The Storyline

• The World Bank in Iraq

• Financial Status

• Current Portfolio

• Implementation – Lessons Learned

• The Way Forward
The World Bank’s core objective in Iraq is to help Iraq develop institutional frameworks and systems to promote the effective and transparent use of resources – to promote stability, good governance, and economic growth.
World Bank programs:

- Emphasize Iraqi leadership in accordance with the World Bank Articles of Agreement
- Are designed hand-in-hand with Iraqi authorities;
- Implement through Iraqi governmental agencies.

Iraqi execution of programs ensures ownership, minimizes security costs, maximizes local employment, and builds strong and transparent fiduciary governance systems.
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Financial Status

- Seventeen donors have pledged US$457 million to the ITF, and
- deposited US$454 million into the ITF account.

### World Bank Iraq Trust Fund
**Donor Pledges and Deposits (in US$ million)**

<table>
<thead>
<tr>
<th>Donors</th>
<th>Pledges</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>16.4</td>
<td>16.1</td>
</tr>
<tr>
<td>Canada</td>
<td>22.3</td>
<td>22.3</td>
</tr>
<tr>
<td>European Commission</td>
<td>149.8</td>
<td>149.8</td>
</tr>
<tr>
<td>Finland</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Iceland</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>India</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Japan</td>
<td>130.0</td>
<td>130.0</td>
</tr>
<tr>
<td>Korea</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Kuwait</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Norway</td>
<td>6.7</td>
<td>6.7</td>
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<tr>
<td>Qatar</td>
<td>5.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Spain</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>71.4</td>
<td>71.4</td>
</tr>
<tr>
<td>United States</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total Iraq Trust Fund</strong></td>
<td><strong>456.8</strong></td>
<td><strong>454.4</strong></td>
</tr>
</tbody>
</table>
Financial Status

- Investment income totals nearly US$18 million, bringing the total value of the ITF to US$472 million.

- To date, US$ 385 million has been obligated to projects, utilizing 85% of donor deposits.

- The current project pipeline totals about US$67 million.

- All cost recovery charges are estimated to total about US$20.

<table>
<thead>
<tr>
<th>Sources and Uses of Funds (US$ Million) May, 2006</th>
<th>Funding Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources of Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Donor Deposits</td>
<td>454.3</td>
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<tr>
<td>Investment Income</td>
<td>17.8</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td>472.1</td>
</tr>
<tr>
<td><strong>Uses of Funds</strong></td>
<td></td>
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<tr>
<td>Project Financing</td>
<td></td>
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<tr>
<td>Approved Projects</td>
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<tr>
<td>Textbook Provision</td>
<td>40.0</td>
</tr>
<tr>
<td>School Construction &amp; Rehabilitation</td>
<td>60.0</td>
</tr>
<tr>
<td>Health Rehabilitation</td>
<td>25.0</td>
</tr>
<tr>
<td>Baghdad Water Supply &amp; Sanitation</td>
<td>65.0</td>
</tr>
<tr>
<td>Water Supply, Sanitation &amp; Urban Reconstruction</td>
<td>90.0</td>
</tr>
<tr>
<td>Private Sector Development</td>
<td>55.0</td>
</tr>
<tr>
<td>Community Infrastructure</td>
<td>20.0</td>
</tr>
<tr>
<td>Disabilities</td>
<td>19.5</td>
</tr>
<tr>
<td>Capacity Building I</td>
<td>3.6</td>
</tr>
<tr>
<td>Capacity Building II</td>
<td>7.0</td>
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<tr>
<td><strong>Subtotal Approved Projects</strong></td>
<td>385.1</td>
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<tr>
<td>Project Pipeline</td>
<td>66.8</td>
</tr>
<tr>
<td><strong>Total Project Financing</strong></td>
<td>451.9</td>
</tr>
<tr>
<td>Cost Recovery for Project Processing and Trust Fund Administration 1/</td>
<td>20.2</td>
</tr>
<tr>
<td><strong>Total Use of Funds</strong></td>
<td>472.1</td>
</tr>
<tr>
<td>Disbursements (Actual Payments made)</td>
<td>55.0</td>
</tr>
</tbody>
</table>

1/ Includes estimated requirements for Project Processing, Monitoring Agent, and Trust Fund Management and Administration over the life of the ITF.
ITF projects typically combine urgent rehabilitation with medium- and long-term institution building needed for sustainability.

Most ITF resources are directed to large multi-year reconstruction and rehabilitation projects that finance primarily large-scale civil works and goods.

- 85% of project costs finance goods and works
- 9% of project costs finance consultant services.

**Financial Status**

![Pie chart showing the distribution of funds for ITF projects: 85% for Civil Works & Goods, 9% for Consultant services, 6% for other operational costs.]

