

Statement by Mr. Christiaan Poortman, Regional Vice President
Middle East and North Africa Region
The World Bank
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Excellencies, Distinguished Colleagues, Ladies and Gentlemen:

Thank you for this opportunity. As always, I value these occasions to take stock, exchange views, look forward, and renew our commitment to support Iraq's recovery and development. And I would like to thank our hosts, the Jordanians, for their gracious hospitality in hosting this event.

It has been nine months since we came together in Tokyo. Today, I would like to look back at achievements since then. I would also like to reflect on lessons learned and how we might do better in getting results on the ground. Finally, I would like to discuss future World Bank assistance to Iraq.

Progress since Tokyo

To start off, a few words about achievements. Let me turn directly to the International Reconstruction Fund Facility for Iraq.

Most deposits to the Facility were made from April to October 2004. Consequently, at the time of the Tokyo meeting, most projects were still at the preparation stage. Since Tokyo, the Facility has obligated nearly all deposits to projects being implemented on the ground.

Later today, we will discuss in more detail the progress in implementing the World Bank Iraq Trust Fund (ITF) and lessons learned. Here are a few highlights.

Since the meeting in Tokyo and before the end of 2004, we signed legally-binding Grant Agreements with the Iraqi authorities for five additional investment projects in key sectors. This obligated nearly all of the US\$392 million in deposits to the ITF;

and it brought the total number of ITF-financed projects to nine, of which one is successfully completed and eight are ongoing.

As we have stressed in the past, a hallmark of the Bank's work in Iraq is the use of Iraqi institutions for implementation. Of the eight projects underway, seven projects, accounting for US\$355 million are implemented by fully trained Project Management Teams within Iraqi institutions: five line ministries and the Municipality of Baghdad. Iraqi execution builds Iraqi ownership and implementation capacity, both key for the country's stability and sustainable recovery. Several ministries and now scores of civil servants are successfully building systems for accountable and transparent use of funds. This reduces the opportunities for corruption, and also reduces security costs, which, as you know, can potentially consume a large part of donor assistance.

The eight ongoing ITF-financed projects focus on restoring essential services and creating jobs. Even at this early stage, the projects have benefited millions across all governorates of the country. To mention one example, under the textbook project, the Ministry of Education awarded contracts, using internationally recognized competitive bidding procedures, for all primary and secondary school textbooks. Nearly 70 million textbooks in total were delivered and used by virtually every school child in Iraq, a critical factor in the success of the 2004-05 school year. In addition, under an ITF-financed school rehabilitation project, the Ministry of Education has contracted dozens of local construction companies to undertake major rehabilitation of 135 schools with unsafe facilities in nearly all governorates. This work will be largely completed during this summer break, creating thousands of jobs in the process. There are similar benefits now starting on the ground in other sectors, including water supply and sanitation and urban reconstruction, combining reconstruction with much needed job creation.

Lessons Learned and Challenges Ahead

Of course, this progress is not enough given the needs. As we hear from the Iraqi authorities, Iraq still faces monumental reconstruction challenges and there is not yet enough progress felt on the ground. We in the Bank are actively looking for ways to

accelerate implementation as well as disbursements, which take place after work is completed.

Although most of the ongoing projects are still relatively young, there are many lessons to consider for increasing our impact. These lessons in turn should drive the design of future projects. I would like to highlight a few of them here.

One clear lesson is the need for flexibility and to seize opportunities, whether in particular sectors or in geographic areas. Project design should allow for working in many places, in order that work can go forward where and when feasible, using criteria that fit overarching priorities and permit minimum fiduciary standards to be maintained.

Second is the importance in this environment of maximizing Iraqi ownership and content. We have strived to finance projects that employ Iraqi contractors and that maximize Iraqi jobs, and we will place even greater emphasis on this in the future.

Third, better monitoring systems are needed to measure impact and ensure effectiveness and efficiency.

Finally, there is a need for better donor coordination, because international assistance is most effective when guided by the client government using the national budget process to help set priorities. In this context, we welcome the Government's plan to move to a Consultative Group-type mechanism. At the same time, it is important to maintain the many benefits of coordination and harmonization under the current Trust Fund Facility mechanism.

Looking Forward: The World Bank's Program

Finally, a brief word about future World Bank assistance to Iraq. I am pleased to announce that in furtherance to our pledge in Madrid, we are making available up to US\$500 million in concessionary IDA resources. These resources, as well as any additional ITF resources, will be used to address Iraq's priorities in key sectors by scaling up activities where existing ITF-financed operations have a good

implementation track record and are showing results. We will also commence operations in a few additional priority sectors where there is a strong dialogue with our Iraqi counterparts. The lessons discussed at this conference will be brought to bear in designing future projects.

Using our own Bank administrative budget and building on our existing dialogue with Iraqi counterparts and other international partners, including the IMF, we will also intensify our economic and sector work, focusing on economic reforms, poverty reduction and social safety nets, as well as public governance, especially public resource management, which is the driver for donor coordination and the key to Iraq's future economic prosperity.

Thank you.