



**Summary Progress Report and Lessons Learned on the first year activities of the
United Nations Development Group Iraq Trust Fund (UNDG ITF):
1 July 2004 to 30 June 2005**

**Presented at the Fourth Meeting of the
International Reconstruction Fund Facility for Iraq (IRFFI),**

Dead Sea, Jordan, 18-19 July 2005

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Abbreviations and Acronyms

EAD	Electoral Assistance Division (United Nations)
EOD	explosive ordnance disposal
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
IDP	internally displaced person
IECI	Independent Electoral Commission of Iraq
ILO	International Labour Organization
IOM	International Organization for Migration
IRFFI	International Reconstruction Fund Facility for Iraq
ISRB	Iraqi Strategic Review Board
ITF	Iraq Trust Fund
ITU	International Telecommunication Union
MoA	Ministry of Agriculture
MoDM	Ministry of Displacement and Migration
MoEd	Ministry of Education
MoEn	Ministry of Environment
MoH	Ministry of Health
MoLSA	Ministry of Labour and Social Affairs
MoMPW	Ministry of Municipalities and Public Works
MoPDC	Ministry of Planning and Development Cooperation
MoWR	Ministry of Water Resources
NDS	National Development Strategy
NGO	non-governmental organization
OAPR	Office of Audit and Performance Review
OFFP	Oil-for-Food Programme
OHCHR	Office of the United Nations High Commissioner for Human Rights
PIU	Programme Implementation Unit
PMT	Project Management Team
SCSO	Steering Committee Support Office
TOR	Terms of Reference
UNAMI	United Nations Assistance Mission for Iraq
UNCT	United Nations Country Team
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDPA	United Nations Department of Political Affairs
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNODC	United Nations Office for Drugs and Crime
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization

Definitions¹

Donor Pledge	An amount indicated as a voluntary contribution by a donor. (Pledges are not included in the financial statements. Financial reports will report on legally binding Donor Commitments and Deposits to the UNDG ITF and the WB ITF).
Donor Commitment	A legally binding commitment of a contribution to IRFFI for a specific amount over a specific timeframe, formalized through a Letter of Agreement (UNDG ITF) or Administrative Agreement (WB ITF).
Donor Deposits	Cash deposits received by the UNDG ITF or the WB ITF
Project Commitment	The amount for which legally-binding project contracts have been signed.
Allocation	<i>UNDG ITF</i> – amount earmarked to a particular Cluster(s) and/or specific UN Participating Organization(s) to fund approved projects. <i>WB ITF</i> – to be disbursed to the vendor or the Iraqi line ministry implementing an approved project for the actual costs of the goods received or services delivered.
Approved Project	<i>UNDG ITF</i> – a project that has been approved by the ISRB and the UNDG ITF Steering Committee for which a project document has been subsequently signed. <i>WB ITF</i> – a grant agreement has been negotiated and signed by the World Bank ITF and the Recipient (for WB ITF).
Project Disbursement	The amount paid to a vendor or entity for goods received, work completed and/or services rendered (does not include unliquidated obligations).
Project Expenditure	<i>UNDG ITF</i> – Amount of project disbursement plus Unliquidated Obligations related to payments due for the year.

¹ Common definitions agreed with the UNDG ITF and the World Bank ITF for use in IRFFI reporting

Introduction

This summary progress and lessons learned report on the activities of the United Nations Development Group Iraq Trust Fund (UNDG ITF) of the International Reconstruction Fund Facility for Iraq (IRFFI), is provided for information of participants to the fourth expanded meeting of the IRFFI, and the IRFFI Donor Committee meetings taking place at the Dead Sea, Jordan on 18 and 19 July 2005, respectively. It is based on the first official six monthly progress report of the UNDG ITF from 1 July to 31 December 2004², extending the period of coverage to 30 June 2005. **The report provides an update on achievements, hurdles encountered and lessons-learned on the UN multi-sectoral operations in Iraq.**

1. The background and innovative nature of the UNDG ITF

The UNDG ITF represents a number of innovations for the UNDG (see box).

UNDG ITF Firsts

- The first time the UN is administering a multi-donor *reconstruction* trust fund alongside the World Bank in a joint funding facility (the IRFFI).
- The first time UNDG organizations, pursuant to the Secretary-General's reform agenda, have adopted common planning, funding, coordinated implementation and reporting arrangements for such a large-scale operation, referred to as the "UN cluster approach". Most importantly, this arrangement assists key Iraqi ministries such as the Ministry of Planning and Development Cooperation (MoPDC) to work with UNDG as one entity, facilitating coordinated, collaborative joint programming.
- The first time UNDG organizations have made it possible for donors to fund their projects through a single channel, reducing donors' transaction costs and UN organizations' resource mobilization and reporting costs.

The UNDG ITF is the primary source of funding for the UN cluster approach in Iraq, which to date includes eleven clusters: Education and Culture; Health; Water and Sanitation; Infrastructure and Housing; Agriculture, Water Resources and Environment; Food Security; Mine Action; Internally Displaced Persons (IDPs) and Refugees; Governance and Civil Society; Poverty Reduction and Human Development; and Support to Electoral Process.³

The United Nations Development Programme (UNDP) administers the UNDG ITF on behalf of itself and other Participating UN Organizations. Nineteen UN organizations have signed the Memorandum of Understanding with UNDP for participation in the UNDG ITF (see Annex 1, List of Participating UN Organizations). On the funding side, 23 donors have signed a Letter of Agreement with UNDP, which resulted in deposits over time of \$667.4 million in the Trust Fund as of end June 2005 (Table 1). This amount constitutes almost 100 percent of the commitments made, which is a major success compared with other trust funds.

² "First Six-Month Progress Report on Activities Implemented under the UNDG Iraq Trust Fund of the International Reconstruction Fund Facility for Iraq", report of the Executive Coordinator of the UNDG ITF covering Period 1 July 2004 to 31 December 2004

³ Following a review of UN clusters the UN Country Team (UNCT) decided, at its meeting of 8 June 2005, to consolidate and reduce the number of clusters from eleven to seven as follows: Agriculture, Food Security, Environment and Natural Resource Management; Education and Culture; Governance and Human Development; Health and Nutrition; Infrastructure Rehabilitation; Refugees, IDPs and Durable Solutions; and Support to the Electoral Process. This cluster streamlining will be presented and discussed at the IRFFI Donor Committee meeting of 19 July 2005.

Table 1. Gross Donor Deposits as of 30 June 2005

Donor	Total Deposit (Donor Currency)		Total Deposit (US\$)
Japan	USD	360,950,528	360,950,528
European Commission ⁴	EUR	98,600,000	126,240,050
United Kingdom	GBP	30,000,000	55,542,000
Canada	CAD	50,000,000	37,767,199
Italy	EUR	12,000,000	15,876,981
Australia	AUD	10,822,000	7,689,261
Norway	NOK	45,000,000	7,009,288
Korea	USD	7,000,000	7,000,000
Sweden	SEK	47,000,000	6,824,494
Netherlands	EUR	5,000,000	6,697,000
India	USD	5,000,000	5,000,000
Kuwait	USD	5,000,000	5,000,000
Qatar	USD	5,000,000	5,000,000
United States	USD	5,000,000	5,000,000
Denmark	DKK	25,000,000	4,525,870
Finland	EUR	3,000,000	3,885,600
New Zealand	NZD	3,500,000	2,361,200
Belgium	EUR	1,000,000	1,320,995
Luxembourg	EUR	800,000	1,237,200
	USD	200,000	
Ireland	EUR	1,000,000	1,226,400
Greece	EUR	600,000	763,980
Iceland	USD	500,000	500,000
TOTAL			667,418,045

The UNDG ITF represents a new way of managing donor funds. Unearmarked donor contributions are co-mingled upon receipt of the deposit. Similarly, earmarked funds are also co-mingled in the specific Cluster to which donors have decided to allocate their contributions. This occurs even when the contribution is further earmarked to a particular UN implementing agency.⁵ The receipt of funds and management of the ITF are based on the cluster approach as are reports on earmarked and unearmarked donor contributions (by Cluster), disbursements made to Participating UN Organizations (by Cluster and agency), and expenditures incurred under the projects (by Cluster and agency).

2. UNDG Method of Operating in Iraq

The implementation mechanisms used by UNDG in Iraq are unique in many ways. Its unified country operation emphasizes transfer of knowledge both because of its intrinsic merits (empowerment and capacity development of Iraqis) and out of necessity – the “light foot print” imposed by the security situation, where UN international staff are obliged to work mostly from outside Iraq. The UNDG organizations have put in place a series of processes to develop Iraqi capacity and maximize Iraqi involvement in project identification,