May 24, 2006
About 90% of ITF-financed goods, works and services are subject to competitive bidding procedures, which are carried out directly by the Iraqi executing agency.

Breakdown of Project Costs by Method of Procurement

- **ICB**: International Competitive Bidding (36%)
- **ILB**: Limited International Bidding (1%)
- **NCB**: National Competitive Bidding (52%)
- **SH**: Shopping (small value commodities or civil works) (1%)
- **DC**: Direct Contracting (4%)
- **Others**: Operational expenses (6%)
Disbursements – actual payments made for works, goods, and services already delivered – total US$55 million:

- US$48 million (88% of disbursements) for project expenditures
- US$4 million for project analysis, appraisal, and supervision expenses
- US$3 million for trust fund management and administration, monitoring agent services, and administrative fees

The rate of disbursement for ITF-financed projects, while slow, is consistent with World Bank experience in the MNA region.
Financial Status - Disbursements

While disbursement levels provide a lag indicator of project progress, the pace of contracting provides a lead indicator of progress…

… and the pace of contracting continues to accelerate.

- About 46% of ITF grant monies (US$172 million) have been tendered or contracted, and
- Over US$90 million of contracts have been awarded or completed – an increase of almost 40% above the level of December 31, 2005. (US$38 million in July 05)
World Bank ITF Projects
Procurement and Disbursement Progress (US$) (June 30, 2005 to May 1, 2006)

- Tenders/RFP issued
- Contracts signed
- Contract completed
- Disbursement

Total Value of tenders/contracts

July 05
December 05
May 06

The World Bank
May 24, 2006
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Eight ITF-financed grants, valued at US$375 million, are executed by Iraqi governmental agencies.

Two capacity building projects, valued at about US$10 million, are Bank-executed.

Thus 97% of project financing is under implementation by the Iraqi agencies.

<table>
<thead>
<tr>
<th>World Bank Iraq Trust Fund</th>
<th>Project Amount (US$ mln)</th>
<th>Approval Date</th>
<th>Closing Date</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects Completed</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Capacity Building I</td>
<td>3.6</td>
<td>Feb-04</td>
<td>Aug-04</td>
<td>World Bank</td>
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<tr>
<td>Project Underway</td>
<td></td>
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<td></td>
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<tr>
<td>Emergency Textbook Provision</td>
<td>40.0</td>
<td>May-04</td>
<td>Dec-06</td>
<td>Iraqi Ministry of Education</td>
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<tr>
<td>Emergency School Reconstruction and Rehabilitation</td>
<td>60.0</td>
<td>Oct-04</td>
<td>Jun-07</td>
<td>Iraqi Ministry of Education</td>
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<tr>
<td>Capacity Building II</td>
<td>7.0</td>
<td>Nov-04</td>
<td>Nov-06</td>
<td>World Bank</td>
</tr>
<tr>
<td>Emergency Baghdad Water Supply &amp; Sanitation</td>
<td>65.0</td>
<td>Dec-04</td>
<td>Aug-07</td>
<td>Municipality of Baghdad</td>
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<tr>
<td>Emergency Water, Sanitation &amp; Urban Reconstruction</td>
<td>90.0</td>
<td>Dec-04</td>
<td>Aug-07</td>
<td>Iraqi Ministry of Municipalities &amp; Public works</td>
</tr>
<tr>
<td>Emergency Health Rehabilitation</td>
<td>25.0</td>
<td>Nov-04</td>
<td>Dec-06</td>
<td>Iraqi Ministry of Health</td>
</tr>
<tr>
<td>Emergency Private Sector Development</td>
<td>55.0</td>
<td>Nov-04</td>
<td>Jun-07</td>
<td>Ministry of Planning &amp; Development Cooperation and</td>
</tr>
<tr>
<td>Community Infrastructure Project</td>
<td>20.0</td>
<td>Dec-04</td>
<td>Jun-07</td>
<td>Ministry of Water Resources</td>
</tr>
<tr>
<td>Disabilities Project</td>
<td>19.5</td>
<td>Nov-05</td>
<td>Sep-07</td>
<td>Iraqi Ministry of Health</td>
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<tr>
<td>Total Iraq Trust Fund Allocation</td>
<td>385.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
US$385 million allocated to 6 sectors; All 18 Governorates are covered
Current Portfolio

First Capacity Building Project (US$3.6 million) (Feb. 04-Aug. 04)

- Completed and closed.
- Funded through the EC Rapid Response Mechanism, the first deposit to ITF, enabling immediate training to pave the way for emergency operations.
- Trained about 600 Iraqi officials in key public administration areas, strengthening strategic and technical skills of staff in Iraqi institutions.
- Disbursements totaled US$2.5 million in the limited 6-month implementation period.
Current Portfolio

