional classrooms and ablution blocks. The rehabilitation work for the schools in need of urgent repair is completed. The rehabilitation of schools benefits 45,700 primary and secondary students, most of whom are in large governorates such as Baghdad (13,600 students) and in other deprived governorates such as Najaf and Karbala.

The school construction phase is in the design stage with five to seven new buildings to be built per governorate. In all, the project will benefit 42,000 additional students and will create thousands of jobs through the use of Iraqi construction companies.



A rehabilitated classroom in Al-Shaheed Natiq Jawad School (**Baghdad**)



The main hall of the newly renovated Al-Ghadir Kindergarten (**Najaf**)



A new classroom in Chanar Primary School (**Erbil**)



Playtime in **Al Sadr City Uhud Primary School** (Renovated in 2005)