



INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ
WORLD BANK IRAQ TRUST FUND
REPORT TO DONORS



STATUS REPORT AS OF JUNE 30, 2007



ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
BSA	Board of Supreme Audit
CIDA	Canadian International Development Agency
CGAP	Consultative Group to Assist the Poor
CPPR	Country Portfolio Performance Review
DfID	Department for International Development
EC	European Commission
EEMP	Emergency Environment Management Project
ESSAF	Environmental and Social Screening and Assessment Framework
FMA	Fiduciary Monitoring Agent
G-7	Group of Seven Industrialized Countries
GOI	Government of Iraq
IBRD	International Bank for Reconstruction and Development
ICI	International Compact for Iraq
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IRFFI	International Reconstruction Fund Facility for Iraq
ISN	Interim Strategy Note
ISRB	Iraqi Strategic Review Board
ITF	Iraq Trust Fund (World Bank)
IZ	International Zone
JICA	Japan International Cooperation Agency
KRG	Kurdistan Regional Government
MDTF	Multi-Donor Trust Fund
MOE	Ministry of Education
MOEI	Ministry of Electricity
MOEn	Ministry of Environment
MOF	Ministry of Finance
MOH	Ministry of Health
MOLSA	Ministry of Labor 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
PCF	Post-Conflict Fund
PEIA	Public Expenditure and Institutional Assessment

PFM	Public Financial Management
PHRD	Policy and Human Resources Development
PMT	Project Management Team
PSD	Private Sector Development
TA	Technical Assistance
TOR	Terms of Reference
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Program
UNESCO	United Nations Education, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
US	United States
USAID	United States Agency for International Development
WHO	World Health Organization

THE WORLD BANK IRAQ TRUST FUND

Report to Donors

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INTRODUCTION

The World Bank, as Administrator of the World Bank Iraq Trust Fund (ITF), has agreed to furnish to the contributing donors, on a semi-annual basis, a status report describing the contributions, disbursements, and implementation progress of the operations financed by the ITF. This report covers the period from January 1, 2007, through June 30, 2007.

A. WORLD BANK RELATIONS WITH IRAQ

1. Iraq was a founding member of the World Bank, and received six loans from the IBRD between 1950 and 1973 for agriculture, education, flood control, telecommunications, and transport. The last loan closed in 1979. The World Bank reengaged with Iraq in the summer of 2003 when it prepared an Iraq Needs Assessment together with the United Nations (UN). The UN-World Bank Needs Assessment was the basis for the October 2003 International Conference on Iraq in Madrid.

B. THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

2. The International Reconstruction Fund Facility for Iraq (IRFFI) was endorsed at the Madrid Conference, in response to international requests to help donors channel their resources and coordinate their support for reconstruction and development activities in Iraq. In close consultation with Iraqi authorities and donors, the World Bank and UN created the structure, governance, and modalities of IRFFI.

3. The IRFFI structure is designed to ensure that activities financed by the Facility are aligned with Iraq's priority program. The Terms of Reference (TORs) for IRFFI require the Facility to fund Iraq's priority program. The Iraqi Strategic Review Board (ISRB), chaired by the Ministry of Planning and Development Cooperation (MOPDC), is charged with ensuring that activities funded through IRFFI support Iraq's own strategy, complement other donor programs, and avoid duplication. The IRFFI structure promotes close cooperation by providing a common governance structure, including a joint Donor Committee.

4. IRFFI encompasses two trust funds: the World Bank Iraq Trust Fund (ITF) administered by the World Bank, and the UN Development Group Trust Fund (UNDG Trust Fund) administered by the United Nations Development Program (UNDP) on behalf of itself and participating UN organizations. The World Bank Board of Executive Directors approved the World Bank to act as Administrator of the ITF in January 2004. A more detailed description of the establishment of IRFFI and the World Bank's role in the Facility is included in Annex 1.

5. The ITF became effective upon receipt of the first deposit, on March 30, 2004. By December 2004, the World Bank had committed nearly all the ITF deposits to approved projects. The ITF was originally scheduled to terminate on December 31, 2007, but by December 2005 the World Bank recognized that the difficult security environment, the impact of a series of political transitions in Iraq, and the time needed for Iraqi agencies to employ competitive bidding procedures, were causing significant delays in project implementation. In order to allow ITF financing to remain available through the life of the existing projects, the World Bank recommended that donors extend the ITF for three years, to December 31, 2010. The extension of the ITF became effective once each of the 17 donors signed a formal amendment to the administration agreement, in April 2007.

6. In May 2007, the Government of Iraq (GOI) launched the International Compact for Iraq (ICI), a comprehensive outline of the national vision for security, political, and socio-economic reforms. In collaboration with the United Nations, the World Bank provided technical support to the GOI, focusing on the socio-economic pillar of the ICI. Public sector governance and, in particular, public financial management (PFM), are placed at the heart of the socio-economic agenda. The international community expressed strong support for the ICI. The World Bank continues to provide financial and technical assistance (TA), financed through the ITF as well as the World Bank's own budget, to support Iraq's implementation of the ICI.

7. Iraq requested a more visible leadership role of IRFFI at the fifth IRFFI Donor Committee Meeting held in Istanbul in March 2007. To accommodate Iraq's request, donors agreed to an interim arrangement in which Iraq would co-chair the IRFFI Donor Committee together with the Government of Italy for the next year. At the same time, the Donor Committee requested the UN-World Bank Facility Coordination Committee to launch a systematic review of the TORs of IRFFI. Building on the comparative analysis of the "Review of Post-Crisis Multi-Donor Trust Funds" commissioned by the World Bank, the Norwegian Ministry of Foreign Affairs, and Norwegian Agency for Development Cooperation (February 2007), the review will make recommendations to strengthen country ownership and alignment of IRFFI-financed projects with recipient priorities, as currently expressed in the ICI and National Development Strategy (NDS). The review will clarify the roles of IRFFI governance structures to ensure they function effectively and adapt with flexibility to changing circumstances. The output of the review will include specific changes to the TOR text, crafted in consultation with the recipient, the administrators of the funds, and donors, to be presented for consideration at the sixth IRFFI Donor Committee meeting, scheduled to take place in October 2007.

C. STRATEGIC CONTEXT IN IRAQ

8. Since 2004, Iraq has had difficulty in spending its own resources due mainly to insecurity and institutional constraints. In 2006, as in previous years, capital spending was about half of the amount budgeted. The 2007 budget envisages a near doubling of public investment in absolute amounts compared to actual public investment levels achieved in 2006. Reaching this level of capital investment would require improved security and stronger institutions responsible for implementing public investment. Thus, improving public resource management and strengthening institutions and governance are key to making progress on the socio-economic pillar of the ICI.

9. Weak rule of law and lack of basic service delivery have eroded Iraqi citizens' faith in Government and bolstered unrest. A key component to bring stability and recovery to Iraq is to build public confidence in government institutions through effective service delivery and job creation. The challenge is two pronged: first, to improve Iraq's allocation and management of its resources and revenue; and second, to improve the delivery of critical services and infrastructure to its communities. Addressing these challenges requires building core state institutions, with investments in key sectors such as oil, education, power, transport, and water and sanitation. It also requires building effective institutions and systems for service delivery and job creation at the local and national levels. Internationally, Iraq's ability to attract foreign investment, access international capital markets, and receive support from the donor community requires that Iraq demonstrate its ability to utilize resources efficiently and transparently.

