

**World Bank Iraq Trust Fund
Pension Reform Implementation Support Technical Assistance (PRISTA)
(TF095639/P114647)
October 2011**

Project Summary Sheet

Title	Pension Reform Implementation Support Technical Assistance (PRISTA)				
Implementing Agency	World Bank				
Location	N/A				
Sector code (OECD DAC)	<i>16010</i> Social / Welfare Services				
Compact Priority	<i>4.4.2.3</i> Undertake specific measures to strengthen the targeted safety net Design and implement a reform strategy for the pension system				
Project Cost	US\$5.8 million				
Duration	42 months				
Approval Date	December 2009	Effective Date	January 2010	Closing Date	April 2013
Project Description	PRISTA responds to the GOI's request for assistance so support implementation of the new Pension Law. While the Pension Law presents a significant improvement, there remain substantial challenges in terms of GOI's capacity to implement the law, thereby ensuring a sustainable old-age income protection mechanism for Iraq.				
Beneficiaries	Government employees, contributors to the private pensions scheme, as well as existing retirees.				
Near Term Employment Creation	N/A				

Strategic Context and Donor Coordination

Efforts to reform Iraq's pension system started soon after April 2003. This culminated in the passing of Law 27/2006 in January 2006. Implementation of Law 27/2006 was suspended as it was widely deemed to be unsustainable and did not benefit from significant international experience. Subsequently, GOI amended the law in December 2007 (referred to as the Unified Pension Law in the text of the Law), with support from the World Bank, the IMF, and USAID, to improve financial sustainability and alter the design of public sector pensions in line with good international practices. The amendments to Law 27/2006 also mandated the unification of the currently public and private sector pension schemes.

Project Development Objective

- In the short-term, to support the GOI in implementing the provisions of the new Pension Law
- In the medium-term, to support the unification of the public and private pension schemes; and
- In the long-term, to support the development of long-term old-age income strategy for Iraq

Outputs, Key Activities and Procurement

Outputs	<ul style="list-style-type: none"> • The National Board of Pension (NBP) will have built up its capacity to implement the provisions of the new Pension Law • The NBP will have the capacity to undertake actuarial analysis of the pension scheme, and to conduct periodic actuarial analysis as required by the new Pension Law • The NBP, and related offices, will be housed in quality physical infrastructure, facilitating the delivery of services to the beneficiaries in a safe and accessible environment
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	<ul style="list-style-type: none"> The Social Security System is merged with the State Pension Fund (SPF), in terms of policies and benefits, and is administered by the NBP Strategy developed detailing a plan to increase coverage beyond the existing 25 percent of population
Activities	<ul style="list-style-type: none"> Develop capacity to implement the new Pension Law Support the development of actuarial and pension policy analysis capacity for the SPF Contribute to the improvement of the physical infrastructure of the NBP Support the unification of the mandatory pension provisions in Iraq Facilitate the development of long-term national old-age income protection strategy for Iraq
Procurement	Consultants' Services and Training: US\$5.8 million

Financial Data

Funds Committed	US\$3.4 million	% approved	59
Funds Disbursed	US\$2.3 million	% approved	40
Forecast Closing Date	April 2013	Delay (months)	

Progress against Indicators:

The NBP and the SPF have been structured to respond to implementing the new Pension Law. The by-laws, regulations, and key functional terms of reference will have been completed and endorsed by the Council of Ministers	Options for SPF business operations model, organizational structure and management system were developed and discussed during a series of implementation support events. Subsequently, the GOI has taken up and contextualized the options and developed draft instructions that describes and codifies the future SPF Institution System accordingly. The instructions were presented and have been approved by the Minister of Finance. The Instruction are currently with the Shura Council for final enactment. The SPF Board Governance System was also developed and endorsed by the Board of Administrators and the Ministry of Finance in March 2011.	% of planned	80
A contribution management process and system is in place, to ensure proper collection and management of contributions from civil servants and public agencies into the SPF	Options for SPF instructions on client registration, contribution collection, and penalties were presented and discussed with the Iraqi team. The design of the Contribution Management System (CMS) was finalized and agreed upon and legal instructions are being developed by the SPF to frame and guide the work of the CMS. In addition, the Management Consulting Firm for the CMS has been hired by the World Bank and have spent a good part of October and November 2011 in Baghdad working directly with the SPF. The Inception Report has been developed and presented to the World Bank with final version expected end November 2011 (in English and Arabic)..		70
The SPF will have in place policies,	Policy issues and options for managing the investment of SPF reserves were examined		50