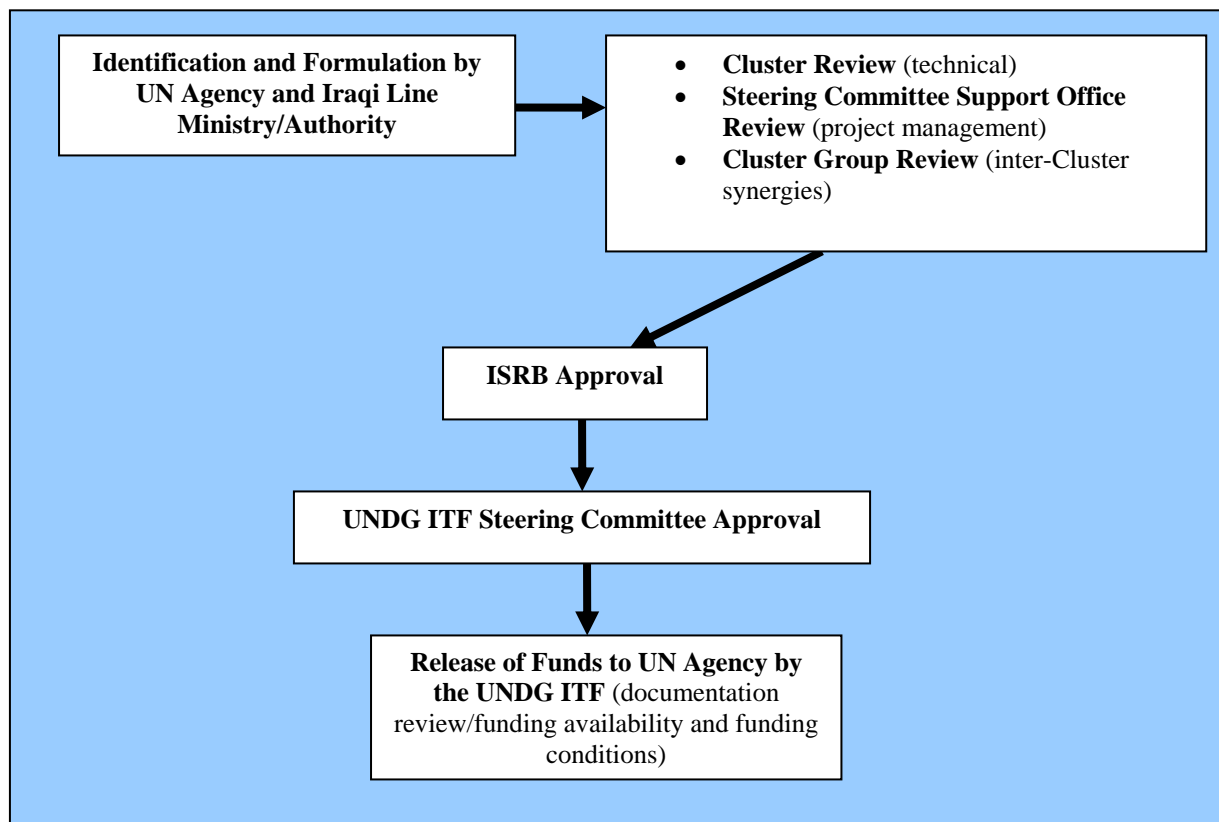
⁴ Of which euro 17.80 million are a contribution from the European Commission’s Rapid Response Mechanism earmarked to the Governance and Civil Society and the Support to Electoral Process Clusters and euro 0.80 million is a contribution from the European Commission’s Human Rights earmarked to the Support to Electoral Process Cluster.

⁵ In this report, the term “agency” is used interchangeably with “organization” to describe the Participating UN Organizations although only a few of the UN organizations are legally defined as agencies.

formulation and implementation. The aim is to ensure effective Iraqi ownership and beneficiary participation while retaining UN accountability for funds entrusted to the UN.

The key criteria that projects funded by the UNDG ITF must meet are: (a) alignment with Iraqi-identified priorities; (b) implementability in 2004/2005 given the security situation and delivery capacity of the Participating UN Organization; (c) impact on employment creation, and (d) degree of inter-agency cooperation in planning and implementation (reflecting the cluster principle). To ensure greater focus on project delivery and effective use of donor resources, these criteria were refined and tightened in March 2005 to take into account the demonstrated delivery capacity of the implementing UN agencies. The new criteria require that an agency requesting additional resources from the UNDG ITF demonstrate achievement of a 50 percent contract commitment rate and a 25 percent disbursement rate on projects already funded from the UNDG ITF.

UNDG ITF Project Selection, Review and Approval Process



The methodology used to review the quality of project proposals has been critical to the successful operation of the UNDG ITF. As in normal UN country operations, the prior endorsement of UN projects by Iraqi institutions and line ministries are required for subsequent project processing and approval. Project proposals are submitted by the UN Agency to the relevant UN Cluster for detailed technical review. Once technical endorsement has been secured, the proposals are submitted for further vetting by the UNDG ITF Steering Committee Support Office (SCSO) and the Cluster Group, consisting of task managers of all the Clusters and of the cross-cutting themes. The SCSO review focuses on project management issues in light of UNDG ITF project submission guidelines. The Cluster Group reviews the proposals for inter-Cluster coordination, best management and implementation practices and location-specific synergy.

Project proposals are also evaluated against a series of social and environmental indicators. To the extent possible, potential impact on both employment and the environment is measured. The cluster system ensures the necessary social and environmental input through the presence, in Cluster meetings, of the specialized

agencies, funds and programmes and in particular the focal points for the five cross-cutting themes (security, human rights, gender, environment and employment generation).

As was agreed at the Doha IRFFI Donor Committee meeting in May 2004, the Iraq Strategic Review Board (ISRB) has the primary role in deciding on the individual projects that the UNDG ITF will consider for funding. After Cluster Group approval therefore, proposals are submitted to the ISRB for approval. Upon ISRB endorsement the proposal is reviewed by the UNDG ITF Steering Committee for approval, including allocation of funding. The Steering Committee, chaired by the Deputy Special Representative of the Secretary General (DSRSG) for Iraq, comprises heads of UN organisations based in Amman, with the UNDG ITF Executive Coordinator participating as an ex officio member.

Finally, approved funds are released by the UNDG ITF Executive Coordinator to the particular Participating UN Organisation that will exercise full programmatic responsibility for the implementation of the project and financial accountability for the funds received. Transfer by the Executive Coordinator to Participating UN Organizations is only made after all the conditions for project approval and fund transfer have been fulfilled. These include, among others, the signing of the project document by the Chairman of the UNDG ITF Steering Committee and the respective representative of the Participating UN Organization confirming fulfilment of all conditions of project approval, actual availability of deposited contributions in the UNDG ITF account, and fulfilment of the conditions attached to contributions and specified in the Letter of Agreement concluded with donors and with the provisions of the Memorandum of Understanding concluded with the UN Agencies..

As of 30 June 2005 a total of 59 projects had been approved for a total funding of \$586.4 million amounting to 88 percent of deposited funds. The list of approved projects, by agency, with date of approval by the UNDG ITF Steering Committee and date of transfer of funding, is provided in Annex 2.

Faced with the continuing security crisis in Iraq most international staff have continued to operate from outside of the country, primarily Amman, Jordan and national staff have been severely restricted in their movements. In response, the UN agencies have developed innovative implementation mechanisms that give primary responsibility for project implementation to national entities ranging from UN national staff, government ministries, private consultants and contractors, and NGOs while maintaining financial and programmatic accountability.

The UNDG organizations are using a mix of execution modalities, including transfer of funds to line ministries for specific items, depending on the area of intervention and the degree of institutional capacity. In some cases, there is greater reliance on existing national rules and implementation mechanisms, as in the Health Cluster. In other Clusters, however, greater independence has been exercised, as in the Internally Displaced Persons (IDPs) and Refugee Cluster and in projects dealing with the development of civil society.

The UN is presently strengthening line ministries in two main ways. It is using ministry staff to constitute Programme Implementation Units (PIUs) or Project Management Teams (PMTs) to assist in project implementation. This is combined with a major emphasis on developing the capacity of Iraqi ministry counterparts and officials in general through extensive in-service and regional training programmes.

Building national ownership is not limited to increasing the responsibility, involvement and capacity of officials in government institutions. One distinguishing aspect of the way in which UN operations in Iraq have been reconfigured is the major increase in responsibility given to UN national staff. Local consultants conversant with UN operations are also being used extensively. Former technical national staff formed and/or joined construction, consulting and other companies. Iraqi local contractors have significant experience in implementing projects for the UN, particularly with respect to civil engineering/rehabilitation. A wide range of contracts are being awarded to Iraqi contractors and some of them are already listed in the contract awards table posted on the UNDG ITF Procurement page of the IRFFI web site www.irffi.org.

In many cases, implementing UN agencies have had to substantially revise their standard contracting and

supply delivery procedures to adapt to the necessity of remote supervision by international staff and the requirement to ensure the least exposure of national staff while safeguarding the transparency and integrity of business processes.

3. Progress in Implementation on the Ground

It should be underlined that this report covers only the activities of the UN that are funded by the UNDG ITF. UN activities in Iraq funded through other sources represent a significant, and in some cases, a major share of a number of the UN organizations' 2004 activities in Iraq. This has been the case for Clusters such as Education, Health, Water and Sanitation, Infrastructure, Food Security, Mine Action, IDPs and Refugees, Governance and Civil Society, and Poverty Reduction and Human Development. **It was only in the second half of 2004 that projects funded by the UNDG ITF began to be implemented.**

A sample of the results of UNDG ITF activities are presented here according to a number of key indicators judged as essential for reconstruction and development. These are: capacity development, policy dialogue, service delivery and employment creation.

Capacity Development

UNDG ITF projects have supported a broad range of capacity-development activities from technical training, to workshops, seminars, conferences and high-level meetings, all actively involving participants from ministries and various civil society organizations. From December 2004 to March 2005, for example, the UNCT carried out almost 100 capacity-development activities. These have included, high-level meetings such as the December 2004 International Employment Conference on Iraq organized by the International Labour Organization (ILO) in Amman, which endorsed and adopted a declaration and action plan for job creation and a three-day Symposium on Housing and Urban Development in September 2004, organised by UN HABITAT, which agreed upon a Vision and an Action Plan for Iraq. At the same time lower key capacity building initiatives have been undertaken in a number of clusters. For example, the Education and Culture Cluster has strongly supported the Ministry of Education (MoEd) in the conduct of terminal and non-terminal examinations, including the orientation of teachers. UNDP has sent 21 Iraqi engineers to Japan and Korea to be trained in the use of equipment for intrusive and non-intrusive assessment, giving Iraqis their first training in modern assessment techniques in twenty years. UNDP also trained over 50 staff from the MoPDC and governorates in modern management methodology and techniques. The UNDP/IOM project Iraqis Rebuilding Iraq has fielded its first three long term expatriate Iraqi experts to the Council of Ministers. Another three experts will arrive within a month. A further 120 concrete requests have been received from 16 Iraqi ministries and expressions of interest from 58 fully qualified expatriates.

Policy Dialogue

The UN has also contributed to policy dialogue in technical areas, including the review of the Iraq National Development Strategy from a human development perspective and in areas directly impacting urgent services such as primary health care policy. The UN made a major contribution to Iraqi aid coordination policy, in particular coordinating with donors, especially the United States, the approach and methodology to help to establish the Donor Assistance Database, a UNDG ITF project being implemented by UNDP.

Delivery of basic services

Major strides have and continue to be made in delivering "basic services". The education cluster, led by UNICEF, delivered essential learning materials to six million students for the 2004-5 academic year requiring a massive procurement, assembly, delivery and distribution operation and already has the procurement operation underway for October 2005 delivery of three million sets of learning materials for primary school students for the 2005-6 academic year. UNESCO equipped eleven technical and vocational institutions in Baghdad, Mosul, Erbil and Samawah for the benefit of 4,000 students with particular emphasis for establishing vocational and technical skills for girls and delivered computers and other information technology equipment to the Ministry of Education for the training of 30,000 secondary school teachers.