D. STRATEGIC ROLE OF THE BANK

10. The World Bank's first Interim Strategy Note (ISN) for Iraq, discussed by the World Bank's Board of Executive Directors in January 2004, initiated work to: (i) Build Iraqi institutional capacity; (ii) Implement emergency operations to address urgent needs; and (iii) Lay the groundwork for Iraq's medium-term reconstruction and development program. A Second Interim Strategy Note for Iraq, discussed by the World Bank's Board in September 2005, provided the framework for an expanded program of analytical and advisory activities; additional ITF resources; and up to US\$500 million of International Development Association (IDA) lending. To provide a continuum of resources, it also provides the framework for up to US\$500 million of IBRD lending, assuming critical progress regarding IBRD creditworthiness.

11. The World Bank's financial resources for Iraq are relatively modest compared to those of other major donors and to Iraq's own budget. In addition, Iraq has difficulty in spending its own resources largely due to institutional constraints and lack of security. Given these factors, coupled with the World Bank's approach of working through government institutions, the World Bank's most important contribution to Iraq would be to focus on key issues at both national and local levels to help Iraq develop sustainable institutions and systems for the efficient, inclusive, transparent, and accountable use of its own resources and international aid.

E. WORLD BANK ACTIVITIES IN IRAQ

12. The World Bank supports Iraq through a variety of products and services, including investment projects as well as analytical and advisory work. Analytical and advisory activities (AAA) encompass a broad range of products, including technical assistance, policy advice, capacity building, and economic and sector analyses. The World Bank employs various financing instruments to deliver its products, including the ITF, IDA credits, its own budget, as well as other sources of small grant funding, such as the Japanese Policy and Human Resources Development (PHRD) and World Bank Post Conflict Fund (PCF) trust funds.

13. The World Bank maximizes its impact by creating synergy among the variety of products and financial instruments it utilizes. While analytical and advisory services support Iraq's transition to more effective and accountable public sector governance systems, investment projects aim to build better service delivery systems in key sectors by combining rehabilitation with institution building to yield sustainable results.

14. In close collaboration with Iraqi counterparts, in 2006, the World Bank prepared a Briefing Book on core reforms for the new Government. The Briefing Book gave priority to strengthening governance and institutions, accelerating economic reforms, and modernizing social safety nets. The Briefing Book offers a platform for substantial future policy advice from the World Bank, and helped inform the ICI.

15. The ICI recognizes these challenges, and places improving public resource management and strengthening institutions and governance at the heart of its socio-economic pillar. Improvements to public financial management and procurement are key to enable Iraq to deliver basic services to its citizens, use its national resources effectively, and, finally, to access international capital markets, and attract foreign investment. For these reasons, public financial management reform, at both the national and sub-national levels, provides the centerpiece of the World Bank's AAA program.

16. The World Bank and Iraq are jointly undertaking a Public Expenditure and Institutional Assessment (PEIA), which is designed to underpin Iraqi-led public finance reform. The PEIA aims to provide a robust analytical foundation to help Iraq prioritize and sequence its own program of effective medium-term policy reforms to improve the "systems" of budget planning and execution, decentralized public financial management, and anti-corruption measures, including procurement and internal and external audit.

17. Some areas of the PEIA are well underway: Box 1 describes a set of workshops designed to assess PFM at the sub-national level and map out current budgeting, execution, and oversight practices at the provincial and regional levels. Several PEIA workshops focused on an in-depth review of PFM in the education sector.

Box 1: Decentralized Financial Management Workshops

Strengthening public financial management (PFM) systems and capacity at the sub-national level is a critical issue, with budget transfers to provincial and regional levels increasing in accordance with constitutional mandates. Consequently, at the request of the Ministry of Finance, and as part of the Bank's Public Expenditure and Intuitional Assessment (PEIA), the Bank is providing capacity building on decentralized public financial management (PFM) in Iraq.

Following the agreement between the Ministry of Finance and the Bank to use the Kurdistan Region as a pilot, the Bank undertook a mission to Kurdistan in November 2006 to conduct an initial PFM assessment. The first workshop on decentralized PFM, financed by the ITF-financed Second Capacity Building Project, was held in Erbil in January 2007. Fifty officials from the Kurdistan Regional Government (KRG) attended the workshop, along with officials from other provinces who participated as observers. The workshop provided exposure to international experience and hands-on-training to help the KRG define its priorities and develop an action plan to improve PFM.

Following the workshop, Bank staff met in Erbil with officials from the federal Ministry of Finance and various governorates to plan a follow-up workshop to focus on the PFM needs of central and southern governorates.

In April 2007, a second workshop, also financed by the Second Capacity Building Project, was held in Beirut. Over forty participants from governorates accounts directorates and treasuries participated, along with representatives from the central Finance and Planning Ministries, the Board of Supreme Audit, the Inspector Generals, and the Commission on Public Integrity. The workshop focused on helping the governorates define their own priorities to achieve improved PFM, based on international benchmarks and experience, and to produce a specific action plan that reflects those priorities.

The World Bank's approach at the sub-national level—like that at the national level—is to build Iraqi ownership for the problems and solutions, resulting in the identification and implementation of short- to medium-term actions that can strengthen the PFM system and improve budget execution.

18. While focusing on public resource management, the World Bank supports other key areas: strengthening social safety nets and modernizing the pension system; improving the efficiency and effectiveness of the Public (food) Distribution System; assessing poverty and vulnerability; and restructuring the state-owned banking system. The World Bank will also continue to provide policy support in a wide range of sectors including agriculture, education, electricity, health, housing, transport, and water supply and sanitation.

19. In accordance with the World Bank's Articles of Agreement, which state that clients are responsible for project implementation, World Bank investment projects are implemented through Iraqi institutions. While working through weak government institutions can reduce the speed of implementation and create substantial fiduciary risks, project implementation by Iraqi agencies is an important tool to build capacity, strengthen institutions, and improve the sustainability of project outcomes. Project execution through country institutions provides a mechanism for direct, hands-on learning in project management, including procurement and financial management procedures. Iraqi implementation of investment projects will leave behind modern skills within Iraqi institutions, necessary to enable Iraq to better manage its own national resources as well as international aid.

20. In June 2005, the Government asked that IDA funding allocated for Iraq (US\$500 million) focus on basic services—education, electricity, roads, and water supply and sanitation. It also asked that 17% of the IDA allocation (US\$85 million) be directed to the KRG, for projects to be determined by the KRG. The KRG chose to allocate its share of IDA resources to the power and transport sectors.

21. As of June 30, 2007, the World Bank has approved four IDA credits loans amounting in total to US\$399 million, including:

- Third Emergency Education Project, US\$100 million (November 2005)
- Emergency Road Rehabilitation Project, US\$135 million (June 2006)
- Dokan and Derbandikhan Emergency Hydropower Project, US\$40 million (December 2006)
- Emergency Electricity Reconstruction Project, US\$124 million from IDA and US\$6 million from the Iraq Trust Fund, (March 2007)

While project effectiveness for the four IDA projects (three of which were approved over a year ago) was unresolved in the reporting period, some progress was made in recent months. In April 2007, the Minister of Finance signed the Financing Agreements for the four IDA credits, which will be submitted to the Council of Representatives for ratification in July 2007.

