

Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq - IRFFI

Final Report



Project: Review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq - IRFFI
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Acronyms and Abbreviations

FCC	Facility Coordination Committee
GOI	Government of Iraq
ICI	International Compact with Iraq
IRFFI	International Reconstruction Fund Facility for Iraq
ISRB	Iraqi Strategic Review Board
ITF	Iraq Trust Fund
MoPDC	Ministry of Planning and Development Cooperation
NDS	National Development Strategy
SCSO	Steering Committee Support Office (UN)
SWG	Sector Working Group
TOR	Terms of Reference
UNDG	United Nations Development Group
WB	World Bank

1 Introduction

1. At their fifth meeting in Istanbul, the Donor Committee asked the Facility Coordinating Committee (FCC) to undertake **a review of the Terms of Reference for the International Reconstruction Fund Facility for Iraq (IRFFI)**¹.
2. The FCC convened a meeting on 11 March 2007 in Rome with participation of the two IRFFI co-Chairpersons, Ambassador Gianludovico de Martino (Italy) and Dr. Faik Ali Abdul-Rasool, Advisor to the Minister, Ministry of Planning and Development Cooperation. The expanded FCC meeting agreed to Terms of Reference (TOR) for the review, which Scanteam was retained to conduct.
3. Field work for the review took place in Amman between 24-28 June 2007, and included consultations with:
 - The Iraqi Ministry of Planning and Development Cooperation (MoPDC);
 - Representatives of four bilateral donor agencies;
 - The World Bank, including project staff and the World Bank representatives in Baghdad and Amman;
 - United Nations Cluster Coordinators, Heads of Agencies, and UNDG ITF Steering Committee.

An additional telephone interview with European Commission informants in Brussels was conducted by telephone from Oslo on 3 July 2007.

4. The Terms of Reference for the IRFFI Review directed Scanteam to:
 - **Evaluate the roles and responsibilities** of the various components of the IRFFI organizational structures;
 - **Examine current program/project identification** and approval processes, and implementation methods;
 - **Incorporate the relevant and efficient practices and experiences** of other multi-donor trust funds.
5. The draft report was circulated to stakeholders. As of 17 September 2007, additional comments had been received from Australia, Canada, the European Commission, Germany, Japan and the United States, and integrated into the final report.

¹ See UNDG Iraq Trust Fund (ITF) Newsletter, March 2007 (Vol. 4 No. 3) <http://siteresources.worldbank.org/IRFFI/64168382-1092419001661/21302587/UNDGITFMarch2007Newsletter.pdf>

6. **Three criteria were identified for meeting these objectives:**
 - Ensure strong Iraqi ownership of IRFFI-financed activities;
 - Ensure clear alignment of IRFFI-financed projects with recipient priorities, which are reflected through the National Development Strategy (NDS) and the International Compact with Iraq (ICI);
 - Clarify the roles of various IRFFI governance structures to ensure they are effective and can adapt to the changing situation on the ground.
7. As an additional consideration, **the IRFFI is in the middle phase of the modality's life cycle.** Operations have been extended until 2010. However, most funds have been allocated. The IRFFI, therefore, has largely completed its development and approval phases. Emphasis has shifted to implementation, monitoring, evaluation and ensuring the sustainability of projects.
8. The IRFFI's progression through its normal programme cycle brings with it new activities and changing roles for the different parts of its structure. In particular, there is a growing need for monitoring and evaluation. Donors must still determine whether they will provide significant amounts of new funding. However, most stakeholders continue to see value in maintaining the IRFFI as the single multilateral donor mechanism in Iraq. Noted one donor, "if IRFFI ceased to exist, donors would likely discover they would have to reinvent it".