The health cluster, led by WHO was instrumental in making significant achievements in rebuilding the health system, through supporting the development of key policies and the completion of a series of health strategies such as the adoption of the Maternal and Child Health (MCH) strategy at the first Iraqi National MCH Conference, conducted in Erbil, Northern Iraq, after a year of support provided by three UN agencies. The success of health interventions in Iraq is shown through the contributions they make in sustaining Iraq's polio free status, the reduction of major incidences of Measles, Mumps and Rubella and keeping incidences of cholera and typhoid very low. UNFPA is strengthening Iraq's emergency obstetric services through technical assistance and provision of medical equipment, supplies and essential drugs as well as by procuring 42 ambulances that were requested by the Ministry of Health.

In the area of water and sanitation, UNICEF, with UNDG ITF resources, rehabilitated defective compact water treatment units in Wassit Governorate, providing urgently needed clean drinking water to more than 50,000 people. The people in these communities were also trained in the maintenance of the units and on good hygiene practices. A reverse osmosis water treatment plant was installed in Basra to provide clean drinking water to Al-Talimi Hospital and a training programme provided on the proper operation and maintenance of reverse osmosis units.

The infrastructure and housing cluster led by UNDP has undertaken a number of emergency repair operations for electrical installations in medical facilities in Baghdad and in the central region of the country; supported the Ministry of Electricity maintenance teams in repairing 18 key transmission lines in the north and central parts of the country; procured, delivered and installed 177 generators for essential humanitarian services as well as three mobile substations, 218 distribution transformers, four underground cable fault-finding vehicles and other urgently required equipment.

Furthermore, UNDP has initiated projects aimed at increasing the generation outputs of four strategic generation power plants in the Iraqi national system and rehabilitating the Iraqi National Dispatch Centre. Two major contracts were signed during 2004, the first for continuing the rehabilitation of Units 1 and 4 of the Hartha power plant, located in Basra in the south. The second contract is for rebuilding and developing the National Dispatch Centre in Baghdad that controls the flow of electrical power in the national grid. Completion of this work will substantially reduce the number of outages. Three major contracts have been signed in 2005, following extensive technical preparation and negotiation, for the rehabilitation of Taji gas turbine units, Mosul gas turbine units and Emergency Rehabilitation of Mussaib's Unit 1.

In 2005 FAO is upgrading and revitalizing the services of the agricultural sector through technical assistance and delivery of urgently required agriculture supplies such as, veterinary field supplies, laboratory equipment, refrigerated trucks, forklifts, essential vehicles, and cold storage rooms for the veterinary hospitals. Work on rehabilitation of pumping stations is also picking up with three purchase orders issued for the provision of spare parts for the two Kirkuk pumping stations.

In the Food Security Cluster, WFP is implementing a project that is based on the findings of a 2004 WFP household and vulnerability survey that revealed a much higher school drop-out rate for young girls (two thirds) and an increasing malnutrition rate among vulnerable groups. The project is ensuring that children, and particularly girls, remain at school through take-home incentive packages and advocacy for the improvement of the nutritional status of children, pregnant and lactating women and tuberculosis patients.

In the Mine Action Cluster, under the UNOPS Explosive Ordnance Disposal (EOD) Capacity Building and Clearance project, an area of 2,549,640 square meters of mainly agricultural land has been cleared and some 103,673 items of explosives ordnance destroyed. Unfortunately this project, which represents 60 percent of the UN contribution to mine action in Iraq, had to be terminated in June 2005 due to a lack of funding rendering the 15 fully trained and equipped national clearance teams unemployed.

UNHCR and its implementing partners, have committed and initiated multisectoral assistance to fifteen villages identified as the most vulnerable activities within the communities and nearby cities (all funds are

now contractually committed and 81 percent disbursed). They have ensured that more than 200,000 persons, including 40,000 returnees, have had access to rehabilitated schools, water systems and vocational training. Technical and equipment support has also been provided for their agriculture and livestock activities. Nearly 300,000 persons have benefited from quick-impact projects that improve their villages in accordance with the communities' expressed needs and wishes. More than 1,000 vulnerable families in rural areas have been identified to receive shelter support, including host families.

Employment Creation

A number of UNDG ITF projects are specifically geared to the creation of employment and include major employment-intensive rehabilitation operations, for example, the rehabilitation of schools and health care centres. UN HABITAT has, for example, just during May 2005 completed rehabilitation work on three Technical and Vocational Institutes in Muthanna Governorate in the Lower South and rehabilitation of schools, technical institutes and other services in Basrah and Baghdad. UNICEF is supporting the comprehensive rehabilitation of 62 schools that are at different stages to benefit 30,000 students while WHO is in the process of rehabilitating and re-equipping more than 300 health facilities. These include Primary Health Care Centres, Mental Healthcare Units and the National Drug Quality Control Laboratory (the latter is 95% complete and will serve the needs of 27 million Iraqi's). These programmes are already providing thousands of jobs to Iraqis and are expected to more than double their employment impact as the programmes expand.

Support to Electoral Process

The success of the Support to Electoral Process cluster in delivering to the Independent Electoral Commission of Iraq (IECI) policy advice, capacity development and logistics support, with \$87 million disbursed for six projects within a very tight deadline, is illustrative of the strengths of the UNDG ITF implementation record.

Within eight months, the UN assisted in establishing a new Iraqi national electoral body, the IECI, which succeeded in conducting successful nationwide elections in a precarious security situation. The UN supported the IECI in specialized policy and operational sectors ranging from the drafting of the regulatory framework and electoral procedures to the setting up of the IECI information technology unit and post-election tally centre. Projects implemented in 2004 included UNDP projects for the equipping of the IECI offices with computers and office furniture and the creation of a voter register with the names of 14 million citizens. In January 2005, the accurate delivery to tight deadlines of 36,000 polling station kits, 7,000 polling centre kits, 90,000 ballot boxes, 45,000,000 ballot papers and 144,000 voting screens was assured by UNOPS with the completion of the majority of deliveries in 13 days from 17-29 January 2005.

In addition UNESCO trained journalists; translated and published a handbook and clip binder on the elections and wrote media policy guidelines and briefing notes, which were translated, published and disseminated at training events and via the Internet. Further in complementary governance project UNIFEM built capacity in ministries and civil society on leadership, management and advocacy for the political/electoral participation of women in Iraq as well supporting the establishment of an independent women's radio station "Voice of Women."

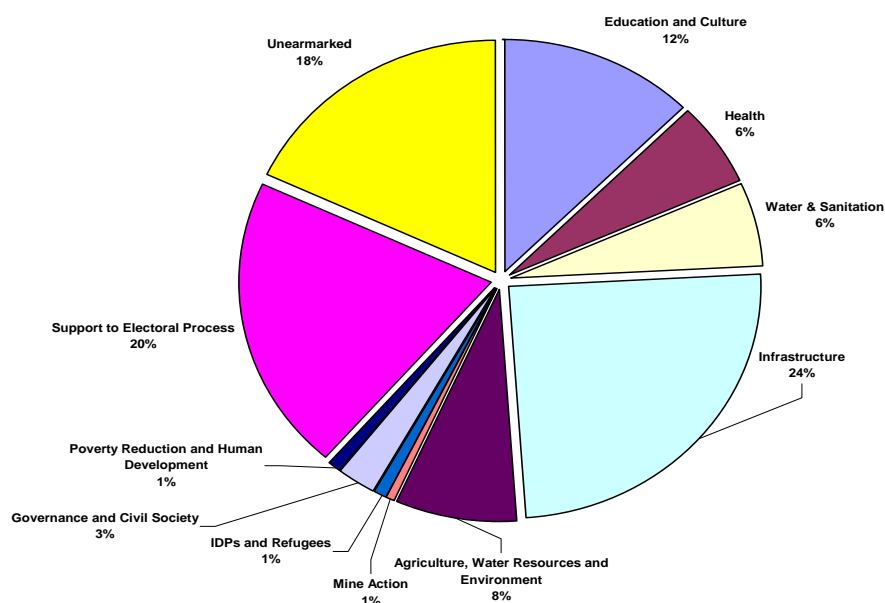
4. Financial Status

Table 2. Source, Use and Balance of UNDG ITF Funds: Jan. 2004 – end Jun. 2005

	(US\$)
Source of funds	
Gross Contributions	667,418,053
Interest Income ⁶	2,156,142
Total – Source of funds	669,574,195
Use of funds	
Transfer to Implementing Agencies	586,421,310
Administrative Agent fees	5,594,333
Direct Costs (Support to Steering Committee/IRFFI Secretariat)	1,001,127
Bank charges ⁷	4,789
Total – Use of funds	593,021,558
Balance of funds available⁸	76,552,637

By 30 June 2005, of the total \$ 672.6 million committed by donors to the UNDG ITF, approximately \$ 667 million have been deposited of which \$ 586.4 million have been transferred to implementing agencies to date. Approximately 82 percent of donor contributions (\$ 541.5 million) have been earmarked by Cluster and/or Participating UN Organization while only 18 percent (\$119.4 million) has been unearmarked contributions, as shown in Table 3 and Figure 1. Of total donor contributions, 49 percent has been earmarked to “basic services” (12 percent to Education, 6 percent to Health, 6 percent to Water and Sanitation, and 25 percent to Infrastructure and Housing), 20 percent to Support the Electoral Process, 8 percent to Agriculture, Water Resources and Environment and 6 percent distributed between Mine Action, IDPs and Refugees, Governance and Civil Society, and Poverty Reduction and Human Development and 18 percent unearmarked.

Figure 1: Net Donor Deposits, by Cluster as of 30 June 2005



⁶ Reflects interest income recorded as of 31 December 2004. Interest in 2005 will be reflected as of 31 December 2005.

⁷ Reflects bank charges recorded as of 31 December 2004. Bank charges incurred in 2005 will be reflected as of 31 December 2005.

⁸ Figure includes \$ 6.8 million (which are in the process of being transferred to agencies for approved but partially funded projects) and \$ 2.2 million interest income earned as of 31 December 2004.