Emergency Textbook Provision Project
(US$40 million) (May 04-Dec. 06)
- Finances 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 US$9 million, resulting from using competitive procurement procedures, were used to print and deliver an additional 13.5 million textbooks for the 2005/06 school year.
Current Portfolio

- The project objective has been achieved.
- A capacity building activity to improve textbook quality will take place this year before the project closes.
Current Portfolio

Emergency School Construction Rehabilitation Project
(US$60 million) (Oct 04-June 07)

Major repairs under way in Baghdad. (June 05)

The rehabilitated, Al-Batool School (Dec 05)
The project aims to alleviate urgent school building hazards and overcrowding by constructing new facilities, and rehabilitating schools needing urgent repair.
Finances construction of new buildings for 110 primary and secondary schools: construction to start by July 06

Major rehabilitation of 134 schools nationwide is completed

Al-Noor Primary School rehabilitated through the ESCR/P/WB
The Emergency School Construction Rehabilitation Project directly benefits about 130,000 pupils.

The project will create over 6,000 local job opportunities.
Current Portfolio

Second Capacity Building Project (US$7 million) (Dec 04-Nov 06)

Builds on the First Capacity Building Project, the project aims to strengthen economic management and build institutional capacity to shift to a market-driven economy.

The project will directly benefit over 1,000 officials.

So far, more than 24 workshops have trained about 375 participants.
Emergency Water Supply and Sanitation and Urban Development Project
(US$90 million) (Dec 04-Aug 07)

- Aims to restore basic water supply and sanitation services in the poorest areas of the country, choosing subprojects that will have high impact.

- The project will benefit over 2 million people in 9 municipalities, and create 3,000 short-term jobs.

The first US$27 million civil works contract was signed. Five other construction contracts of about US$60 million are expected to start by summer 2006.
Emergency Baghdad Water and Sanitation Project (US$65 million) (Dec 04-Aug 07)

- Aims to help restore basic water supply and sanitation services for Baghdad through the reconstruction of treatment facilities and networks.
- Includes the development of a comprehensive city development plan.

The project benefits about one million residents of Baghdad and will create substantial employment—estimated at 2,000 short-term jobs.

The mayoralty is now contracting civil works and has also recruited a team of advisors to help prepare and implement the Baghdad CCDP.
Emergency Health and Rehabilitation Project
(US$25 million) (Dec. 04 – Dec. 06)

• Aims to improve emergency services in 11 hospitals throughout Iraq, selected to ensure at least one well-equipped emergency unit per governorate.

• An estimated 100,000 people will use the emergency health services per year.
Designs are complete for 10 out of 11 emergency health units.

Rehabilitation of 2 health units is underway, and the rehabilitation of 3 other health units is expected to start in June 2006.
**Disabilities Project** (US$19.5 million) (Nov 05-Dec 07)

Aims to improve services for the disabled by:

- Upgrading the infrastructure and equipment of 11 specialized rehabilitation centers countrywide; will directly benefit an estimated 250,000 persons;
- Helping develop the policy and legal framework for the disabled.

To date four out of nine consultancy contracts were awarded. Tenders for goods and works contracts will be launched by August-September 2006.
First Private Sector Development Project (US$55 million) – (Dec 04- Dec 07)

- Finances the supply, installation, and commissioning of a high-capacity national telecommunications network.
- Also finances infrastructure to interconnect key parts for the Central Bank’s payments & settlements system.
- The ITPC issued a Request for Proposals for the large telecommunications project ($39 million) in mid July 2005. Procurement has experienced some delays and is ongoing. In addition, procurement is in the final stage for all other components.
Emergency Community Infrastructure Project
(US$20 million) (Dec. 04-Jun 07)
Aims to generate near-term employment while addressing urgent rural rehabilitation needs.
Current Portfolio

The project employs a flexible, programmatic approach, financing 20 labor-intensive and small scale civil works sub-projects for water supply, sanitation, irrigation and drainage infrastructure in 14 governorates.

Pump station rehabilitation near An Nasiriyah (South of Iraq)
The project will create more than 20,000 jobs, rehabilitate about 80,000 hectares of irrigated areas, and benefit more than 120,000 farmers throughout Iraq.

Land leveling of a canal in Diyala near Baghdad
Fourteen subprojects amounting to about US$12 million are underway, of which six are almost completed.

Possible follow-up projects in 4 new areas.

*After a slow start, the project is implementing at a rapid pace.*
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ITF-financed projects were designated for fast-track approval under World Bank emergency procedures. Several projects were designed so that the grant financed engineering designs and the preparation of bidding documents prior to the initiation of civil works.

- In the future, ITF-financed projects will be approved only after detailed designs and tender documents are prepared.

- While the volatile security environment can disrupt project implementation, the Bank’s reliance on Iraqi-execution and the selection of project sites has a mitigating effect.