2 International Compact with Iraq and IRFFI

9. **The objective of the National Development Strategy is to serve as "the overarching framework for government reconstruction and development policy",** and as a basis for donor coordination and harmonization². Both the United Nations Development Group (UNDG) Iraq Trust Fund (ITF) and the World Bank (WB) Iraq Trust Fund take the NDS as their strategic framework, and use it to align with Iraqi-identified priorities.
10. The **International Compact with Iraq (ICI)** was conceived as a mechanism for Iraq to meet clear security, political, and economic reform benchmarks, with the support of the international community. The ICI emphasizes the link between security and political stabilization issues on the one hand, and reconstruction and economic development on the other. It also provides a framework that defines how the international community will support those reforms.
11. The socio-economic pillar of the ICI builds on existing national planning and aid coordination mechanisms to:
- Build a national and international consensus around development priorities;
 - Create coordination and monitoring structures that bring together all elements of international cooperation;
 - Channel the financial, technical and political support of international partners toward mutually agreed objectives;
 - Establish a schedule for international partners' support, including financial commitments against the Government of Iraq's (GOI) reform targets, embedded in an Investment and Action Plan;
 - Outline benchmarks to measure GOI progress against reform commitments, and conditionality for future international support³.
12. **The ICI document and the compact's organigram describe the IRFFI as:**
- A financial input to the ICI, integrated into the broader ICI policy, planning, coordination and funding mechanism;
 - A tool for placing bilateral resources under the management of multilateral organizations.
13. **The review process found that the ICI has the potential to strengthen the IRFFI in at least three areas:**
- Clarify the NDS strategy, priorities and implementation;

² *Iraqi National Development Strategy 2007-2010 (draft)*, March 2007, pp i-ii

³ *The International Compact with Iraq; A Shared Vision and Mutual Commitment (draft)*, March 2007. Also, ICI Update, Working Document, 2007-06-08.

- Strengthen the internal coherence of the Government of Iraq (GOI), including between the Line Ministries and the central planning and financial ministries;
- Confirm the Iraqi Strategic Review Board (ISRB) in its core project decision-making and strategic functions.

14. There was a consensus among informants that new IRFFI activities should be integrated into the ICI framework. No informant proposed a strategic role for the IRFFI outside of the ICI. To ensure alignment between the IRFFI and the ICI, and to facilitate monitoring ICI implementation:

- IRFFI resources should be placed within the overall ICI planning matrix;
- IRFFI financed-activities should be embedded into the Compact Joint Monitoring Matrices;
- New IRFFI activities should incorporate the specific target/benchmark in the Joint Monitoring Matrices that they support.
- A Memorandum of Understanding should be drafted between the two mechanisms as soon as possible to clarify expectations, roles and mechanisms for cooperation.

15. No new structures are needed to ensure that IRFFI directly supports the ICI:

- The NDS and the IRFFI have a common strategic framework in the ICI, which should ensure that both mechanisms are aligned.
- The ICI integrates the IRFFI into its governance, planning and coordination mechanisms, as well as international resource flows to Iraq.
- IRFFI decision-making process appears consistent with the ICI. They have common programme criteria (alignment with the NDS and ICI), and establish the Iraqi Strategic Review Board as the final decision-making authority. In this regard, the ISRB has a central and leading role ensuring coherence across the ICI and IRFFI mechanisms.
- The ICI stakeholders are the same as the IRFFI stakeholders: GOI, donors and multilaterals. There should be strong potential for internal coherence within stakeholder organizations.
- Line Ministries lead both the ICI Sector Working Groups as well as IRFFI project development. They should promote integration of IRFFI activities into ICI priorities at the sector level.

16. The UNDG ITF and the WB ITF should ensure that new projects are consistent with the ICI priorities. New projects should also be integrated into ICI Sector Working Groups, where these are functioning and relevant.

17. Practical coordination and information flows can be managed between the IRFFI Secretariat (to be established in Baghdad, with overall and unified reporting to the IRFFI Executive Committee) **and the ICI Secretariat** (reporting to the ICI Executive Committee).

3 The IRFFI Donor Committee

18. **No changes are proposed to the composition of the IRFFI Donor Committee.** At the Istanbul meeting, donors agreed that GOI would co-chair the Donor Committee for one year, as an interim arrangement to address specific circumstances. However, the review finds that the Donor Committee should retain its original composition: contributing bilateral donors with GOI, World Bank and the UN present as observers. The GOI's inputs will be better focused and more effective at the higher strategic level of the ICI and NDS, to which the IRFFI is only one input.
19. **Two substantive changes are proposed to the mandate of the Donor Committee's TOR. It should:**
- **Provide oversight to the alignment between the IRFFI and the ICI mechanisms.**
 - **Oversee monitoring and evaluation results of IRFFI programmes.** There will be more emphasis on project implementation and monitoring and evaluation activities as the IRFFI moves through its programme cycle. The Committee has a role to ensure that proper monitoring and evaluation is occurring, and that the results are synthesized and shared equally with stakeholders.
20. Consistent with the proposal on the *Use of Trust Fund resources for Operational Purposes*, IRFFI resources should be used for the following activities:
- Meetings of the Executive Committee;
 - The organization of briefings to donors and the Iraqi Government;
 - IRFFI level monitoring and evaluation exercises commissioned by the Donor Committee;
 - Management reviews intended to strengthen the performance of the Facility⁴.