22. As of June 30, 2007, the ITF finances sixteen grants, amounting to US\$437 million, which aim to promote the sustainable delivery of a broad range of basic services (e.g. in health, education and water supply), improved design and delivery of social safety net programs, and institution and capacity building programs. Two ITF projects are now completed—the First Capacity Building Project closed in 2004, and the Textbook Provision Project closed in December 2006. The Community Infrastructure Project, which finances labor intensive irrigation and drainage rehabilitation of agricultural land, is nearly completed and will formally close at the end of 2007.

23. In total, the World Bank has approved about US\$836 million for operations in Iraq—US\$399 million in IDA credits and US\$437 million in ITF grants. World Bank-administered grant and loan financing supports education (25%), followed by water supply and sanitation (21%) and transport (20%).

F. CHARACTERISTICS OF THE ITF PROJECT PORTFOLIO

24. The World Bank ITF is authorized to finance economic development projects, including rehabilitation/reconstruction and capacity building projects. The ITF cannot finance quick-disbursing support to the political process (e.g. constitutional or electoral support activities), government recurrent expenditures, budget support, or humanitarian aid.

25. A distinguishing characteristic of ITF-financed investment projects is that they are implemented directly by Iraqi institutions. While donors, who execute projects directly, using their own systems, maintain more control over project implementation and disbursement, the World Bank's approach of implementing through country systems bolsters institutional capacity, strengthens internal controls, and reduces fiduciary risks in key government institutions. Employing country systems also serves to increase local ownership and sustainability of programs, minimize security costs, and maximize local employment.

26. Line ministries establish Project Management Teams (PMTs), which the World Bank trains in modern procurement, financial management, and project management techniques, to enable them to undertake project execution. Iraqi governmental agencies are then able to carry out the entire contracting process, hiring private sector firms through internationally-accepted

procurement procedures, with on-going support from the World Bank. The practical, hands-on experience gained through implementing projects in line with World Bank policies helps develop strong and transparent fiduciary governance systems within the Iraqi ministries.

27. The initial cohort of ITF-financed projects aims to build systems for better service delivery, through “traditional” major reconstruction and rehabilitation projects, implemented through Iraqi institutions. Most ITF financing— about US\$366 million, 84% of the value of ITF projects—is obligated to multi-year reconstruction and rehabilitation projects that span several governorates or are national in scope. Nearly all ITF resources are subject to competitive bidding procedures, and most ITF projects finance primarily civil works and goods. Civil works and goods account for about 86% of the total value of the Iraqi-implemented investment projects. Consultant services, which consist primarily of local consultants hired for design, engineering, and supervision of works, account for less than 11% of portfolio value.

G. PROJECT IMPLEMENTATION AND FIDUCIARY ARRANGEMENT

28. World Bank implementation arrangements utilize Iraq’s own institutions in order to build transparent and robust institutions over time. By working through dedicated ministry staff that constitutes a project management team (PMT), the implementation of World Bank projects helps develop long-term and sustainable capacity of public institutions. The World Bank provides intensive training and support to PMT staff throughout project implementation, in all aspects of project management, including competitive and transparent procurement methods and financial management procedures. The World Bank provides continuous assistance to PMT staff through daily contact, periodic workshops, joint supervision missions, and specialized local consultant support. Thus, even after the World Bank projects are completed and closed, the skills, experience, and systems acquired during project implementation will remain within the Government.

29. The World Bank, as the ITF Administrator, supervises ITF-funded operations in accordance with the World Bank’s applicable policies and procedures. The World Bank employs a network of experienced Iraqi consultants, backed by staff in Jordan, Beirut, and Washington, to monitor project progress and support the PMTs on a daily basis. More detailed information about how the World Bank works in Iraq is presented in Box 2, below.

Box 2: How the World Bank Works in Iraq

Iraqi Staff/Consultants in the “Red Zone”. The Bank has had a continuous presence in Iraq since mid-2004, employing about six Iraqi professional-level Iraqis who reside and work in the “Red Zone” in Baghdad. These Bank staff support the implementation of Bank projects by working out of their homes (using satellite phone and email connections) and in the implementing agencies. They are supported by two drivers, using ordinary cars. The Iraqi staff generally does not enter the Green Zone due to the high security risk.

International Staff in the “Green Zone”. International staff in the “Green Zone” focus on overall policy dialogue and donor coordination. From mid-2004 to mid-2007, the UK’s DFID facilitated an expatriate consultant based in the Green Zone to serve as a liaison for the World Bank and assist in overall program coordination with the Iraqi Government and donors. Given the growth of the Bank’s program in Iraq, his role was expanded to that of Country Manager for Iraq in 2007. To support the World Bank’s increased emphasis on public sector reform, a Public Sector Specialist was located in Baghdad in late 2006. Since 2005 the Bank has an office located in the “Freedom Building.”

Interim Office for Iraq in Amman. The Amman Office was established in 2003, after the bombing of the UN headquarters in Baghdad, which also housed the Bank’s office. The bombing killed one Bank consultant and injured several Bank staff. The Amman Office is used extensively for meetings and workshops in support of the Iraq program. The Amman office also provides key logistical support for travel, security, and medical emergencies. The office includes a head of office, the procurement specialist for Iraq, and Iraqi administrative staff and drivers. The International Finance Corporation (IFC) and the Consultative Group to Assist the Poor (CGAP) are co-located in the Amman office.

Fiduciary Monitoring Agent. The ITF employs a fiduciary monitoring agent (FMA), an Iraqi firm in Baghdad, to help ensure that donor funds are disbursed only for the purposes intended by the ITF and according to applicable Bank procedures. The FMA employs about two dozen Iraqi staff, predominantly professional engineers and accountants, who visit projects sites and the ministries on a daily basis. FMA’s monthly reports describe project progress, report findings, and make recommendations for follow-up actions to be carried out by the PMTs or task teams. Reports typically include digital photos, which provide good evidence of the quality and progress of the work of contractors, conveying valuable information to Iraqi PMTs and World Bank task teams.

Videoconferencing Facilities. The World Bank had installed and maintained, on an exceptional basis, four video-conferencing facilities in Baghdad (located in the Convention Center in the Green Zone, Ministry of Planning, Ministry of Finance, and Central Bank of Iraq) to facilitate communication. The VC hub at the IZ convention center was dismantled without warning in mid-2006 by Iraqi officials. The re-installation of the “hub” in the World Bank office in the Freedom Building is underway.

H. CURRENT ITF PROJECT PORTFOLIO

30. As of June 30, 2007, the ITF finances sixteen grants amounting to about US\$437 million, fully obligating 95% of donor contributions.

- Thirteen of the sixteen ITF-financed projects, valued at US\$425 million, are grants implemented directly by Iraqi governmental authorities. Thus, 97% of the US\$437 million portfolio is under the control of the Government of Iraq.
- Three projects, totaling US\$12 million, are technical assistance and capacity building projects, implemented by the World Bank at the request of the Government of Iraq.