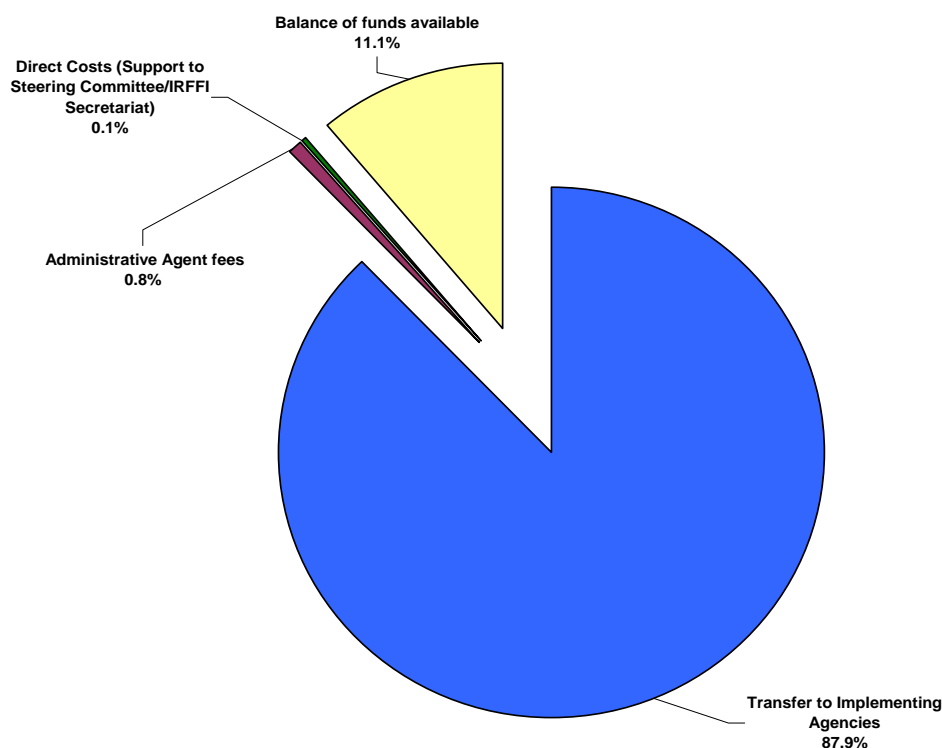
Table 3: Net Donor Contributions, by Cluster and Type of Funds as of 30 June 2005

Cluster	Net Deposits (US\$)	Donor(s)	Percentage of Total Deposited Funds (%)
Education and Culture	82,426,521	European Commission, Ireland, Japan	12.5
Health	38,547,873	European Commission, Japan	5.8
Water and Sanitation	38,848,063	European Commission, Japan, Luxembourg	5.9
Infrastructure and Housing	162,359,141	Japan	24.6
Agriculture, Water Resources and Environment	52,537,076	European Commission, Italy, Japan, Kuwait	8.0
Food Security	0		0.0
Mine Action	3,979,154	Republic of Korea, Sweden	0.6
IDPs and Refugees	4,232,367	Australia, Republic of Korea	0.6
Governance and Civil Society	17,310,840	Australia, European Commission, Finland, Sweden	2.6
Poverty Reduction and Human Development	6,293,486	European Commission	1.0
Support to Electoral Process	134,928,554	Australia, Belgium, Canada, Denmark, European Commission, Finland, Italy, Japan, Republic of Korea, Luxembourg, Netherlands, New Zealand, Norway, Sweden, United Kingdom	20.4
TOTAL - EARMARKED Funds	541,463,075		81.9
TOTAL - UNEARMARKED Funds⁹	119,359,516	Canada, Greece, Iceland, India, Japan, New Zealand, Norway, Qatar, United Kingdom, United States	18.1
TOTAL FUNDS	660,822,591		100.0

The Administrative Agent (AA) fee of \$5.6 million charged up front for the entire four-year duration of the Fund is as per the sliding scale indicated in the Letter of Agreement and is equivalent to 0.8 percent of deposited funds- close to the lower range of 0.75 to 1.25 percent specified in the IRFFI Terms of Reference of 11 December 2003 and the Letter of Agreement concluded with IRFFI donors. Based on the four-year life cycle of the Fund, the annual AA fee earned on deposited donor contributions to date is approximately \$1.4 million (0.21 percent of deposited funds or 0.23 percent of approved and funded projects). The direct costs relating to the Secretariat and the UNDG Steering Committee Support Office are currently charged at a notional rate of 0.15 percent based on an estimate of such costs for the four-year life cycle of the Fund.

⁹ Includes US\$ 30 million of Japan's contribution. While Japan expressed a preference for Health/Medical Care (\$10 million), Employment Creation (\$10 million) and Water and Sanitation and Environment (\$10 million), these funds were made available to finance activities in other Clusters, based on prior consultations between Japan and the UNDG ITF. Figure also includes the United Kingdom's \$45 million contribution, which is broadly earmarked to 10 out of 11 Clusters (excluding the funding of some activities), without specific funding allocations by Cluster.

Figure 2: Use and Balance of UNDG ITF Total Donor Contributions as of 30 June 2005



Sixteen (including UN EAD) of the 19 Participating UN Organizations of the UNDG ITF have received funding for the implementation of approved projects and programmes to date. Areas that received the largest shares of approved funding to date has been towards “basic services”, 61 percent (28 percent to Infrastructure and Housing, 14 percent to Education and Culture, 13 percent to Health, and 6 percent to Water and Sanitation), 18 percent towards Support to Electoral Process, 12 percent towards Agriculture, Water Resources and Environment. Total approved and transferred funding is consolidated by Cluster and Agency in Tables 4 and 5, respectively.

Table 4: Distribution of Approved Funding, by Cluster and Type of Funds as of 30 June 2005

Cluster	Earmarked (US\$)	Unearmarked (US\$)	Total (US\$)	Percentage of Total Approved Funding (%)
Education and Culture	81,186,844	544,649	81,731,493	13.9
Health	38,459,768	36,384,315	74,844,083	12.8
Water & Sanitation	34,778,424	0	34,778,424	5.9
Infrastructure and Housing	146,362,771	20,619,870	166,982,641	28.5
Agriculture, Water Resources and Environment	47,407,280	25,112,906	72,520,186	12.4
Food Security	0	4,000,000	4,000,000	0.7
Mine Action	1,021,154	2,319,458	3,340,612	0.6
IDPs and Refugees	3,246,367	13,621,148	16,867,515	2.9
Governance and Civil Society	17,087,550	0	17,087,550	2.9
Poverty Reduction and Human Development	6,188,630	0	6,188,630	1.1
Support to Electoral Process	108,080,176	0	108,080,176	18.4
TOTAL	483,818,964	102,602,040	586,421,310	100.0

Table 5: Distribution of Approved Funding, by Agency as of 30 June 2005

Agency	Funded Amount (US\$)	Number of Projects	Percentage of Total Approved Funding (%)
UNDP	222,183,671	16	37.9
UNICEF	76,353,604	4	13.0
UNOPS	74,537,581	6	12.7
WHO	60,602,700	4	10.3
FAO	45,594,086	5	7.8
UN-HABITAT	31,366,669	4	5.3
UNEP	15,700,000	2	2.7
UNESCO	15,457,624	8	2.6
UNIDO	14,966,880	3	2.6
UNFPA	12,603,477	1	2.1
UNHCR	7,126,200	1	1.2
WFP	4,000,000	1	0.7
ESCWA	3,703,202	2	0.6
UNIFEM	1,904,616	1	0.3
ILO	321,000	1	0.1
Total	586,421,310	59	100.0

As of 31 December 2004, of a total approved budget of \$494,265,133, \$120,094,275 (24.3 percent) was expended during the first six months of the UNDG ITF, a relatively high rate in comparison to similar operations in Iraq and elsewhere.

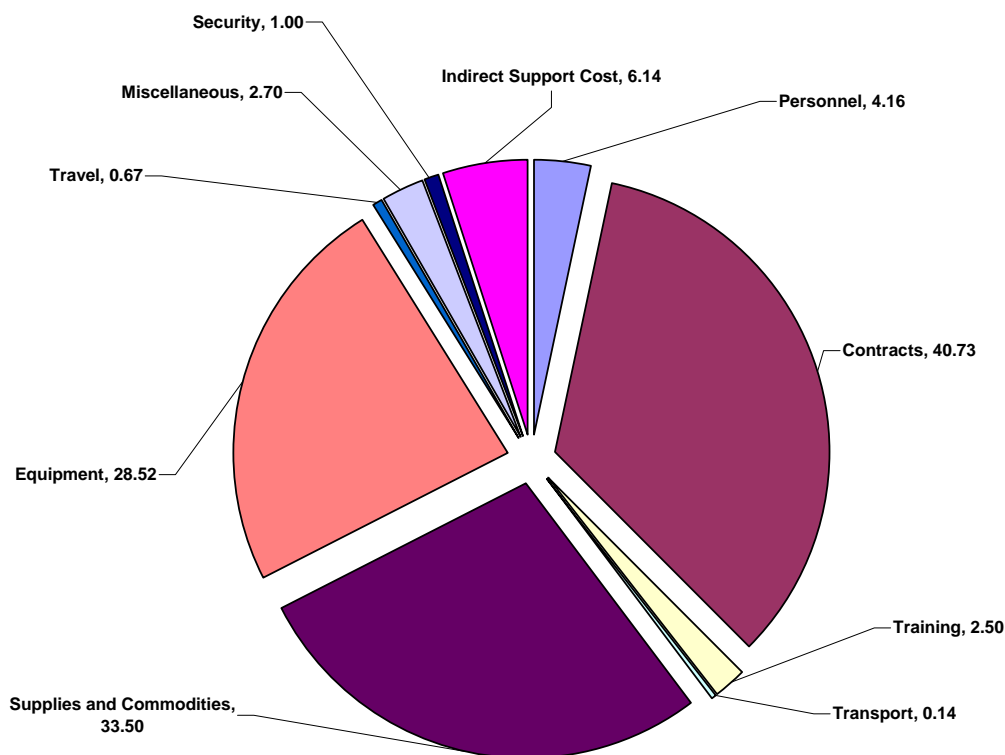
End-December 2004 Expenditure Highlights

The largest proportion of total project expenditures in 2004 has gone towards the procurement of contractual services (approximately 36 percent of total programme expenditure), supplies and commodities (29 percent), and equipment (25 percent). These categories account for a combined total of 90 percent of all expenditures. As reflected in Table 6 and Figure 3, only 3.6 percent of total expenditures have been for project personnel costs. Indirect support costs of UN implementing agencies have averaged 5.4 percent of total expenditures—close to the lower range of 5 to 9 percent but well below the expected average of 7 percent specified in the Letter of Agreement concluded with IRFFI donors. Those Clusters with projects involving significant capital investments, such as FAO rehabilitation of irrigation pumps or UNDP rehabilitation of power generation, have a longer preparation period and thus have shown relatively lower implementation rates in 2004 with the pace quickening in 2005.

