

The World Bank Iraq Trust Fund Newsletter

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1. 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 as of December 31, 2005. Since the last newsletter, contributions have been received from Turkey (US\$1 million), Norway (NOK 15 million, US\$2.3 million), and Korea (US\$1 million). Table 1 shows status of pledges, commitments and deposits as of December 31, 2005.

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 ^{3/}	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 ^{3/}	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 ^{3/}	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/} Recent contributions received include US\$1 million from Turkey credited on December 6, 2005, NOK 15 million (US\$ 2,257,336.34) from Norway credited on December 16, 2005, and US\$1 million from Korea credited on December 23, 2005.

Website for IRFFI. The joint World Bank/UN website (www.irffi.org) is available for public access. Visitors are encouraged to provide feedback on the site to klahlo@worldbank.org.

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\$125 million contractually committed
- Contract awards amounting to US\$65 million
- 600 Iraqi civil servants trained, paving the way for emergency operations
- Almost 70 million textbooks distributed to 6 million Iraqi school children throughout Iraq
- Major rehabilitation of 135 schools completed

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2. Status of ITF-Financed Projects

ITF Project Summary. Following the signing of the Emergency Disabilities Project (US\$19.5 million) on December 28, 2005, the ITF is now financing 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, of the US\$385 million, 97% is implemented by the government of Iraq. Iraqi implementation helps minimize security costs, maximize local employment, build capacity, and increase local ownership and sustainability. Two capacity building projects 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	Min. of Education	5/15/04	Nearly completed. Financed printing and distribution of 69 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.
School Rehabilitation and Construction	60	Min. of Education	10/14/04	Ahead of schedule, with major rehab of 135 schools completed this summer and new school construction now starting. 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	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. Disbursements should pick up considerably in first half of 2006.
Health Rehabilitation	25	Min. of Health	12/4/04	Finances rehab of priority emergency services, including emergency obstetric care, in 12 selected hospitals; provides hospitals with basic medical and laboratory equipment and essential drugs. The first phase of civil works is expected to begin in February 2006.
Second Capacity Building	7	World Bank	12/6/04	A follow-up to the first capacity building project, to help the authorities tackle medium-term policies, focusing on economic management, public sector management, and social safety nets.
Private Sector Development	55	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	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. The first designs and bidding documents will be completed in early 2006, allowing procurement of civil works to commence.
Community Infrastructure Rehabilitation	20	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. In all, the project will finance an 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 improving by developing a comprehensive policy and legal framework for disabilities, strengthening government-NGO partnerships, and constructing or reconstructing 14 rehabilitation centers.
TOTAL	385.1			

3. ITF Sources and Uses of Funds

ITF Disbursement Progress. ITF disbursements stand at about US\$47 million at the end of December 2005. Of this total, over US\$37 million has been disbursed to Iraq for grants implemented directly by Iraqi agencies. Disbursements from the two Bank-executed capacity building projects remain at about US\$4 million. Cost recovery for project processing and supervision, trust fund administration, and fees for the recently-hired Monitoring Agent total less than US\$6 million. Based on the total amount of World Bank ITF allocations to projects (US\$385 million), the Bank's cost recovery to date represents about one percent of project funding. Table 3 summarizes the overall sources and uses of funds for the ITF from inception through December 31, 2005.

	Allocation	Actual
Sources of Funds		
Donor Deposits		454.3
Investment Income		15.3
Total Sources of Funds		469.6
Uses of Funds		
Operations		
Grants (Iraqi-Implemented)		
Emergency Textbook Provision	40.0	31.3
Emergency Education Rehabilitation	60.0	3.7
Emergency Health Rehabilitation	25.0	0.5
Emergency Baghdad Water Supply	65.0	0.2
Emergency Water Supply, Sanitation & Urban Reconsruction	90.0	0.7
Emergency Private Sector Development	55.0	0.2
Emergency Community Infrastructure	20.0	0.8
Emergency Disabilities	19.5	
Subtotal	374.5	37.3
Projects (Bank-Implemented)		
Capacity Building I (EC)	3.6	2.5
Capacity Building II	7.0	1.6
Subtotal	10.6	4.1
Total Operations	385.1	41.5
Cost Recovery for Project Management and Administration		
Total Project Processing, Trust Fund Management and Administration	20.2 1/	5.5
Total Use of Funds	405.3	47.0

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



A classroom that have been rehabilitated as part of the **Emergency School Construction and Rehabilitation Project**.

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



Iraqi children proudly display the new textbooks provided by the **Emergency Textbook Provision Project**.

ITF Disbursement Issues. World Bank teams are working to map and analyze specific factors that may be causing 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. These factors, some of which are interrelated, will be systematically discussed by mid-January 2006, with the goal of identifying specific actions that can be taken to reduce bottlenecks throughout the cycle.

Cost Recovery. The World Bank recovers the full cost of managing ITF-financed projects and administering the fund. An administrative fee is charged to offset the costs of central services provided by the accounting, legal, loan accounting, and other 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 December 31, 2005, the Bank's total cost recovery was less than US\$6 million. The services delivered against this amount include the preparation and negotiation of Administration Agreements, the work project teams to appraise and supervise eight Iraqi-implemented operations and design and deliver two capacity-building projects, the establishment and administration of the trust fund, and fees of the monitoring agent. This level of cost recovery represents about 1% of the total ITF. 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 credited to the ITF account to be used for the purposes of the ITF. The investment income earned on ITF deposits as of December 31, 2005 totals more than US\$15 million, which is more than double the total cost recovery charges incurred by the trust fund.



A primary school rehabilitated through the **Emergency School Rehabilitation and Construction Project** (November 2005)

"The Emergency School Construction and Rehabilitation Project will benefit some 130,000 students and will create substantial near-term employment."

4. 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.