31. Two projects, First Capacity Building Project (US\$3.6 million) and the Emergency Textbook Provision Project (US\$40 million), are completed and closed. Thus, the active portfolio finances fourteen grants, totaling US\$393 million. Twelve active projects (US\$385 million), or 98% of the portfolio, are implemented by Iraqi institutions. Two projects (US\$9 million) are Bank-implemented technical assistance projects.

32. Since the previous formal report to donors in December 2006, two new ITF-financed grants have been signed:

- The Emergency Water Supply, Sanitation, and Urban Reconstruction Project, which aims to restore basic services in the poorest areas of Iraq, was severely affected by rising construction costs. To avoid the cancellation of two components of the original project (Basra and Dokan), additional financing of US\$20 million was approved, bringing the total value of the project to US\$110 million.
- A US\$150 million Emergency Electricity Reconstruction Project is financed by a US\$6 million ITF grant, US\$124 million IDA credit, and US\$20 million of counterpart funding. The US\$6 million ITF grant was signed on April 4, 2007. Although the IDA credit (US\$124 million) was approved by the World Bank on March 29, 2007, Iraqi authorities have not yet been able to make it effective (as is the case for all of the IDA credits). The project aims to: (i) restore the base load generation capacity of the Hartha Power Station, and (ii) build capacity in the Iraqi ministry of electricity to prepare, implement, and operate future projects.

33. Table 1 identifies each ITF-financed project, and briefly describes its objective.

Table 1: Summary of ITF-Financed Projects
June 30, 2007

Project	Grant Amount (US\$ m)	Implementing Agency	Signing/ Effectiveness Date	Project Objective and Description:
First Capacity Building	3.6	World Bank	2/14/04	Build the capacity of the Iraqi authorities to enable them to define, prioritize, and implement development projects, and lead the reconstruction process.
Textbook Provision	40.0	Ministry of Education	5/15/04	Provide 69 million textbooks to improve learning conditions in primary and secondary schools throughout Iraq. Build institutional capacity, transferring effective project management skills to the ministry.
School Rehabilitation and Construction	60.0	Ministry of Education	10/14/04	Alleviate school building hazards and overcrowding in primary and secondary schools through construction of 117 new schools and the major rehabilitation of 134 existing schools.

Project	Grant Amount (US\$ m)	Implementing Agency	Signing/ Effectiveness Date	Project Objective and Description:
Baghdad Water Supply and Sanitation	65.0	Mayorality of Baghdad	12/4/04	Restore basic water supply and sanitation services for Baghdad through the reconstruction and rehabilitation of existing treatment facilities and networks and provide capacity building to the Mayorality of Baghdad.
Water Supply, Sanitation, and Urban Reconstruction	110.0	Ministry of Municipalities and Public Works	12/8/04	Restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact.
Health Rehabilitation	25.0	Ministry of Health	12/4/04	Improve emergency services in 10 hospitals (to ensure at least one well-equipped emergency unit per governorate), and provide 12 hospitals with basic medical equipment and pharmaceuticals.
Second Capacity Building	7.0	World Bank	12/6/04	Build on the first capacity building project to help authorities tackle necessary reforms to move to a diversified and market-driven economy and to improve the delivery of public services.
Private Sector Development	55.0	Ministry of Planning and Ministry of Telecommunication	12/6/04	Lay the foundation for increasing investment and economic growth, fostering the development of the private and financial sectors by installing essential communications infrastructure and addressing selected priorities in institution building.
Community Infrastructure Rehabilitation	20.0	Ministry of Water Resources	12/18/04	Undertake a flexible program of labor-intensive civil works, generating near-term employment while improving rural irrigation, drainage, and water supply.
Disabilities	19.5	Ministry of Health	11/23/05	Improve services to the disabled by helping Iraq develop a comprehensive policy and legal framework for disabilities, strengthen Government-NGO partnerships, and reconstruct 11 rehabilitation centers.
Social Protection	8.0	Ministry of Labor and Social Affairs	6/6/2006	Enhance the impact of Iraq's social safety net and pensions programs. Assist Iraq to implement modern management and information systems to improve the delivery of social safety nets.

Project	Grant Amount (US\$ m)	Implementing Agency	Signing/ Effectiveness Date	Project Objective and Description:
Household Survey and Policies for Poverty Reduction	1.5	World Bank	5/31/06	Provide the technical support needed for Iraq to undertake modern data collection and analysis for the companion ITF grant implemented by the Ministry of Planning Center of Statistics and the KRG Statistics Unit.
	5.1	Ministry of Planning and KRG	7/24/06	Finance a comprehensive household survey and data analysis, enabling the Government to establish a poverty line, target social assistance to the neediest, and make informed policy decisions.
Emergency Environment Management Project	5.0	Ministry of Environment	12/20/06	Strengthen key institutional and regulatory functions of the Ministry of Environment to enable it to undertake policy analysis, formulate laws and regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.
Marshland School Construction	6.0	Ministry of Education	10/12/06	Provides additional funding to the Emergency School Construction and Rehabilitation Project, to construct about 30 new schools in the marshlands area of Basra, Nasiriyah and Missan.
Emergency Electricity Reconstruction	6.0	Ministry of Electricity	4/4//07	Provides cofinancing toward a US\$150 million project that aims to restore the base load generation capacity of the Hartha power station, and build institutional capacity.
Total	436.7			

I. DONOR PLEDGES, COMMITMENTS, AND DEPOSITS

34. Seventeen donors have pledged US\$462 million to the ITF, and deposited US\$460 million in the ITF account. Since the December 31, 2006 report to donors, Canada committed an additional CANUS\$5 million (US\$4.4 million) for the ITF, bringing its total contribution to US\$26.7 million. While Qatar pledged US\$5.0 million at the Madrid conference in 2003, it has deposited only US\$2.5 million to the ITF to date. Table 2 shows the status of donor pledges, commitments, and deposits as of June 30, 2007.

**Table 2: Donor Pledges, Commitments and Deposits to ITF
June 30, 2007**

Donors	Pledges in Donor Currency ^{1/}		Pledges (US\$ million)	Commitments ^{2/} (US\$ million)	Deposits ^{3/} (US\$ million)	% of Pledge Deposited
	Donor Currency	Currency (million)				
Australia	AUD	22.0	16.1	16.1	16.1	100%
Canada ^{4/}	CAD	35.0	26.7	26.7	26.7	100%
EC	EUR	123.0	150.0	150.0	150.0	100%
Finland	EUR	2.0	2.6	2.6	2.6	100%
Iceland	USD	1.0	1.0	1.0	1.0	100%
India	USD	5.0	5.0	5.0	5.0	100%
Japan	USD	130.6	130.6	130.6	130.6	100%
Korea	USD	4.0	4.0	4.0	4.0	100%
Kuwait	USD	5.0	5.0	5.0	5.0	100%
Netherlands	EUR	5.0	6.2	6.2	6.2	100%
Norway	NOK	45.0	6.7	6.7	6.7	100%
Qatar	USD	5.0	5.0	5.0	2.5	50%
Spain	USD	20.0	20.0	20.0	20.0	100%
Sweden	SEK	40.0	5.8	5.8	5.8	100%
Turkey	USD	1.0	1.0	1.0	1.0	100%
United Kingdom	GBP	40.0	71.4	71.4	71.4	100%
United States	USD	5.0	5.0	5.0	5.0	100%
Total			462.1	462.1	459.6	99%

^{1/} Includes pledges made at the 2003 Madrid Conference, plus additional contributions provided later.