Table 6: Total End-December 2004 Expenditure, by Category

Category	Total Expenditure (US\$ mill)	Percentage of Total Programme Expenditure (%)
Personnel	4.16	3.6
Contracts	40.73	35.8
Training	2.50	2.2
Transport	0.14	0.1
Supplies and Commodities	33.50	29.4
Equipment	28.52	25.0
Travel	0.67	0.6
Miscellaneous	2.70	2.4
Security	1.00	0.9
Indirect Support Costs	6.14	5.4
TOTAL	120.06	NA

Figure 3: Breakdown of Total End-December 2004 Expenditure by Category, US\$ mill

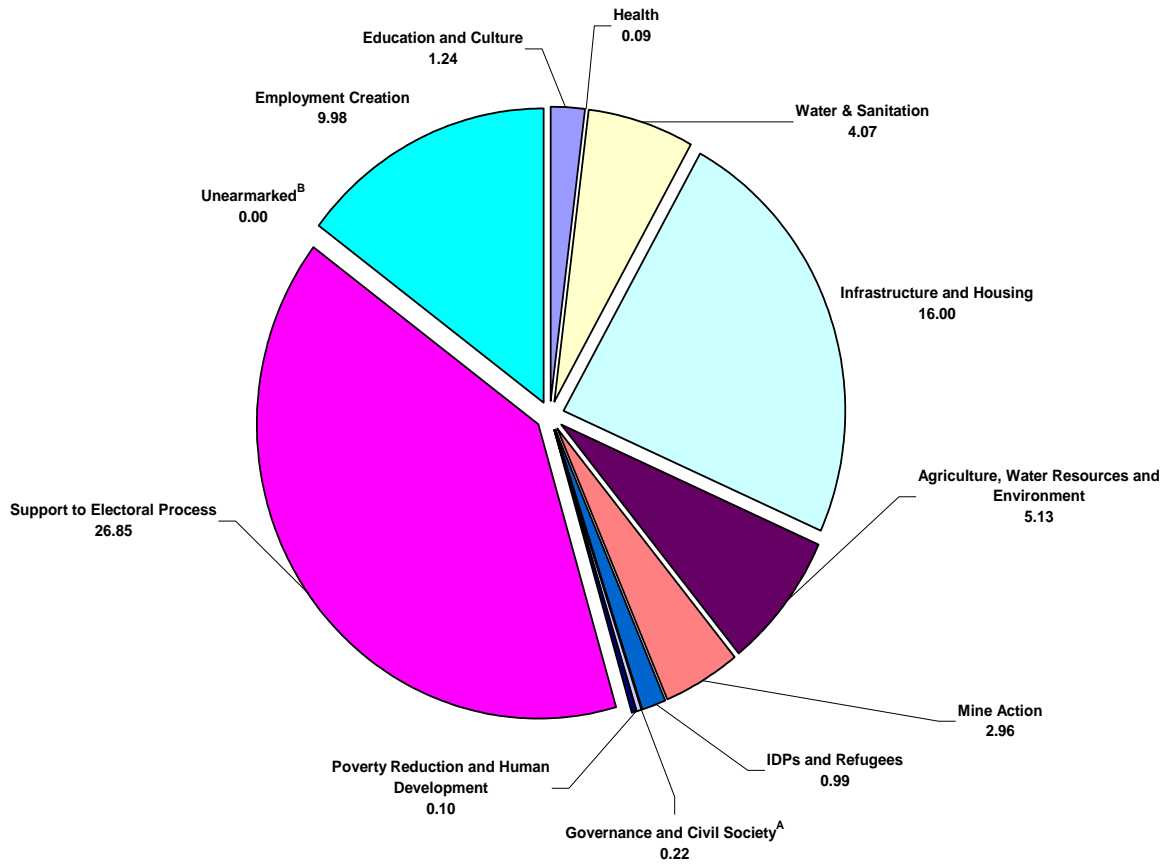


End June 2005 Commitment and Disbursement Levels

As implementation progressed in 2005, levels of legally binding contract commitments against approved and funded projects reached \$ 398 million (68 percent) and \$ 218 million in disbursements (37 percent). The highest level of contract commitments have been reported in “basic services” totalling \$ 232 million (Infrastructure and Housing, \$ 118 million, Education and Culture, \$ 64 million, Health, \$ 37 million, and Water and Sanitation, \$ 13 million), Support to Electoral Process (\$ 95 million), and Agriculture, Water Resources and Environment (\$ 41 million). Tables 7 and 8 provide details by Cluster and Agency, respectively of the cumulative commitment and disbursement levels recorded as of end June 2005. The total commitment rate has slightly reduced compared with the figure (73 percent) reported at the end of May 2005 due to the approval and funding, in late June 2005, of \$ 70 million in new projects.

The currently available balance of approximately \$ 68 million (Figure 4) is all earmarked and already allocated to priority activities (primarily \$ 27 million for elections, \$ 16 million for housing, \$ 10 million for employment creation, \$ 5 million to UNIDO for agro-industry, and \$ 4 million for water and sanitation). Of the total \$ 27 million required to fund approved but partially funded projects, approximately \$ 11 million is needed to finance ongoing projects which had received partial funding due to unavailability of sufficient funds at the time of approval. The Constitutional Development Programme approved for a total of \$ 24 million has been temporarily funded to the extent of \$ 8.7 million from available funds in the Governance Cluster. The programme will shortly be funded from the EC’s 2005 contribution.

Figure 4: Distribution of Balance of Funds, by Cluster/Theme as of 30 June 2005, in US\$ mill



Notes

A/Figure does not include 8.7 million temporarily used to partially fund projects under the Support to Constitutional Development Programme which will be “reimbursed” upon the deposit of the EC’s contribution earmarked to the programme.

B/Figure takes into account the transfer of \$ 6.8 million (in progress) for approved and partially funded projects.

Table 7: Total Project Commitments and Disbursements, by Cluster, 1 July 2004 to 30 June 2005 (US\$ million)

Cluster	Funded Amount	JUL. 2004 - DEC. 2004 ACTUALS		JAN. 2005 - JUN. 2005 ACTUALS		JUL. 2004 - JUN. 2005 ACTUALS				
		Commitment	Disbursement	Commitment	Disbursement	Commitment		Disbursement		
						(US\$ mill)	(%)	(US\$ mill)	(%)	
1	Education and Culture	81.73	37.43	20.09	26.47	8.99	63.90	78.2	29.08	35.6
2	Health	74.84	19.72	7.41	17.21	15.77	36.93	49.3	23.17	31.0
3	Water and Sanitation	34.78	2.06	0.90	11.05	1.80	13.10	37.7	2.70	7.8
4	Infrastructure and Housing	166.98	54.06	10.92	64.17	26.69	118.24	70.8	37.61	22.5
5	Agriculture, Water Resources and Environment	72.52	23.97	10.18	16.94	5.73	40.91	56.4	15.90	21.9
6	Food Security	4.00	0.00	0.00	3.98	3.98	3.98	99.5	3.98	99.5
7	Mine Action	3.34	0.00	0.00	3.34	3.16	3.34	100.0	3.16	94.6
8	IDPs and Refugees	16.87	9.01	5.63	6.43	3.10	15.44	91.5	8.73	51.8
9	Governance and Civil Society	17.09	2.39	1.05	4.98	2.29	7.38	43.2	3.35	19.6
10	Poverty Reduction and Human Development	6.19	0.60	0.40	0.05	0.23	0.65	10.5	0.63	10.2
11	Support to Electoral Process	108.08	46.97	37.24	47.64	52.64	94.61	87.5	89.87	83.2
	TOTAL	586.42	196.22	93.81	202.27	124.39	398.49	68.0	218.20	37.2

Table 8: Total Project Commitments and Disbursements, by Agency, 1 July 2004 to 30 June 2005 (US\$ million)

Agency	Funded Amount	JUL. 2004 - DEC. 2004 ACTUALS		JAN. 2005 - JUN. 2005 ACTUALS		JUL. 2004 - JUN. 2005 ACTUALS			
		Commitment	Disbursement	Commitment	Disbursement	Commitment		Disbursement	
						(US\$ mill)	(%)	(US\$ mill)	(%)
ESCWA	3.70	0.42	0.13	0.28	0.15	0.70	18.8	0.28	7.6
FAO	45.59	12.61	8.89	10.69	1.66	23.30	51.1	10.55	23.1
ILO	0.32	0.29	0.08	0.02	0.20	0.30	93.9	0.29	89.2
UNDP	222.18	97.56	47.70	63.17	29.98	160.73	72.3	77.69	35.0
UNEP	15.70	10.90	1.13	2.95	2.70	13.85	88.2	3.83	24.4
UNESCO	15.46	5.53	0.50	5.03	6.47	10.56	68.3	6.97	45.1
UNFPA	12.60	6.23	2.71	1.86	1.86	8.08	64.1	4.56	36.2
UN-HABITAT	31.37	10.87	2.09	9.36	5.13	20.23	64.5	7.22	23.0
UNHCR	7.13	5.22	5.22	1.90	1.01	7.13	100.0	6.23	87.4
UNICEF	76.35	26.13	19.12	25.94	2.14	52.07	68.2	21.26	27.8
UNIDO	14.97	0.13	0.02	2.00	0.52	2.13	14.2	0.54	3.6
UNIFEM	1.90	0.72	0.72	0.51	0.04	1.22	64.2	0.76	39.7
UNOPS	74.54	5.44	0.62	57.71	53.95	63.15	84.7	54.57	73.2
WFP	4.00	0.00	0.00	3.98	3.98	3.98	99.5	3.98	99.5
WHO	60.60	14.17	4.88	16.88	14.59	31.04	51.2	19.47	32.1
TOTAL	586.42	196.22	93.81	202.27	124.39	398.49	68.0	218.20	37.2

5. Issues for future programme implementation

Due to the security situation, the number of UN international staff in Iraq is likely to continue to be significantly below that normally required for the implementation of ongoing and future reconstruction and development projects. As reported earlier, UNDG organizations are flexibly adapting to the difficult reality on the ground by using diverse implementation modalities. In this respect, the risk exposure of UN national staff and non-UN personnel is being carefully and constantly reviewed. Present UN operational plans for Iraq continue to regard the security risk as being at a critical or high level throughout the country. For the immediate future, it is expected that Baghdad and some central and northern governorates of Iraq will generally remain in Security Phase IV, and it is this assumption that has underlain the preparation of the UN Assistance Strategy for 2005-2007. However it should be noted that in addition to the presence in Baghdad of the Special Representative of the Secretary General (SRSG), his political team (along with over 50 substantive and support staff) and a Deputy Humanitarian/Reconstruction Coordinator, UN reconstruction, development and humanitarian staff are increasing their visits to Baghdad, Basrah and Erbil.