- Political transitions and turnover in PMT staff generated delays; the installation of a permanent government is expected to result in more stable staffing in the ministries.
Implementation - Lessons Learned

Although the time needed for Iraqi executing agencies to carry out competitive bidding has caused delays,

- the pace of contracting continues to improve as capacity increases, and
- competitive bidding procedures have led to greater transparency, improved controls, and cost savings.

Several projects experienced delays between physical implementation and payments to local contractors and suppliers.

- Bank teams are investigating each link in the chain, and addressing each issue.
- A key bottleneck appears to occur within the banking system in Iraq.
- Currently, only one payment is outstanding.
The Fiduciary Monitoring Agent (FMA) is fully operational. The FMA employs about 24 Iraqi consultants, set up in teams to cover procurement and financial management issues countrywide. The FMA teams:

- Visit hundreds of project sites throughout Iraq each month to monitor physical implementation of ITF-financed projects;
- Verify procurement and financial management procedures and provide on-the-job support to the PMT staff;
- Report to the Bank on project progress monthly;
- Help to identify and resolve systemic issues that affect project implementation.
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The Way Forward

- The ITF will terminate on December 31, 2007. Some projects will not be complete by the time the ITF closes, and new projects will not have adequate time for full implementation.

In addition, the ITF:
- Encourages small donors to participate in the reconstruction of Iraq;
- Provides an existing “platform” for donors to provide sustained support for the new government through its transition to leading donor coordination;
- Operates through ministries, providing hands-on capacity building through project implementation, developing a cadre of national staff with high-level fiduciary governance and project management skills and experience;
- Reduces transaction costs for the government and donors.

For these reasons, the Bank recommends that donor consider extending the ITF for three years, until December 31, 2010.
The Way Forward

Iraq’s new government is assuming leadership of its institutions and will have the opportunity to usher in a dynamic period of economic development.

Research indicates that it typically takes several years for aid to reach its maximum impact.

- Early aid should focus on improving institutions, governance and policies;
- During the middle four or five years, aid is effective in raising growth.
The Way Forward

The ITF provides one source of funding toward an integrated package of services to be provided through the World Bank.

As detailed in the Second Interim Strategy Note (September 2005), the World Bank will provide analytic and advisory services (AAA) in three areas:

- Economic reform and transition;
- Poverty, safety nets and social development;
- Public sector management.

ITF resources could complement and deepen the impact of the AAA services by financing projects to:

- Develop and articulate sector strategies to underpin Iraq’s own investment program;
- Design and implement sustainable pension and safety net programs;
- Modernize the financial and banking sectors and public management systems;
- Implement targeted programs to strengthen institutions, create employment, alleviate poverty, and protect vulnerable populations.
The Way Forward

The Bank will lend up to US$500 million of IDA resource in key sectors requested by Iraqi government (education, roads, electricity and water supply and sanitation).

- The IDA-financed Third Emergency Education Project was approved in October 2005.
- The IDA-financed Emergency Road Rehabilitation Project was negotiated (February 2006).

ITF resources could expand the impact of IDA lending by providing financing to projects designed to:

- Generate near-term employment;
- Test smaller-scale, fast-impact pilot projects in new areas;
- Finance social sector projects;
- Extend the scope of successful ITF-financed operations (e.g. additional community-based irrigation and drainage projects, additional school construction)
- Co-finance IDA operations (e.g. in power).
The Way Forward

ITF-financed projects will continue to support long-term solutions to reduce poverty and protect vulnerable populations, while modernizing Iraq institutions.

Projects already identified as appropriate for grant funding include:

- A **Micro-finance Project** that aims to provide information and credit to the poor to generate income through entrepreneurial economic activities. The project will help develop the regulatory and legal framework of the industry in Iraq.

- A **National Community Development Project** that aims to recapitalize villages, towns and urban neighborhoods while maximizing employment.

- A **Labor and Employment Services Project** designed to strengthen job placement and employment services by modernizing the management of vocational training centers and linking training more closely to the skills demanded by the emerging private sector.
The Way Forward

With the installation of a new Iraqi government, the World Bank sees opportunities for enhanced cooperation and effectiveness that warrant an incremental strengthening of its presence in Iraq.

- The Bank has relied on a cadre of professional staff and consultants located in Iraq, regular meetings with Iraqis outside of Iraq, use of the Bank’s videoconferencing facilities in Baghdad, and the close support from the Interim Office for Iraq in Amman. An international consultant contracted through DFID represents the Bank in the International Zone (IZ).

- The World Bank intends to provide additional senior staff in the IZ to strengthen policy dialogue with Iraqi officials, overall program management, and donor coordination.

- The World Bank is seeking to also increase Iraqi staffing outside the IZ (security permitting) to increase project identification and supervision capacity.
Where to Go for Information...

www.worldbank.org

www.irffi.org
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