^{2/} Commitments made in currencies other than US\$ are converted at the exchange rate as of the date of the administration agreement prior to their deposit into the fund, and is for indicative purposes only.

^{3/} Deposits" column shows the actual US\$ equivalent amount credited to the ITF account.

^{4/} In April 2007, Canada deposited an additional CAN\$5 million (US\$4.4 million) following the commitment it made at the Istanbul Donor Committee Meeting in March 2007.

35. The terms of multi-donor trust funds (MDTFs) administered by the World Bank do not permit donors' "earmarking" contributions to specific projects, since all inflows are commingled in a single account, making it impossible to trace any specific inflow to a particular project or expenditure. However, in an effort to accommodate donor requests, donors are permitted to identify sectoral preferences for their contributions, and the World Bank ensures that the value of projects in each sector will equal or exceed the amount of financing provided by ITF donors to that sector. While allowing donors to express a sectoral preference for their contribution may help donors report back to their constituents, it reduces the ability of the ITF fund to finance Iraqi

priorities and respond flexibly over time. More than 70% of donor contributions to the ITF (US\$333 million out of US\$460 million) are locked into specific sectors by its donors. Table 3 shows donor deposits by sectoral preference, as applicable.

Table 3: Donor Deposits by Sectoral Preference
(US\$ million)
June 30, 2007

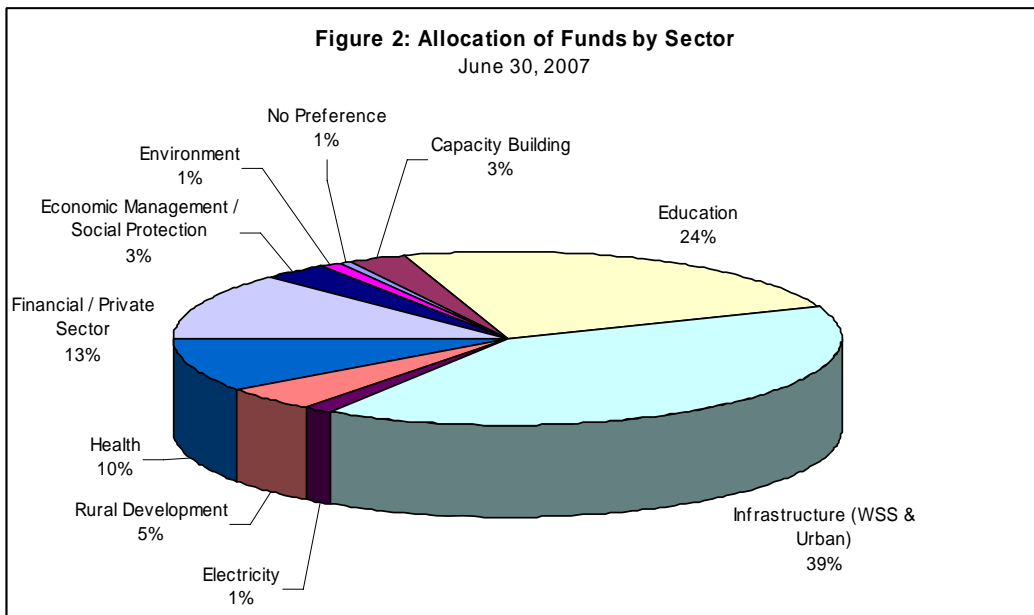
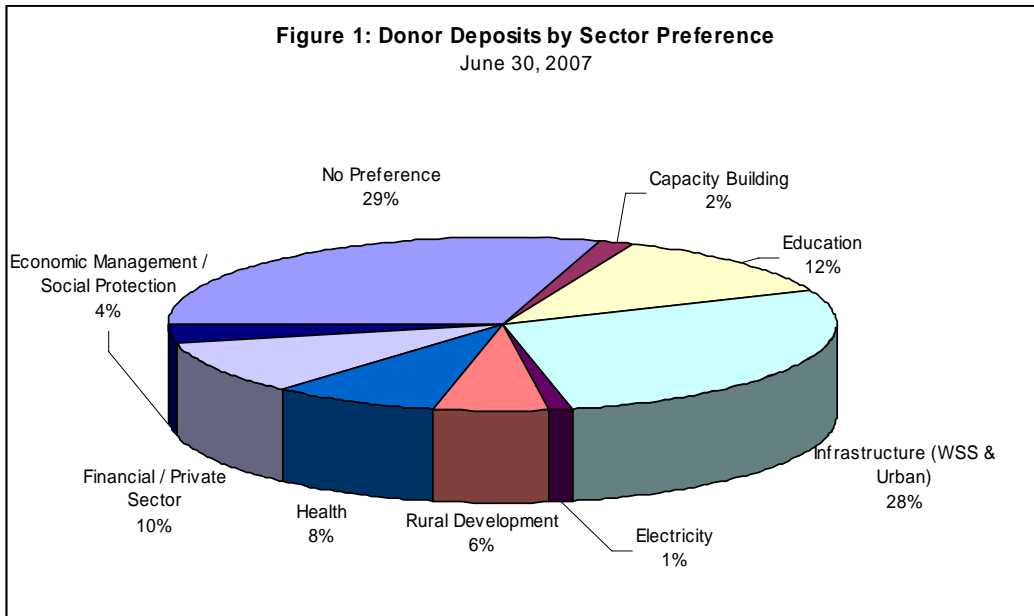
Donors	No Preference	Capacity Building	Educa-tion	Infra. (WSS & Urban)	Electricity	Rural Develop-ment	Health	Financial/Private Sector	Economic Manage-ment/Social Protection	Total
Australia	10.2					5.9				16.1
Canada	22.3								4.4	26.7
EC		7.5	55.5	25.7		20.0	29.1		12.2	150.0
Finland	2.6						1.0			2.6
Iceland										1.0
India	5.0									5.0
Japan				90.6				40.0		130.6
Korea				4.0						4.0
Kuwait	5.0									5.0
Netherlands	6.2									6.2
Norway	6.7									6.7
Qatar	2.5									2.5
Spain				8.0			6.0	6.0		20.0
Sweden					5.8					5.8
Turkey		0.3	0.3	0.3			0.3			1.0
United Kingdom	71.4									71.4
United States	5.0									5.0
Total	136.9	7.8	55.8	128.6	5.8	25.9	36.4	46.0	16.6	459.6

36. Table 4 summarizes the source and use of available funds by sector, as of June 30, 2007. The financing available to most sectors is already obligated to activities in those sectors. Funding provided for the Rural Development sector will be fully utilized with the approval of an US\$6 million agriculture capacity development project that is under preparation with the authorities. Resources remain available in Economic Management largely due to the recent Canadian contribution, which supports capacity building of public institutions for public financial management and judicial reform. Overall, the use of available resources is aligned with the sectoral preferences designated by donors to the ITF.