Future programme implementation will be based on the jointly owned “UN-Iraqi Assistance Strategic Framework 2005-2007, which is considered a “work-in-progress,” and builds on the Iraq National Development Strategy, the UNDG ITF 2004 experiences in implementation, and ongoing and widespread consultations between clusters/agencies and their respective line ministries and government counterparts. In particular the UN stands ready to respond to the top priorities of the Transitional Government of Iraq as has been recently articulated by the Minister of Planning and Development Cooperation. The overall UN Goal for 2005-2007 is to make significant contributions to the creation of a secure enabling environment conducive to the fulfilment of the rights of the Iraqi people to survival, development and active participation in the rebuilding of their country.

The UNDG ITF activities pipeline for 2005, as contained in the current UN Assistance Strategy for Iraq for 2005-2007 indicates additional resource requirements of about \$697 million as given in Table 9.

Table 9: UNDG ITF Funding Requirements for 2005 (in US\$ millions)

No.	Cluster	Funded to date ^a	Committed Funds to date ^b	2005 Unfunded ^c
1	Education & Culture	81.73	63.90	66.05
2	Health	74.84	36.93	61.00
3	Water & Sanitation	34.78	13.10	119.50
4	Infrastructure & Housing	166.98	118.24	97.50
5	Agriculture, Water Res. & Environment	72.52	40.91	50.20
6	Food Security	4.00	3.98	41.00
7	Mine Action	3.34	3.34	29.30
8	IDPs & Refugees	16.87	15.44	58.35
9	Governance & Civil Society	17.09	7.38	31.80
10	Poverty Reduction & Human Dev.	6.19	0.65	45.00
11	Support to Electoral Process	108.08	94.61	97.00 ^d
	TOTAL	586.42	398.49	696.70

^a Total approved and funded projects by UNDG ITF as of 30 June 2005.

^b Funds legally committed by Participating UN Organizations as of end June 2005 against 2004 and 2005 approved and funded UNDG ITF projects.

^c Funding required for new projects based on figures reported under the 2005 unfunded programme in the May 2005 draft of the UN Assistance Framework for Iraq for 2005.

^d Based on estimates received from the cluster.

The first four clusters that constitute “basic services” (Education, Health, Water and Sanitation, and Infrastructure and Housing) respond directly to what the UN understands is likely to be among the top priority requirements of the Iraq Transitional Government and would need funding of \$344 million in 2005.

Given the unique demands and opportunities in the current phase of Iraq’s political transition, if requested, the UN is committed to serving as a facilitator for donor coordination on reconstruction and development issues. Extensive consultations with Iraqi officials and donors have revealed a clear need for improved aid coordination to maximize the effective utilization of external resources for reconstruction and development and a need to reaffirm stronger Iraqi leadership of the process. The mechanism of donor coordination and the tracking of both multilateral and bilateral funding are central to success in these areas. It is recognized that the IRFFI has enhanced donor coordination among a wide number of donors contributing to Iraq’s reconstruction and development. In addition the UN is ready to provide, if requested, support to the on-going Baghdad-based, Iraqi-led forums where Iraqi officials and donors would discuss strategic policies and priorities in guiding development efforts from an in-country perspective.

6. Hurdles to Implementation and Lessons learned –improving the UNDG ITF for Iraq and the wider aid architecture

HURDLES TO IMPLEMENTATION

The UNDG ITF has by and large achieved a relatively good record in delivering services over the first year of operations. However, the results were not achieved without significant difficulties, and considerable hurdles to implementation remain. The most significant hurdles are the following:

Insecurity: Threats of terrorism, border closures, movement restrictions within Iraq, kidnapping and burglary have vastly complicated activity planning and execution. It has often been necessary to allocate extra time for travel inside Iraq, with additional cost implications, not to mention the additional cost implications of organizing most training sessions out of country. More concerning is the fact that the movement of UN national staff in Iraq remains extremely restricted.

Lack of Timely Decision-making: Delay in decision-making by Iraqi counterparts to the detriment of timely project implementation is often encountered because of the centralized decision-making structure that is still the norm for government ministries. Ministries are not responding quickly in the identification of facilities to be rehabilitated, providing comments and authorizing decisions for key procurement actions, submitting nominations of personnel for participation in key activities, such as capacity development, despite reminders and multiple contacts...etc

Uncertainty about Leadership Change: A number of decisions on several activities have been delayed due to uncertainty over leadership, as partner organizations have been advised to ascertain the probability and timing of leadership change associated with the elections. The primary concern is the potential annulment by new leaders of decisions made by the former leadership. Such concerns have been compounded by uncertainty in the timing of changes in government and personnel.

Paucity of Reliable Data: Lack of suitable data from the concerned ministries to support projects has prolonged project formulation and/or delayed implementation. Changes in project design have also been requested after significant preparatory work, sometimes including contracting actions, have been made, necessitating return to the drawing board with obvious implications to delays in project implementation.

Significant Cost Increases: Rehabilitation works have been affected by significant cost inflation owing to the very limited number of qualified local companies available and the security situation. For example,

contractors' offers have been two to three times higher than estimated market prices, leading to numerous rebidding exercises. The remote organization of bidding for rehabilitation work also involves delays and limitations in local knowledge of the market are inevitable in the process.

Absence of Decision-makers in Direct Discussions: Since international staff could not be inside Iraq, the decision-making process was lengthened owing to the fact that junior officials might come to Amman for discussions with their UN counterparts but could not take decisions since they lacked sufficient authority. They had to go back to Iraq to discuss matters with higher officials and then return to Amman for further discussion. In the future, this situation will be mitigated by expanded use of video conferencing and more frequent travel to and presence in Iraq of UN international staff.

Communication Difficulties: Options for communication with various ministries and other relevant organizations remain erratic. Landlines often do not work, virtually eliminating the option of using a fax machine. Responses to official correspondence are often not forthcoming, thereby delaying major decisions or limiting time for turnaround. This situation will be alleviated by an increased UN presence in Baghdad but will remain a continuing concern.

Withdrawal of Implementation Partners from Iraq: Most of the reputable international NGOs that had entered into agreements with the UN have either temporarily suspended their operations or substantially slowed down their work, owing to the deteriorated security situation. International companies have also delayed the signing of rehabilitation contracts due to concern about security.

LESSONS LEARNED

The following lessons have been learnt from the first year of UNDG ITF operations:

Need for greater Iraqi ownership: The evolution of Iraqi involvement in terms of capacity and legitimacy has been and remains critical. The development of an assistance strategy based on a nationally owned strategy is very much dependent upon visible progress in Iraqi ownership capacity. The UNDG is looking forward to strengthened strategic guidance from the Iraqi Transitional Government.

Pooling of donor resources is most effective: The UNDG ITF has demonstrated that pooling of resources can be effective in scaling up reconstruction and reducing costs to Iraq and donors. As a number of donors have indicated, the setting up of multi-donor trust funds has facilitated the quick transfer of pledged funds and its utilization to meet priority reconstruction activities. It also provides a one-stop shop to Iraqi counterparts such as the MoPDC, or IECI. One fine example is that of the successful operations of the Support to Electoral Process Cluster in assisting the IECI with commingled contributions from 15 donors, ranging from \$ 1 to \$ 40 million.

Less Strict Donor Earmarking, Quicker Response to Iraqi Priorities and Easier Fund Management: UNDG has been able to respond more easily to Iraqi priorities when unearmarked or broadly earmarked resources have been provided. While the UNDG ITF is able to discharge its responsibilities emanating from donor earmarking and negative preference decisions (which are permissible), it is important to note that earmarked contributions require more complex fund management, with great care needed to ensure that the specific donor conditions are strictly observed.

A significant share of contributions has been earmarked to the UNDG ITF at the cluster level. While recognizing the value of a multi-donor and multi-agency fund and the need for flexibility in adapting to beneficiary country needs and priorities, many donors still find it useful to earmark funds to broad areas of assistance such as those identified by the UN Clusters. Notwithstanding the above observations, donor earmarking under the UNDG ITF is broadly in line with the overall priorities of the Iraqi Government with

49 percent of donor deposits earmarked to “basic services” (12 percent for Education, 6 percent for Health, 6 percent for Water and Sanitation, and 25 percent for Infrastructure and Housing); 20 percent for Support to Electoral Process; 8 percent for Agriculture, Water Resources and Environment and 5 percent distributed among the remaining clusters.

As reflected in the formal UNDG ITF progress report, cluster-level reporting is also extremely helpful, providing a useful overview of progress in key areas. It often provides a more useful bench mark of impact than individual agency-level project reports to single donors. The proposed reconfiguration of clusters by the UNCT adopted in June 2005 will continue to respond to the above.

UNDG ITF/IRFFI vs. Bilateral Funding: While the IRFFI TOR recognizes that the UNDG ITF is not the exclusive mechanism for funding the operations of the UNCT in Iraq, it was expected that it would be the major source of funding. Continuing to pursue bilateral channels as well as the UNDG ITF (although it is open to all parties) does raise a number of issues of parallel programmes and projects with potential overlap and dilution of accountability. The Iraqi officials, Donors and the Participating UN Organizations would need to make an assessment of the most appropriate future funding mechanisms, bearing in mind the pros and cons of each mechanism.

UN Clusters are crucial: The UN Clusters are crucial for the technical review of project proposals within the UNDG ITF system for project approval. In order to ensure effective project proposal review, it is particularly important for the UNDG ITF to ensure strong representation of focal points for cross-cutting themes within the Clusters. Security has been well covered by the UN Department for Security Services. For the integration of environmental and social safeguards, the situation is more complex. While a range of Cluster members have certain expertise in employment, gender, environment and human rights and indeed have internal procedures to ensure compliance on these issues, there is a certain merit to the UNDG ITF ensuring systematic independent review of these themes by dedicated focal points. This however requires resolution of the cost implications of who will cover the cost of the required independent reviewers.