⁴ *Use of Trust Fund resources for Operational Purposes*, Agenda Item, 5th Meeting of the IRFFI Donor Committee, Istanbul, 20 March 2007.

4 IRFFI Executive Committee

21. **An IRFFI Executive Committee is proposed to replace the existing Facility Coordinating Committee (FCC),** recognizing the need for greater Iraqi ongoing participation and the changing management requirements.
22. **The Executive Committee should be comprised of the Donor Committee Chairperson, a representative of the MoPDC, and the two fund Administrators (World Bank ITF and the UNDG ITF).**
23. **Consistent with the existing mandate of the FCC, the Executive Committee should ensure close coordination** among the UNDG ITF, the WB ITF, the donors and GOI. Expanding the committee's membership will improve its effectiveness in this regard, including strengthening the IRFFI's relationship to ICI.
24. **The five areas of responsibility in the current FCC TOR remain valid.** These include: Liaison and coordination with Iraqi authorities; Coordination of activities financed by the two facilities; Donor coordination and fundraising; Monitoring, reporting and auditing; and Supervision.
25. In addition, the current FCC TOR should be revised to include:
 - **Primary responsibility to facilitate coordination between the IRFFI and the ICI,** including between the IRFFI and ICI Secretariats;
 - **Maintain close oversight of Monitoring and Evaluation activities,** and ensure that the synthesis and conclusions are available to all stakeholders;
 - **Coordinate such monitoring and evaluation exercises and studies** as required by either the IRFFI mandate, or by the Donor Committee;
 - **Support Donor Committee** efforts to ensure alignment between the IRFFI and the ICI.

5 Joint Secretariat in Baghdad

26. **At their meeting in Istanbul, the Donor Committee decided to re-establish the IRFFI Secretariat in Baghdad.** The following-up FCC meeting in Rome on 10 May 2007 took the first steps towards putting the Secretariat into operation, including the recruitment of staff. Since then, the UN and World Bank have prepared Terms of Reference and vacancy notices. The World Bank has conducted interviews and selection of a candidate is underway. The Italian Chair of the Donor Committee has selected a candidate to work in the IRFFI Secretariat.
27. The current proposal is for the IRFFI Secretariat to be staffed by three persons, as appointed by the UNDG ITF, the WB ITF and the Donors⁵. The staffing profile should be amended as follows:
- **The proposed IRFFI Secretariat should be expanded to include a representative from the MoPDC.** The expansion was already agreed to at the May 2007 FCC meeting, which was attended by the MoPDC and the Donor Chairperson.
 - The role of MoPDC staff should be to support the participation of Iraqi officials in the IRFFI process, to act as a channel for analysis and information between the GOI and IRFFI operations, and to assist with follow up on IRFFI implementation issues.
28. The IRFFI Secretariat is currently mandated to answer inquiries from donors and the Iraqi Government, prepare semi-annual consolidated reports and manage logistical arrangements for meetings of the Executive and Donor Committees, among other tasks. The existing Secretariat TOR requires three revisions. It should:
- **Coordinate the flow of information on implementation status, monitoring and evaluation.** Attention should be paid to ensuring that the MoPDC has access to this information, with the objective of strengthening its capacity to participate in policy and implementation discussions;
 - **Report directly to the Executive Committee on substantive matters. The Executive Committee should coordinate the overall tasking of the Secretariat.** Noting that the sponsors may ask Secretariat personnel to perform duties on behalf of their organizations, it will be important to maintain an overview of workload and Secretariat activity;
 - **Develop a working link with the ICI Secretariat,** to strengthen coordination and ensure the smooth flow of information between the two mechanisms. The exact nature of this link can be defined by the Executive Committee of the IRFFI and the Executive Committee of the ICI.

⁵ Italy has proposed and already recruited one person until December 2007 to assist with start up activities. The Donor commitment after that date remains to be confirmed.