Table 4: Source and Use of Funds by Sectoral Preference
(US\$ million)
June 30, 2007

	No Preference	Capacity Building	Educational	Infra. (WSS & Urban)	Electricity	Rural Development	Health	Financial/Private Sector	Environment	Economic Management/Social Protection	Total
Inflows											
Total Donor Deposits	136.9	7.8	55.8	128.6	5.8	25.9	36.4	46.0	0.0	16.6	459.6
Investment Inc Earned	40.6										40.6
Total Inflows	177.5	7.8	55.8	128.6	5.8	25.9	36.4	46.0	0.0	16.6	500.2
Outflows											
Completed Projects											
Capacity Building I		3.6									3.6
Textbook Provision			40.0								40.0
Active Projects											
School Rehabilitation & Construction			60.0								60.0
Baghdad Water Supply & Sanitation				65.0							65.0
Health Rehabilitation							25.0				25.0
Capacity Building II		7.0									7.0
Private Sector Development								55.0			55.0
Water Supply, Sanitation & Urban Reconstruction				110.0							110.0
Community Infrastructure						20.0					20.0
Disabilities							19.5				19.5
Social Protection										8.0	8.0
Household Survey & Policies for Poverty Reduction										5.1	5.1
Household Survey & Policies Technical Assistance		1.5									1.5
Environmental Management									5.0		5.0
Marshland School Supplement			6.0								6.0
Electricity Reconstruction					6.0						6.0
Subtotal		12.1	106.0	175.0	6.0	20.0	44.5	55.0	5.0	13.1	436.7
Expenditures for Project Appraisal and Supervision		0.3	2.3	3.8	0.1	0.4	1.0	1.2	0.1	0.3	9.6
Expenditures for Trust Fund Management and Fees	2.4										2.4
Total Outflows	2.4	12.4	108.3	178.8	6.1	20.4	45.5	56.2	5.1	13.4	448.7

37. Figures 1 and 2 below compare the sectoral allocation of donor deposits to current outflows.



J. FINANCIAL SUMMARY

38. Table 5 summarizes the sources and uses of ITF funds, including donor deposits and investment income earned, compared to grant commitments, costs for project appraisal and supervision, trust fund management, and administration fees.

Table 5: Sources and Uses of Funds
(US\$ Million)
June 30, 2007

Sources and Uses of Funds	Current Program	Receipts/ Expenditures
Sources of Funds		
Donor Deposits	459.6	459.6
Investment Income	40.6	40.6
Total Sources of Funds	500.2	500.2
Uses of Funds		
Project Financing		
Closed Projects		
Capacity Building I	3.6	2.5
Textbook Provision	40.0	38.8
Active Projects		
Capacity Building II	7.0	3.9
School Rehabilitation & Construction	60.0	11.2
Health Rehabilitation	25.0	4.1
Water Supply, Sanitation & Urban Reconstruction	110.0	7.3
Baghdad Water Supply	65.0	7.0
Private Sector Development	55.0	4.3
Community Infrastructure	20.0	13.2
Disabilities	19.5	0.5
Social Protection	8.0	0.1
Household Survey & Policies for Poverty Reduction	5.1	2.0
Household Survey & Policies (Technical Assistance)	1.5	1.0
Marshland Schools (Supplemental Grant)	6.0	
Environmental Management	5.0	
Electricity Reconstruction	6.0	
Subtotal Project Financing	436.7	96.0
Funding Available for Project Pipeline	32.4	
Total Project Financing	469.1	96.0
Cost Recovery ^{1/}		
Project Appraisal and Supervision	26.0	9.6
Trust Fund Management and Fees	5.1	2.4
Total Cost Recovery	31.1	12.0
Total Use of Funds	500.2	107.9

^{1/} Includes projected requirements for project appraisal & supervision of the current portfolio, FMA, trust fund management and administration fees over the life of the ITF (through December 31, 2010).

39. The available resources in the trust fund stand at US\$500 million, comprised of US\$460 million of donor contributions plus almost US\$41 million of investment income earned since the inception of the ITF.

40. Nearly US\$437 million (95% of donor deposits) has been legally committed in grant funding to Iraq. Over 97% of the funding for projects (US\$425 million out of US\$437 million), finances projects under execution by Iraqi institutions. About US\$12 million, or less than 3% of project funding, finances capacity building projects under implementation by the World Bank.

41. The provisions of the ITF allow it to finance the actual full costs the World Bank incurs to appraise and supervise projects and administer the trust fund. The World Bank recovers the costs to conduct project analysis, appraisal, supervision, trust fund management and administration through two mechanisms:

- An administrative fee is charged to offset the costs of the services provided by the central units of the World Bank (e.g. trust fund operations, accounting, legal, and loan departments). The fee is 0.4% for Bank-executed projects and 0.2% for the Iraqi-implemented projects, and is charged at the time the individual trust fund project is established.
- The actual full costs for World Bank staff and consultants (including the FMA) who carry out project analysis, appraisal, negotiation, and supervision and ITF management are charged directly to the trust fund. The actual costs of the annual external audit are also charged directly to the trust fund.

42. As of June 30, 2007, although about US\$32 million remain available for new projects, about half of that is tied to specific sectors (social protection, basic services in health and education, and agriculture) by the donors. About US\$18 million is set aside for emergency maternal health, and capacity building in education and training, and agriculture projects. Projects already cleared by ISRB and reviewed by the World Bank's Ad Hoc Committee include the Obstetrics and Neonatal Care Project (US\$11.3 million), Education and Training Development (US\$0.6 million), and Agriculture Sector Capacity Building (US\$6 million) projects. About US\$15 million is also set aside to help finance follow-up work to the successful ITF-financed Emergency Community Infrastructure Project, either as a second Emergency Community Infrastructure Project or as supplementary financing to expand the scope and reach of the current project.

K. DISBURSEMENT PROGRESS

43. Disbursements correspond to actual expenditures—payments made for goods, works, and services delivered. Disbursements are made only after goods are delivered, work is certified to be satisfactorily completed, invoices are submitted to the ministry for review, and payment is requested from the World Bank. Thus, disbursements occur as the last step of implementation, and can only provide a lag indicator of project progress.

44. ITF grants disburse in accordance with the appropriate policies and procedures of the World Bank. The World Bank provides intensive training in World Bank procurement and disbursement procedures to PMTs before and throughout project implementation. PMT staff receives daily support from World Bank staff and consultants, including the FMA.

45. As part of the compensating financial controls for ITF-financed grants, disbursements in Iraq are made primarily as direct payments by the World Bank to individual contractors, consultants, and vendors. Small payments, typically those under US\$10,000, are made by the implementing agency from its own budget. Once a group of payments made by the ministry

exceed the US\$10,000 threshold, they are claimed by the agency and reimbursed by the World Bank upon presentation of proof of payment and a signed withdrawal application. While these procedures were designed to minimize fiduciary risks, they have also contributed to payment delays.

46. Disbursements—actual payments made from the trust fund—stand at US\$108 million as of June 30, 2007. (See Table 5.) Disbursements for project expenditures total US\$96 million and account for about 89% of total trust fund disbursements. Project expenditures for the Iraqi-implemented grants total almost US\$89 million, representing almost 93% of project expenditures and 82% of all ITF disbursements. Disbursements for the three Bank-executed capacity building projects (one of which is completed and closed) total about US\$7 million.