Recurrent cost requirements of UNDG ITF funded projects: The UNDG ITF finances investment and capital expenditure costs as well as the required incremental recurrent costs. However, it is important to recognize that in the case of rehabilitation and reconstruction projects, such as those being financed by the UNDG ITF, the distinction between incremental recurrent costs and ongoing recurrent costs is sometimes blurred. In addition, the funding requirements of most of the “basic services” in Clusters, such as Education and Culture, Health as well as Water and Sanitation include significant recurrent costs, some of which are clearly incremental. The UNDG ITF projects are reviewed and approved by the ISRB, of which the Ministry of Finance is a member. As a result, it is assumed that the recurrent cost implications of these projects and their continued sustainability will be addressed as part of the overall annual sectoral and ministerial budget review and approval. The UN will continue to work with the MoPDC and other ministries to assist in ensuring that this key issue is properly addressed. The UNDG ITF funded and UNDP executed project to assist the MoPDC in the operationalization of a Donor Assistance Database (DAD) is expected to make a useful contribution to this issue.

Transparency and accountability of UNDG ITF operations

An important lesson learned from the ongoing work of the Independent Inquiry Committee into the Oil-for-Food Programme is the critical importance of transparency of the full range of such a large scale UN operations and the proper exercise of accountability. It is not sufficient merely to have transparent policies and procedures. They must be effectively communicated and explained to stakeholders on an ongoing basis.

Learning from past shortcomings, the UNDG ITF has taken a number of actions designed to increase the transparency and accountability of its operations:

- Detailed information on the activities carried out under approved projects, including the resources being used, are posted on the UNDG ITF section of the IRFFI public web site (www.irffi.org). In addition, regular monthly updates on project commitments and disbursements as well as selected highlights of project progress are posted on the web site and distributed as a newsletter to the Iraqi officials (MoPDC) and IRFFI donors.
- Procurement requests and full details of contract awards are also publicly posted. To ensure competitive contracting and give equal opportunity to potential suppliers, General Procurement Notices for each project, and in some cases, individual Requests for Proposal and Invitations to Bid are posted in the UN Procurement section of www.irffi.org. In addition, the contracts awards page provides details by project, supplier name, type of award process, award date, origin of supplier and value of the award for UNDG ITF programme contracts valued over \$20,000. To-date total contracts amounting to \$287 million are posted (Annex 5 and 6).
- In addition, to address risk and related issues that go beyond individual projects and are common to a Cluster(s), UNDG ITF is at present evaluating the response to a request for proposals to engage an independent Iraq-based monitoring and evaluation firm that would be tasked by UN Clusters to undertake on-site field review, investigation and/or impact evaluations of issues of common concern.
- The UNDG ITF has also initiated a “lessons-learned and review exercise” of the entire UNDG ITF operation. The review will be undertaken by an independent international management consultancy firm. Furthermore, at the request of the UNDG ITF, the UNDP External Board of Auditors has initiated discussions among the external auditors of the Participating UN Organizations on mechanisms for collective assurance that will further strengthen the accountability framework of the UN operations in Iraq.

UNDG ITF could be a model for donors in other crisis/post crisis countries

As well as being on the cutting edge of present UN reform initiatives, the UNDG ITF also supports further UN reform proposals outlined in the Secretary-General’s report, “In larger freedom” and could in particular offer some potential pointers for the proposed activities of a Peace building Commission. For example the UNDG ITF has ensured funding to key priority activities in cases where UN agencies, perhaps working on a bilateral basis, would not have succeeded. It has ensured coherence between agencies on programming both through the adoption of the UN Assistance Strategy and the review of projects at the Cluster and Steering Committee levels.

The IRFFI has served to provide coherence between the operations of the World Bank and the UN and the two institutions are strategically guided by the Iraqi Strategic Review Board and a Donor Committee of major donors. It has been through this coordinated approach that the World Bank and the UN have been able to assist the Iraqi authorities in drafting a National Development Strategy, which was presented to the Tokyo Donor Committee meeting in October 2004. The UNDG ITF and IRFFI also clearly follow the Paris commitments to delivering effective aid in fragile states of 2 March 2005, concerning the harmonization of donor activities, alignment with national strategies and avoiding activities that undermine national institution building.

7. Conclusions

The UNDG ITF has demonstrated a notable implementation record in its first year, successfully assisting key Iraqi ministries, such as the MoPDC, to work with UNDG as one entity, facilitating coordinated,

collaborative joint programming. Procedures for fund management of this innovative multilateral mechanism were set up and refined and as of 30 June 2005, \$586.4 million for 59 projects had been transferred to UN implementing agencies, following vetting and approval by the Iraqi authorities and the UN.

By 30 June 2005, commitment rates for these 59 projects had reached \$398 million (68 percent of approved funding) and \$218 million had been disbursed (37 percent of approved funding). Taking into account that projects have been funded and implementation started just a year ago, the UNDG ITF's delivery figures are considered high by any comparison. A number of innovative programme implementation mechanisms have been adopted to permit implementation in the difficult security situation.

While it too early to draw firm conclusions on the operations of the UNDG ITF, it already exemplifies the flexibility of the UNDG organizations in adapting to new ways of doing business and readily responding such reconstruction and development challenges facing the international community. Potentially, the UNDG ITF while providing vital services to Iraq could also serve as a model for the UN in fulfilling its reconstruction and development mandates in countries facing similar challenges.

ANNEXES

Annex 1: List of Participating UN Organizations¹⁰

Participating UN Organization	Abbreviation/Acronym
Economic and Social Commission for Western Asia	ESCWA
Food and Agriculture Organization of the United Nations	FAO
International Labour Organization	ILO
International Telecommunication Union	ITU
Office of the United Nations High Commissioner for Human Rights	OHCHR
United Nations Development Programme	UNDP
United Nations Department of Political Affairs/Electoral Assistance Division	UN DPA/EAD
United Nations Environment Programme	UNEP
United Nations Educational, Scientific and Cultural Organization	UNESCO
United Nations Population Fund	UNFPA
United Nations Human Settlements Programme	UN-HABITAT
United Nations High Commissioner for Refugees	UNHCR
United Nations Children's Fund	UNICEF
United Nations Industrial Development Organization	UNIDO
United Nations Development Fund for Women	UNIFEM
United Nations Office on Drugs and Crime	UNODC
United Nations Office for Project Services	UNOPS
World Food Programme	WFP
World Health Organization	WHO

¹⁰ The International Organization for Migration (IOM), although not a Participating UN Organization, is a member of the UNCT and it is also a member of the UNDG ITF Steering Committee and some UN Clusters.

Annex 2: List of Approved and Funded Projects, by Cluster, with Date of Approval by the UNDG ITF Steering Committee and Date of Transfer of Funding as of 30 June 2005

Cluster	Project No.	Project Title	Funded Amount (US\$)	Agency	ISRB Approval Date	Steering Committee Approval Date	UNDG ITF Transfer Date	
Education and Culture	C1-01	Vocational Education	2,758,274	UNESCO		3-May-04	8-Jul-04	
	C1-05	In Service Training for Teachers	2,346,400	UNESCO		10-May-04	8-Jul-04	
	C1-06	Strengthening Primary & Intermediate Education (Phase 1)	34,253,604	UNICEF		10-May-04	1-Jul-04	
	C1-07	Protecting Iraqi Cultural Heritage	2,092,000	UNESCO		20-May-04	8-Jul-04	
	C1-08	Literacy and life Skills Development	2,230,400	UNESCO		8-Jul-04	11-Aug-04	
	C1-09	Education Facilities Rehabilitation	17,580,663	UN-HABITAT		8-Jul-04	6-Aug-04	
	C1-10	Iraq Networking Academy Project	1,000,000	ESCWA		22-Jul-04	26-Aug-04	
	C1-11	Rehabilitation of School Bldgs in Lower South Iraq	5,270,152	UN-HABITAT		11-Nov-04	22-Dec-04	
	C1-13	Education Management Information System	1,500,000	UNESCO		11-Nov-04	6-Dec-04	
	C1-12	Strengthening Primary & Intermediate Education (Phase 2)	12,700,000	UNICEF		11-Nov-04	14-Mar-05	
		Cluster TOTAL		81,731,493				
	Health	C2-02	Emergency Obstetric Care	12,603,477	UNFPA		10-May-04	7-Jul-04
C2-03		Supporting Primary Health Care System	37,363,516	WHO		20-May-04	2-Jul-04	
C2-04		Re-establishing the National Drug Quality Control Laboratory	5,977,090	WHO		8-Jul-04	10-Aug-04	
C2-05		Non-Communicable Diseases and Mental Health	11,000,000	WHO		22-Aug-04	20-Sep-04	
C2-06		Strengthening Immunization Services in Iraq	7,900,000	UNICEF		8-Jun-05	16-Jun-05	
		Cluster TOTAL		74,844,083				
Water and Sanitation	C3-01	Rehabilitation of Water and Sanitation Systems in Southern Iraq	21,500,000	UNICEF		20-May-04	1-Jul-04	
	C3-02	Rehabilitation of Chlorination Plant	7,016,330	UNIDO		22-Aug-04	28-Oct-04	
	C3-03	Water Quality Control and Surveillance	6,262,094	WHO		22-Aug-04	20-Sep-04	
	Cluster TOTAL		34,778,424					
Infrastructure and Housing	C4-01	Emergency Power Supply	11,999,140	UNDP		3-May-04	10-Jul-04	
	C4-02	National Dispatch Centre	11,947,978	UNDP		3-May-04	10-Jul-04	
	C4-04	Strengthening Capacity of Housing Sector	5,965,638	UN-HABITAT		10-May-04	6-Jul-04	
	C4-06	Dredging of Um Qasr Port Approach Channel	24,742,359	UNDP		20-May-04	10-Jul-04	
	C4-07	Rehabilitation of Mosul Gas Power Station	17,585,450	UNDP		22-Jul-04	16-Aug-04	
	C4-08	Rehabilitation of Taji Gas Power Station	25,891,860	UNDP		22-Jul-04	16-Aug-04	
	C4-09	Rehabilitation of Hartha Power station	17,789,018	UNDP		22-Aug-04	26-Aug-04	
	C4-10	Rehabilitation of Mussayib Power Station	15,510,982	UNDP		11-Nov-04	21-Dec-04	
	C4-11	Strength. Urban Sector through bldg capacities in Municipal Plng and Mgmt	2,550,216	UN-HABITAT		13-Sep-04	22-Dec-04	
	C4-15	Rehabilitation of Mussayib Gas Power Station (Phase 2)	33,000,000	UNDP		8-Jun-05	15-Jun-05	
		Cluster TOTAL		166,982,641				