29. The review does not recommend that the IRFFI and the ICI Secretariats be integrated into a single body, as both have unique functions. However, there is a need for a close, well-coordinated working link between them. Therefore:

- An agreement should be concluded between the ICI and the IRFFI defining the expectations, roles, areas and modalities for cooperation between the two Secretariats, to formalize the relationship;
- The two Secretariats should be co-located to facilitate close coordination and communications.

6 World Bank ITF

30. **No changes are proposed to the WB ITF project approval process.** Most funds held by the facility have already been allocated, and there are few project approval decisions pending. Stakeholders all expressed their satisfaction with the current practice. Focus should shift to monitoring and evaluation of implementation.
31. **The Executive Committee may have a role in identifying and resolving obstacles to implementation that are institutional or systemic in nature,** therefore having an impact across the portfolio.

7 United Nations Development Group ITF

32. Substantive changes are proposed to the UNDG ITF decision-making process, to strengthen the participation of Iraqi Line Ministries and the MoPDC, and the lead role of the MoPDC (at project entry) and the ISRB (as the final entity) for approval of UNDG ITF projects:

- The ICI and NDS shall provide the strategic framework for all UN activities in Iraq, including the UNDG ITF;
- The UN Strategic Framework for Iraq shall be approved for implementation by the ISRB, allowing for alignment with the NDS and the ICI;
- UNDG ITF project identification shall occur through the appropriate Iraqi Line Ministry, in collaboration with the counterpart UN Agency. The identification and development processes shall take into account the work of the Sector Working Groups (SWG), which the Line Ministries are coordinating within the ICI structure;
- **The Line Ministry and the UN agency shall submit the Project Concept Note to the MoPDC, for approval on a “no objection” basis** within a set time benchmark. The MoPDC has the option of approving, making no comments or sending the project back for revision. The MoPDC’s criteria for assessment should focus at the strategic level, on alignment with overall GOI priorities and avoidance of duplication with activities funded by other donors. The MoPDC should avoid commenting on technical details, which are the responsibility of the Line Ministry;
- **Full project development shall be undertaken by the UN Agency and the Line Ministry**, on Approval of the Project Concept Note. On its discretion, the MoPDC may participate to the full development process as an observer;
- **The draft project shall be submitted to the UN internal review process for cluster approval, technical review and quality assurance.** On its discretion, the MoPDC observe the peer review process, in whole or in part. Line Ministries may be called on to provide information, as required to complete the review;
- **The final project shall be submitted to the Steering Committee of the UNDG ITF**, as currently comprised of the UN Heads of Agencies. The Steering Committee shall verify that the project has completed the necessary development steps and complies in full with all technical and strategic criteria. To the extent possible, the role of the UNDG Steering Committee shall be strategic, with the technical details being resolved during the UN internal review process. The DSRSG shall formally sign off on projects following Steering Committee approval;
- **The Project shall then be submitted to the ISRB for final review and approval.** The ISRB can either approve a project or request for further action and revision. This is a reversal of the current order, in which the UN Steering Committee is the final decision-making instance;

- **There shall be an additional Post-Approval stage.** The GOI (MoPDC and appropriate Line Ministries) and the UNDG ITF shall conduct a portfolio review at the cluster level on a bi-annual basis.
33. **The UNDG ITF should move to implement the time benchmarks on project development and review.** The Cluster Coordinators have proposed benchmarks, which appear reasonable and reflect a consensus among the Coordinators⁶. The benchmarks should be implemented as proposed, particularly as they relate to the UN Internal Review process. **An additional benchmark of seven working days should be applied to the MoPDC's review of the Project Concept Note.**
34. **There are two scenarios for strengthening and streamlining the UNDG ITF Internal Review process,** which could be combined into other scenarios. **Scenario One: Status Quo.** To streamline the process, the UNDG ITF should implement benchmarks on project development and review, as already proposed by the Cluster Coordinators⁷. An additional benchmark of seven working days should be applied to the MoPDC's review of the Project Concept Note.
35. **Scenario Two: Integrate the SCSO into initial project development.** Delays can occur when projects with project management problems are submitted to the peer review process. Technical resources, therefore, should be focused on the initial design phase. The SCSO can play an early role focusing on project management issues. This would involve supporting both the Concept Note and the subsequent full project development, as required. Comments from the SCSO would follow the project into the Cluster and Peer Review phases. Under this scenario, the SCSO:
- Review could be eliminated from the peer review process;
 - Capacity would need to be assessed, to ensure it was adequate to meet the roles assigned;
 - Could provide project management training to the GOI and UN agencies in project development, during the initial identification and development phase.

