

The World Bank Iraq Trust Fund Newsletter

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1. Latest News

Two New ITF-financed Projects Approved. The *Emergency Social Protection Project* (US\$8 million), signed on June 3, 2006, aims to help Iraq address the urgent need to improve Iraq's social safety net and pension programs. The project will introduce a modern management and information system to help improve targeting and reduce leakages, thereby increasing the benefits that reach the poor. The project also aims to improve Iraq's capacity to develop a more equitable yet fiscally sustainable pension system. The Ministry of Labor and Social Affairs will implement the social safety net program component while the Ministry of Finance will implement the pension component.



June 3, 2006: Signing of the Emergency Social Protection grant agreement by H.E. Mr. Mahmoud Muhammad Jawad Al-Shaikh Radi, Minister of Labor and Social Affairs of Iraq.

Complementing the Emergency Social Protection Project, the *Emergency Household Survey & Policies Project* (US\$6.6 million), was negotiated in March 2006. The project aims to provide updated, robust, and comprehensive data on household income and consumption, to help Iraq establish a poverty line and develop targeted and efficient safety nets. The project is composed of two sub-projects, as outlined below:

- A US\$5.1 million grant, to be implemented by Iraq, will finance data collection and analysis and the preparation of poverty and social impact assessments. This sub-project is currently being finalized with the Iraqi authorities.
- A US\$1.5 million companion Bank-executed sub-project, which was signed on May 31, 2006, finances workshops to prepare Iraq to undertake modern data collection and analysis activities.

ITF Termination Date Extension. As described in the December 31, 2005 Status Report to Donors, which was distributed to donors and presented at the Briefing on the IRFFI Progress held in Amman, Jordan on May 24, 2006, the World Bank recommends a three-year extension to the ITF program. Extending the program's termination date to December 31, 2010 will allow the completion of all ITF-financed projects, including those coming on stream this year, and will provide contractors with assurance that financing will be available for the duration of large, long-term contracts. The World Bank sent amendment letters to each donor to formally request their agreement to the extension of the program, which will become effective only after all donors co-sign the amendment letter.

KEY FIGURES:

- 17 donors deposited US\$454 million to date.
- Twelve projects approved for a total value of US\$395 million.
- Nine projects are implemented by Iraqi institutions (7 ministries and one municipality)
- One project completed and closed
- US\$193.1 million contractually committed
- Contract awards amounting to US\$133 million

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2. 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 June 30, 2006.

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

Donors	Pledges in Donor Currency ^{1/}		Pledges	Commitments ^{2/}	Deposits
	Currency	Currency (million)	(US\$ million)	(US\$ million)	(US\$ 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	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	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	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
			456.8	456.8	454.3

^{1/} 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.

^{2/} 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.

3. Status of ITF-Financed Projects

The ITF finances twelve emergency projects amounting to about US\$395 million. Nine of the twelve ITF-financed projects, amounting to US\$383 million, are grants implemented directly by Iraqi governmental authorities. Thus, of the US\$395 million, 97% is under implementation by the government of Iraq, which helps minimize security costs and maximize local employment, build capacity, and increase local ownership and sustainability. Three projects, amounting to US\$12 million, are technical assistance projects implemented by the Bank. Table 2 summarizes the status of the projects financed by the ITF as of June 30, 2006.