Cluster	Project No.	Project Title	Funded Amount (US\$)	Agency	Steering Committee Approval Date	UNDG ITF Transfer Date	
Agriculture, Water Resources and Environment	C5-01	Drainage Conditions in Agricultural Areas	5,126,600	FAO	3-May-04	6-Jul-04	
	C5-02	Rehabilitation of Pumping Stations	13,508,544	FAO	3-May-04	6-Jul-04	
	C5-04	Community Irrigation Schemes	16,958,942	FAO	20-May-04	6-Jul-04	
	C5-06	Promotion of Cottage Industries	5,013,000	UNIDO	20-May-04	4-Aug-04	
	C5-07	Strengthen environmental governance in Iraq through assessment and capacity building	4,700,000	UNEP	8-Jul-04	3-Sep-04	
	C5-08*	Restoration of Veterinary Services in Iraq	5,000,000	FAO	8-Jul-04	16-Jun-05	
	C5-10*	Restoration and Development of Essential Livestock Services in Iraq	5,000,000	FAO	8-Jul-04	16-Jun-05	
	C5-11	Support for EST Applications in the Iraqi Marshlands	11,000,000	UNEP	22-Jul-04	20-Sep-04	
	C5-12	Capacity Building of Water Institutions	3,275,550	UNESCO	22-Aug-04	17-Sep-04	
	C5-13	Rehabilitation of Dairy Plants	2,937,550	UNIDO	22-Aug-04	9-Dec-04	
	Cluster TOTAL			72,520,186			
	Food Security	C6-02*	Development of Safety Nets and Food Security through Food Assistance	4,000,000	WFP	11-Nov-04	14-Mar-05
		Cluster TOTAL			4,000,000		
Mine Action	C7-02	Explosive Ordnance Disposal (EOD) capacity building and clearance	3,340,612	UNOPS	11-Nov-04	22-Feb-05	
	Cluster TOTAL			3,340,612			
IDPs and Refugees	C8-01	Return and Reintegration of IDPs (N. Iraq)	9,741,315	UNOPS	20-May-04	23-Jul-04	
	C8-02	Return and re-integration of Iraqis and others of concern in Southern Iraq	7,126,200	UNHCR	8-Jul-04	9-Aug-04	
	Cluster TOTAL			16,867,515			
Governance and Civil Society	C9-01	Support to Ministry of Planning and Development Cooperation (MoPDC)	1,744,000	UNDP	8-Jul-04	19-Aug-04	
	C9-03	Civil Society Forums	1,720,224	UNOPS	22-Aug-04	24-Sep-04	
	C9-04	Women solidarity toward active participation in elections	1,904,616	UNIFEM	9-Oct-04	18-Oct-04	
	C9-05	Capacity Building and institutional strengthening of Municipal Ministry of Public Works	3,018,710	UNDP	22-Mar-05	6-May-05	
	C9-10/A*	Institutional Support for the constitutional drafting process	7,000,000	UNDP	8-Jun-05	20-Jun-05	
	C9-10/C*	Media and Human Rights: Promotion of Freedom of Expression and Human Rights in Iraq	700,000	UNESCO	8-Jun-05	22-Jun-05	
	C9-10/D*	Civil Society Constitutional Outreach Campaign	1,000,000	UNOPS	8-Jun-05	27-Jun-06	
Cluster TOTAL			17,087,550				
Poverty Reduction and Human Development	C10-01	Iraqis rebuilding Iraq (Phase 1)	387,105	UNDP	9-Oct-04	13-Oct-04	
	C10-02	International Employment Conference	321,000	ILO	22-Aug-04	1-Oct-04	
	C10-03	Iraqis rebuilding Iraq (Phase 2)	2,777,323	UNDP	22-Mar-05	15-Apr-05	
	C10-04	Smart Community Project for Iraq	2,703,202	ESCWA	8-Jun-05	29-Jun-05	
Cluster TOTAL			6,188,630				
Support to Electoral Process	C11-02	Support to Electoral Process (Phase II)	11,245,944	UNDP/EAD	13-Sep-04	14-Sep-04	
	C11-03	Support to Elections (Phase III)	34,501,257	UNDP/EAD	23-Sep-04	28-Sep-04	
	C11-04	Technical Assistance to IECI	3,042,545	UNDP/EAD	25-Oct-04	27-Oct-04	
	C11-06	Provision of Electoral Support to Observer Groups in Iraqi Elections	4,542,300	UNOPS/EAD	7-Dec-04	23-Dec-04	
	C11-07	Support for fair, safe and professional media coverage	555,000	UNESCO	7-Dec-04	23-Dec-04	
	C11-08	Logistics Support to IECI	54,193,130	UNOPS/EAD	23-Dec-04	27-Dec-04	
Cluster TOTAL			108,080,176				
GRAND TOTAL			586,421,310				

* Partially funded project due to inavailability of funds.

Annex 3: Total Expenditure, by Cluster, 1 July to 31 December 2004

Cluster		Approved Budget (US\$)	Total Expenditure (US\$)	Expenditure Rate (%)
1	Education and Culture	69,031,493	29,374,940	42.6
2	Health	66,944,083	14,143,740	21.1
3	Water and Sanitation	30,762,094	1,105,573	3.6
4	Infrastructure and Housing	133,982,641	12,750,221	9.5
5	Agriculture, Water Resources and Environment	62,520,186	10,389,700	16.6
6	Food Security	0	0	0
7	Mine Action	0	0	0
8	IDPs and Refugees	16,867,515	8,905,898	52.8
9	Governance and Civil Society	5,368,840	2,421,460	45.1
10	Poverty Reduction and Human Development	708,105	400,656	56.6
11	Support to Electoral Process	108,080,176	40,572,086	37.5
Total		494,265,133	120,064,275	24.3

Annex 4: Total Expenditure, by Agency, 1 July to 31 December 2004

Agency	Approved Budget (US\$)	Total Expenditure (US\$)	Expenditure Rate (%)
ESCWA	1,000,000	418,341	41.8
FAO	35,954,086	8,885,513	25.0
ILO	321,000	84,306	26.3
UNDP	127,597,892	12,367,111	9.7
UNDP/EAD	48,789,746	40,432,154	82.9
UNEP	15,700,000	1,127,214	7.2
UNESCO	14,757,624	5,820,289	39.4
UNFPA	12,603,477	2,707,770	21.5
UN-HABITAT	31,366,669	2,092,868	6.7
UNHCR	7,126,200	5,224,562	73.3
UNICEF	55,753,604	23,014,437	41.3
UNIDO	10,950,550	66,254	0.6
UNIFEM	1,904,616	715,747	37.6
UNOPS	11,461,539	5,190,376	45.3
UNOPS/EAD	58,735,430	139,932	0.2
WHO	60,602,700	11,777,400	19.4
Total	494,265,133	120,064,275	24.3

Annex 5: Amount and Number of Contract Awards as of end June 2005, by Country (US\$)

Amount and number of Awards by Country						
Country	July- Dec 2004		Jan-June 2005		Total 2004 & 2005	
	Awards	Amount	Awards	Amount	Awards	Amount
Austria			1	\$31,604	1	\$31,604
Belgium	1	\$22,500,000			1	\$22,500,000
Canada			1	\$50,840	1	\$50,840
China	15	\$18,093,610	11	\$12,602,265	26	\$30,695,875
Cyprus			1	\$72,735	1	\$72,735
Czech Rep	1	\$287,522			1	\$287,522
Denmark	10	\$11,185,261	6	\$646,460	16	\$11,831,721
Egypt	2	\$49,443	2	\$61,310	4	\$110,753
Finland	1	\$2,670,578			1	\$2,670,578
France	5	\$232,883	3	\$108,551	8	\$341,434
Germany	9	\$710,664	21	\$4,329,955	30	\$5,040,619
India	1	\$23,040	5	\$388,731	6	\$411,771
Iraq	22	\$5,099,299	57	\$10,494,146	79	\$15,593,445
Ireland			1	\$51,400	1	\$51,400
Italy	2	\$1,396,518	6	\$2,179,439	8	\$3,575,957
Japan	9	\$18,230,209	7	\$51,663,493	16	\$69,893,702
Jordan	15	\$2,133,103	13	\$4,368,409	28	\$6,501,512
Kuwait	1	\$304,750	10	\$2,309,649	11	\$2,614,399
Lebanon			7	\$271,021	7	\$271,021
Liechtenstein	1	\$22,700,000			1	\$22,700,000
Netherlands	9	\$1,682,051	3	\$1,617,424	12	\$3,299,475
New Zealand	1	\$160,997			1	\$160,997
Oman	3	\$579,560			3	\$579,560
Saudi Arabia			1	\$235,545	1	\$235,545
Spain			2	\$267,798	2	\$267,798
Sweden	3	\$12,701,292			3	\$12,701,292
Switzerland	2	\$95,601	9	\$1,675,589	11	\$1,771,190
Tunisia	1	\$35,650			1	\$35,650
Turkey	6	\$2,446,956			6	\$2,446,956
UAE	4	\$931,053	3	\$48,995,880	7	\$49,926,933
UK	16	\$14,643,180	14	\$3,317,820	30	\$17,961,000
USA	7	\$1,219,364	5	\$765,690	12	\$1,985,054
	147	\$140,112,584	189	\$146,505,754	336	\$286,618,338

Annex 6: 2004 and First Half of 2005 Contract Awards, by Method of Procurement

Awards by Method of Procurement						
Method	July- Dec 2004			Jan-June 2005		
	No.	%	Amount	No.	%	Amount
Competitive Bidding	73	48	\$67,362,374	109	57	\$82,918,089
Direct Contracting	29	39	\$54,761,286	24	36	\$53,144,932
Long Term Agreement	45	12	\$16,996,088	55	7	\$9,575,413
	147	100	\$139,119,748	188	100	\$145,638,434