<p>procedures, and human resource for prudent investment of reserves</p>	<p>and discussed with key members from the NBP and SPF Board of Administrators. A policy options note was subsequently produced and has been reviewed and discussed with the Iraqi team where the viability of the available investment options was assessed in the context of Iraq. Additionally, the governance framework for the investment activities was also explored in light of the preferred options. The Iraqi counterparts are currently undertaking internal consultations with the Central Bank of Iraq and other stakeholders on how best to manage the investment of reserves. These issues were discussed in September 2011, and investment guidelines have been drafted to provide an overarching strategy for the investment of the SPF's reserves.</p>		
<p>A functional unit is established within the SPF responsible for pension policy and actuarial analysis</p>	<p>Four training courses on Pension Reform Options Simulation Toolkit (PROST) were delivered to a core team from the NBP/SPF and PSSD. Data collection for the preliminary analysis has been completed, and verification as well as collection of additional data is underway. Workshops were held in June 2011 and October 2011 and analyzed the collected country and pension system data using PROST. The TORs for the actuarial unit and the long and short-term training needs of its staff were developed and finalized.</p>		100
<p>A strategic plan for physical infrastructure renewal and rehabilitation is completed and informs construction decisions</p>	<p>A complete assessment of the existing infrastructure of the NBP and its branch offices was conducted. Short-and long-term solutions for improving the physical infrastructure of NBP offices were identified during several workshops/meetings held with the NBP/SPF which included rehabilitation/upgrading as well as construction (for the long run). Accordingly, the accommodation schedules and architectural design briefs for the branch offices were developed in preparation for the rehabilitation activities that will be done in two phases, and now completed in 5 governorates in May 2011, and in 6 other governorates in July 2011.</p>	<p>% of planned</p>	80
<p>Policies on contributions and benefits are harmonized across the two pension schemes</p>	<p>The preliminary policy discussions/dialogue on the merger of the public and private pension schemes in Iraq has taken place in July 2010 and a policy options note was produced outlining the main policy issues, international best practices/experiences and customized options for GOI to consider. The policy note was shared with the Iraqi</p>		60

	counterparts to be studied in depth. Further discussions with key stakeholders from the MOF, NBP, SPF and PSSD were held in September 2011 and agreed on a preferred strategy regarding the merger options of the pension schemes in Iraq, based on a quantitative assessment undertaken by the World Bank. A Quantitative Policy Options Note for the merger has been drafted by the World Bank team, articulating the implications (fiscal, etc.) of merger options, to be discussed with the Pensions Policy Subcommittee in December 2011.		
Long-Term National Old-Age Income Protection Strategy for Iraq developed and informs policy making	Long-term objective, scheduled to start end-2011		Not Started Yet

Qualitative Assessment of Project Performance

Following the launch in February 2010, numerous workshops/implementation support events were held with the Iraqi counterparts from the MOF, NBP, SPF, the PSSD, MOI, MOD and the CBI to kick-off implementation of the different components of PRISTA. The implementation progress has been noteworthy in all four components, as indicated in the above table. This progress and results involved a lot of capacity building on the Iraqi side, where the teams have been extensively exposed to international experiences, best practices and consultative policy dialogue in the areas of pensions institutions development, pension administration, pension ICT systems, actuarial analysis, governance, merger of pension schemes, investment management, communications and information dissemination among others.

Good progress has been particularly made in Component 1 of PRISTA, which focuses on the short-term objective of supporting pension administration and the implementation of the new Pension Law. This progress includes producing a policy note capturing an agreed upon business model, organizational structure and management system for the State Pension Fund (SPF), which was developed further to legal instructions by the SPF and has been submitted for formal approval to the MOF and the Shura Council for subsequent publication in the Official Gazette. In addition, several major documents have been prepared and shared with the Iraqi counterparts in June 2011 including: CMS Functional Design, HR Strategy, and Pension Administration System (PAS). On Component 2, a follow-up workshop took place in May 2011 and October 2011 to analyze the collected country and pension system data using PROST. In addition and as a result of the workshop, a Pension Policy and Actuarial Unit was established at NBP. Regarding Component 3, an Action Plan for the rehabilitation of the physical infrastructure of the NBP and its 14 branches was established and significant progress was achieved. Furthermore, a remarkable achievement of a major milestone was concluded on Component 4 with the elaboration of the note on “Quantitative Analysis of Integrating Social Insurance Provisions for the Public and Private Sectors in Iraq”. In addition, this note has been further developed into a Quantitative Policy Options Note articulating the implications of the various merger options.

Major Implementation Obstacles

None identified currently.