47. Actual expenditures for project analysis, appraisal and supervision, including the services provided by the FMA, remain below US\$10 million. Total costs for management of the trust fund and administration fees is about US\$2 million. While current disbursements for project work, trust fund administration and fees currently account for about 11% of disbursements, they represent about 3% of the value of the project portfolio. Projections over the life of the ITF indicate that cost recovery charges for project oversight and trust fund administration will total about US\$31 million, 6% of the value of the fund.

L. STATUS OF CONTRACTING

48. While trust fund disbursements provide a lag indicator of project progress, the status of contracting represents a measure of future progress. As of June 30, 2007, 75% of ITF grant monies have been tendered or contracted (US\$320 million), and the value of contracts awarded or completed totals about US\$232 million, 55% of the value of the grant funding. Table 6 shows the status of contracting by project as of June 30, 2007.

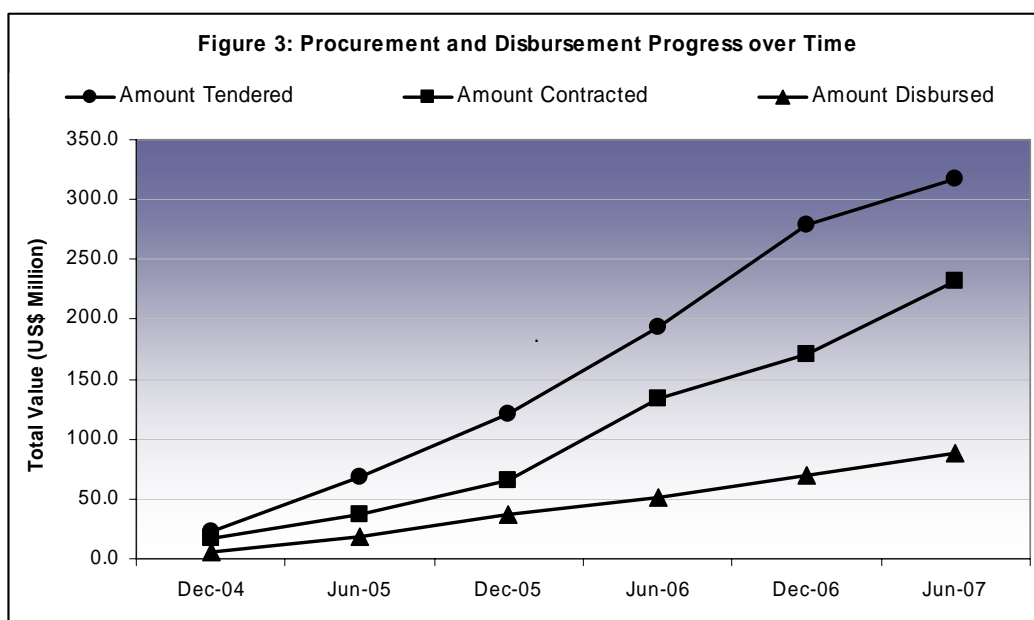
Table 6: Status of Iraqi-Implemented Contracts by Project
(US\$ Million)
June 30, 2007

Recipient-Executed Project	Tenders			Disbursements
	Grant Amount	or RFPs Issued	Contracts Signed	
Textbook Provision (Closed)	40.0	39.1	39.1	38.8
School Construction & Rehabilitation	60.0	37.3	36.9	11.2
Baghdad Water Supply & Sanitation	65.0	47.0	8.4	7.0
Health Rehabilitation	25.0	18.9	11.2	4.1
Private Sector Development	55.0	52.3	39.0	4.3
Water Supply, Sanitation, Urban Reconstruction	110.0	88.0	71.0	7.3
Community Infrastructure	20.0	19.9	19.9	13.2
Disabilities	19.5	3.1	2.6	0.5
Social Protection	8.0	2.5	0.1	0.1
Household Survey & Policies	5.1	2.2	2.2	2.0
Marshlands School (Supplemental Grant)	6.0	2.3	1.3	0.0
Environmental Management	5.0	4.2	0.0	0.0
Electricity Reconstruction	6.0	0.0	0.0	0.0
Total	424.6	316.8	231.7	88.5
As % of Grant Amount		75%	55%	21%

49. The pace of contracting continues to show progress—the value of signed contracts increased by 36% over the past six months (74% over the past year), and now totals almost US\$232 million, equal to about 55% of the total value of grant funding. Table 7 presents the growth in the value of tenders, signed contracts, and disbursements over time, which is graphically depicted in Figure 3.

Table 7: Procurement and Disbursement Progress over Time
US\$ Million
June 30, 2007

	Dec-04	Jun-05	Dec-05	Jun-06	Dec-06	Jun-07
Granted	355.0	355.0	374.5	374.5	398.6	424.6
Tendered	22.2	68.1	121.0	193.2	278.2	316.8
Contracted	16.5	37.6	65.0	133.2	170.3	231.7
Disbursed	5.5	19.2	37.4	51.4	69.9	88.5



M. IMPLEMENTATION ISSUES

50. The overall security environment hampers project implementation, affecting all stages of implementation by: (i) preventing ministry staff from coming to the ministry offices regularly; (ii) discouraging contractors to bid for contracts; (ii) delaying the delivery of goods, the progress of civil works, and the inspection of project sites. The Iraqi execution of projects and the engagement of local contractors help reduce the likelihood of being affected by violence. The broad geographical coverage of ITF-financed projects, with subprojects often located in 9 to 18 governorates, also reduces the impact of localized instability.

51. While utilizing country systems for project implementation is critical to strengthen the institutional capacity of key governmental institutions, it also affects the pace of implementation.

There is a trade-off between timely disbursements on one side, and sustainability, institution building, and fiduciary safeguards on the other.

52. Procurement deserves special attention: as the first step in the implementation process, timely and high quality procurement is critical to swift project implementation. Slow preparation and processing of procurement documents, which sometimes requires several iterations, have been a significant factor in implementation delays. While the time needed for Iraqi implementing agencies to employ competitive bidding procedures may slow implementation initially, employing competitive bidding procedures is key to improving fiduciary controls and cost effectiveness.

53. Frequent political transitions have caused implementation delays. There have been four Iraqi governments since 2003, and each transition generated changes in ministry staff, and technical and Government counterparts. Members of PMTs receive intensive training and on-going support, and need time and experience to become proficient in project management and World Bank fiduciary procedures, especially in an environment of weak institutional frameworks. The sequential turnover of trained staff and experienced counterparts has been especially harmful to project implementation, and resulted in a substantial loss of time. Although many factors have an impact on successful implementation, it is worth noting that the project in the current portfolio that continues to progress successfully, the Emergency Community Infrastructure Project, is also the project for which there has been a single, committed PMT and minister since the project was launched.

54. The operating environment in Baghdad is extremely difficult, and Government capacity has become increasingly stretched. In addition to the frequent turnover of PMT personnel, the loss of key senior and mid-level officials (due to political appointments, security concerns, and emigration), also adversely affects the speed of implementation.

55. Inefficient decision-making processes within ministries and the reluctance of ministers to delegate functions delay the approval of bidding documents and signing contracts. Excessive bureaucratic requirements, sometimes put in place to avoid the mere charge of corruption, have led some ministries to protracted decision-making and approval processes.