⁶ V2 UNDG-TT Process Revised SC Feb 2006

⁷ V2 UNDG-TF Process Revised SC Feb 2006

8 Concluding Observations

36. Informants express concern regarding Iraqi ownership and participation in the UNDG ITF, with these coming primarily from the MoPDC. **Revisions to the decision-making process for UNDG ITF projects are intended to strengthen the strategic role of the MoPDC and the ISRB**, while retaining the role of Line Ministries to design and implement sector policies and technical projects.
37. **The Government of Iraq should consider providing financial support to future IRFFI funded projects/programmes.** Such financing would enhance Iraqi ownership of projects, reflect increased commitment of GOI to IRFFI, and potentially expand the scope and reach of IRFFI activities. The mechanism to provide GOI financing may be different for various IRFFI-financed activities, and would need to be worked out with the Administrators. One option is the experience of the two Sudan MDTFs. The Government of National Unity (GoNU) and the Government of South Sudan (GoSS) co-fund all MDTF projects (MDTF-N and MDTF-SS) within a fixed co-funding ratio.
38. **The ISRB has the central role ensuring that IRFFI projects are consistent with strategic national priorities, and aligned with the ICI.** The performance of the ISRB in reviewing and approving IRFFI projects has been mixed (Scanteam 2007). More international assistance will come under ISRB scrutiny as the ICI become operational, further stretching its capacity.
39. **The IRFFI faces significant operational challenges implementing its TOR, given extreme conditions in Iraq.** All informants perceive that the security situation within Iraq has deteriorated since inception of the IRFFI, preventing many bilateral donors from becoming active in Iraq. In addition, the lack of regular meetings of the Donor Committee meetings to provide on-going guidance has effectively transferred the intellectual responsibility and the financial and operational risks for programme development to the Administrators.
40. **The most important challenge for the Donor Committee will be to comply with its TOR** under challenging circumstances. Political support and resources are shifting to the ICI, at the same time as IRFFI programme is maturing. These changes are occurring in a context where the Committee already had difficulty complying with its mandate. The Scanteam MDTF Review (2007) and interviews for the current review of the IRFFI TOR found:
- **During the field work, there was evidence of a decline in donor energy for participation in the IRFFI**, the result of extreme conditions, high risk and disappointing results of overall international efforts to stabilize the situation. Stronger statements of support were received in donor comments on the drafts;

- **The Donor Committee has not met its potential as a strategic and advisory body.** It did not meet on a regular basis during 2005 and 2006, a period during which the situation in Iraq deteriorated⁸. Informants noted that the lack of action was a breach of the Committee's TOR;
 - **The Committee's responsibility will be expanded by the need to work within the ICI structure;**
 - **Donor, GOI, UN and WB capacity may be stretched by participation in both the ICI and the IRFFI,** particularly if there is a decline in the energy that donors are willing/ability to put into the IRFFI.
41. **Donors should clarify their intentions for IRFFI.** The IRFFI's mandate has been extended until 2010. However, donor informants held different opinions on the future role of the IRFFI, including whether new resources will be allocated. Some donors were waiting for the results of the "stock-taking" review, which has been discussed since 2005 but has still not been launched. A lack of consensus on role and future of the IRFFI has implications for the management of programme operations. Also, it is getting late in the programme cycle to be allocating new resources.
42. Whether or not donors provide significant new funding through IRFFI, the **facility provides a unique multilateral mechanism that can promote cooperation among international donors, and provide sustained support to the Iraq** as it implements its priority programs and the ICI.
43. Some stakeholders were concerned they did not have enough information on overall IRFFI operations. The review observed that the IRFFI website is a comprehensive source of high-quality and up to date information. The site appears well maintained, and covers most, if not all, aspects of operations. This finding is consistent with previous reviews (PWC 2006, Scanteam 2007). There is limited information on project outcomes. In part, this reflects the fact that many IRFFI projects are still in the implementation phase, and few evaluations have been concluded. Also, the donors have not yet mobilized the Stocktaking that they decided to undertake in 2006. As monitoring and evaluation activities scale up, the results should be posted on the website.

⁸ Scanteam, Review of Multi-Donor Trust Funds, World Bank, NORAD, Norwegian Ministry of Foreign Affairs, February 2007, Vol. 2, Country Annex D