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	The project financed the printing and distribution of more than 79 million textbooks, benefiting 6 million students in all 19,000 primary and secondary schools for the 2004/05 school year. Cost savings of \$9 million, from using competitive procurement procedures, were used to deliver an additional 3.5 million textbooks for 2005/06. A capacity building activity to improve textbook quality will take place this year before the project closes.
School Rehabilitation and Construction	60.0	Min. of Education	10/14/04	Major rehabilitation of 134 schools is complete and 9 contracts for constructing 18 new schools are in the bid evaluation stage, with construction to start by July 2006. 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 firms.
Baghdad Water Supply and Sanitation	65.0	Municipality of Baghdad	12/4/04	The project will benefit about one million residents of Baghdad—about 17 percent of the city's population—by rehabilitating water supply and sanitation throughout the city. The mayoralty has contracted local and international consultants to prepare tender documents and detailed designs, and has now moved to the construction phase—it has signed contracts for US\$8.5 million of goods and works. Also, it has recruited a team of advisors to help prepare and implement a Baghdad Comprehensive City Development Plan.
Health Rehabilitation	25.0	Min. of Health	12/4/04	The project finances rehabilitation of priority emergency services, including emergency obstetric care, in 11 selected hospitals, and provides 12 hospitals with basic medical and laboratory equipment and essential drugs. Rehabilitation of 2 health units has commenced, and 3 others will begin in Baghdad, Missan and Erbil in July 2006.
Second Capacity Building	7.0	World Bank	12/6/04	The project follows up the first capacity building project to help the authorities tackle medium-term policies, focusing on economic management, public sector management, and social safety nets. So far, more than 24 workshops have trained about 375 participants.
Private Sector Development	55.0	Min. of Planning and Min. of Telecom.	12/6/04	Procurement is underway, although delayed, for the supply and installation of a high-capacity national telecommunications network. Procurement for consultancy services for remaining components is underway, including feasibility studies for industrial estates in Arbil, Basra.
Water, Sanitation, and Urban Reconstruction	90.0	Min. of Municipalities and Public Works	12/8/04	The project 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. The design phase is completed and the first phase of civil works has commenced. A US\$27 million contract is underway for urban rehabilitation and upgrading of the water supply system of Badawa. Procurement of other rehabilitation work is underway.
Community Infrastructure Rehabilitation	20.0	Min. of Water Resources	12/18/04	The project finances a flexible program of labor-intensive civil works to generate near-term employment while improving rural water infrastructure (irrigation, drainage, and water supply). 15 subprojects amounting to US\$12.5 million are underway, of which 5 are completed. In all, the project will finance 20 subprojects, creating more than 20,000 jobs.
Disabilities Project	19.5	Min. of Health	11/23/05	The project aims to improve services to the disabled by developing a comprehensive policy and legal framework for disabilities, strengthening government-NGO partnerships, and reconstructing 14 rehabilitation centers. The first 4 civil works design and supervision contracts have been signed and are underway.
Household Survey & Policies	1.5	World Bank	5/31/2006	The project finances technical assistance to help Iraq undertake modern data collection and analysis, leading to informed policy decisions based on robust household survey data.
Social Protection Project	8.0	Min. of Labor and Social Affairs and Min. of Finance	6/3/2006	The project aims to help Iraq address the urgent need to improve Iraq's social safety net and pension programs by introducing a modern management and information system to help improve targeting and reduce leakages and increase the benefits that reach the poor. The project also aims to help Iraq develop a more equitable and fiscally sustainable pension system.
TOTAL	394.6			

4. Disbursement Issues and Progress

ITF grants for investment operations finance primarily civil works and goods. Civil works and goods account for about 80% of total estimated project costs. Consultant services—consisting primarily of local consultants contracted to carry out the design, engineering, and supervision of works—account for only about 9% of estimated project costs.

Nearly all ITF resources are subject to competitive bidding procedures. About 90% of ITF-financed works, goods, and services are subject to competitive procurement procedures, which are carried out directly by the Iraqi implementing agencies with the Bank's close assistance.

Disbursements lag behind project implementation, since disbursements can be made only once goods, services and works are satisfactorily completed, and invoices are submitted for payment. As of June 30, 2006, total ITF disbursements reached US\$64 million. About 90% of disbursements (US\$56 million) represent payments made for project expenditures, including US\$51 million for Iraqi-implemented projects and less than US\$5 million for Bank-executed projects. Charges for project analysis, appraisal, negotiation, and supervision total less than US\$5 million. The costs of trust fund management, monitoring agent services, and administrative fees total less than US\$4 million. Table 3 summarizes the overall sources and uses of funds for the ITF through June 30, 2006.

Table 3: Sources and Uses of Funds	
(US\$ Million) As of end June 2006	
Funding Available	
Sources of Funds	
Donor Deposits	454.3
Investment Income	20.2
Total Sources of Funds	474.5
Uses of Funds	
Approved Grants	
Emergency Textbook Provision	40.0
Emergency Education Rehabilitation	60.0
Emergency Health Rehabilitation	25.0
Emergency Water Supply, Sanitation & Urban Reconsruction	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
Emergency Household Survey & Policies	1.5
Emergency Social protection	8.0
Subtotal Approved Grants	394.6
Project Pipeline	58.4
Total Project Financing	453.0
Cost Recovery for Project Processing, Trust Fund Administration and Fees	21.5
Total Use of Funds	474.5

1/ Includes estimated requirements for Project Processing, Monitoring Agent, and Trust Fund Management and Administrative Fees.

5. Status of Contracting

While project disbursements provide a lag indicator of project progress, the status of contracting offers a measure of future disbursements—and the pace of contracting continues to accelerate. Iraqi agencies have tendered or contracted over half of the ITF grant amounts (US\$193 out of US\$383 million). The amount awarded or completed has more than doubled since January 2006 and now totals US\$133 million. Table 4 summarizes the status of contracts by project as of June 31, 2006.

**Table 4: Status of Contracts by Project (US\$ million)
June 30, 2006**

ITF Project	Grant Amount	Tenders or RFPs Issued	Contracts Signed
Textbook Provision	40.0	38.8	38.5
School Construction & Rehabilitation	60.0	33.1	10.1
Baghdad Water Supply & Sanitation	65.0	12.5	7.7
Health Rehabilitation	25.0	19.8	3.0
Private Sector Development	55.0	47.7	38.1
Water Supply, Sanitation, Urban Reconstr.	90.0	27.4	25.5
Community Infrastructure	20.0	13	10.0
Disabilities	19.5	0.9	0.3
Social Protection	8.0		
<i>Total (Implemented by Iraqi authorities)</i>	<i>382.5</i>	<i>193.2</i>	<i>133.2</i>