56. Delays in making Iraqi dinar payments to local contractors continue to plague the program. Payment delays are caused by two main factors: (i) contractors continue to provide inconsistent information on contracts and invoices; and (ii), the domestic banking system is unable to transfer funds to local branches or individual accounts. Such payment delays have caused contractors to interrupt work (delaying implementation) and lose confidence in the contracting process (driving up the cost of future contracts). The World Bank is designing an alternative disbursement method, to pilot in one or two projects, once PMTs can demonstrate that basic fiduciary controls are in place. World Bank is also working closely with its banking partners to come up with improved funds transfer options within Iraq. Local consultants and FMA teams continue to provide additional training and on-the-job support to PMTs, to help ensure that withdrawal applications contain complete, consistent, and accurate information.

57. The appreciation of the Iraqi Dinar has significantly increased costs, which may cause a reduction in the scope of some projects unless additional financing is provided. The World Bank addresses these issues on a project-by-project basis with Iraqi authorities. In some cases, Iraq may allocate some of its unused investment budget to finance components of ITF projects. This approach would help ensure the original objectives of the project could be met, while allowing Iraq to demonstrate its ability to deliver services to the population.

58. Some project implementation impediments are within the control of the Government, but have not yet been addressed. In particular, some ITF projects continue to suffer from delays in

establishing project accounts or from inadequate funding in the line ministries to cover operating expenses. These issues were detailed in a letter to the Government in November 2006, and the World Bank's staff in Baghdad continue to follow up.

59. The delay in finalizing the extension to the termination date of the ITF caused significant implementation delays in several projects. In some cases, contracts that extended beyond the closing date of the project could not be signed until the ITF was formally extended. In other cases, responsible bidders were not willing to compete for contracts for which the availability of financing was uncertain, which delayed the bidding and procurement process. In April 2007, with the receipt of signed amendments to the legal agreement from all 17 donors to the ITF, the termination date of the trust fund was extended for three years. Projects will need to be completed on or before August 31, 2010, in order to allow for a four month grace period to complete disbursements by the termination date of the ITF. Project teams are working with the PMTs to extend each project, as appropriate.

60. While the factors listed above lead to project implementation delays, one project, the Emergency Community Infrastructure Project (US\$20 million) continues to progress at a rapid pace. Iraq's agriculture sector has been a major employer, accounting for over one-third of Iraq's non-oil Gross Domestic Product (GDP). By 2002, about 80% of Iraq's basic staples were imported, and about half of the population was subject to malnutrition and food insecurity. To help address these issues, the Emergency Community Infrastructure Project was approved in December 2004. Box 3 describes the implementation methods and status of the Community Infrastructure Project.

**Box 3: The Emergency Community Infrastructure Project
Implementation Methods and Status**

The Emergency Community Infrastructure Project aims to restore rural water infrastructure by rehabilitating rural irrigation and drainage networks, canals, and water supply systems while creating substantial local employment.

The project finances 22 subprojects distributed throughout Iraq. Eighteen subprojects in nine governorates are completed, and the remaining four subprojects are underway and expected to be completed by December 2007.

The project has created about 152,000 work days of employment, improved 67,000 hectares of irrigated areas, and benefited over 100,000 farmers.

The project relies on community involvement to select and prioritize project sites.

Project implementation benefited from strong commitment of the ministry and a stable and committed PMT over its lifetime.

Project implementation also benefited from utilizing a community-based, flexible, programmatic approach to site selection and prioritization.

While the project focuses on near-term job creation and local impact, it may also lay the groundwork for irrigation and drainage sector reform.

The success of the project has already led to the design of a follow-up project, for up to US\$30-50 million. Designs for 15 subprojects are already completed and ready to finance. The follow-up project would create an additional 200,000 work-days and increase cropping intensity and crop yields in 100,000 hectares, serving 90,000 beneficiaries.

61. The World Bank will launch the 2007 Country Portfolio Performance Review (CPPR) in July 2007, to systematically identify impediments to project implementation and to identify actions to be taken to improve the performance of the portfolio. Box 4 describes the characteristics of the CPPR exercise. The first CPPR for Iraq, conducted in spring 2006, received good input from ministerial PMTs. However, due to the Government transition at that time, the CPPR was not discussed with senior Government officials, which limited the impact of the exercise. The results of the second CPPR may help strengthen the ITF portfolio, and inform decisions about allocating the remaining trust fund monies. Finally, in the context of the ICI, undertaking a CPPR and moving to address implementation bottlenecks that may be identified, will demonstrate Iraq's commitment to results.

Box 4: Country Portfolio Performance Review (CPPR)

What is a CPPR? A CPPR is a joint exercise by the World Bank and the recipient Government to identify issues that hamper project implementation, and to reach agreement on actions to be taken by the World Bank, the Government, and implementing agencies to address weaknesses and improve project performance.

How often is a CPPR usually carried out? The World Bank and the Government typically carry out a CPPR on an annual basis.

Why is a CPPR important at this time? The CPPR is an important tool to improve project implementation by helping Iraq and the World Bank address implementation bottlenecks that would facilitate progress of all donor-funded projects and help determine the allocation of resources to maximize impact. The results of the CPPR will inform discussions at the World Bank/IMF Annual Meetings (October 19-21, 2007) and at the Sixth IRFFI Donor Committee Meeting (October 28-29, 2007). Finally, in the context of the ICI, undertaking a CPPR will demonstrate Iraq's commitment to results.

What is the process for carrying out the CPPR? While there is no one model, the process generally includes: (i) a joint review by the World Bank and Iraqi project teams at the technical level to identify issues that hamper project progress; and (ii) discussion at the ministerial level to consolidate issues and reach agreement on what actions should be taken, when, and by whom to address weaknesses. The output of the CPPR would be a matrix of specific issues, actions, and a time schedule for completion.

What issues are usually identified in a CPPR? A CPPR will typically identify both project-specific issues and generic or country-wide issues. Issues often include: procurement and financial management; administrative bottlenecks; capacity constraints; and turnover in project and or World Bank staff.

N. RESULTS AND IMPACT OF ITF PROJECTS

62. The World Bank's principal objective is to help Iraq develop institutional frameworks, policies, and systems to lead to more effective, accountable, and transparent use of its resources. Table 8 outlines each ITF-financed project, its major objectives, projected impact, and current implementation status. More detailed information for each project is included in Annex 2, which includes a Project Summary Sheet for each active project.

Table 8: Project Objectives, Impact and Status
June 30, 2007

Completed Projects

Project	Objectives	Impact
FIRST CAPACITY BUILDING		
<ul style="list-style-type: none"> • Grant Amount: US\$3.6m • Implemented by: World Bank • Effective: Feb. 2004 • Closed: August. 2004 	<p>Build the capacity of the Iraqi authorities to enable them to define, prioritize, and implement development projects and lead the reconstruction process.</p>	<p>The project prepared Iraqi authorities to design and execute donor-funded projects.</p> <ul style="list-style-type: none"> • Over 581 Iraqi officials completed 22 workshops • Provided the essential tools for managing the project cycle, including modern procurement and financial management procedures, and sector-specific training to help the Iraqi team prepare sector strategies • Participation in study tours and workshops helped Iraqi officials develop professional networks with counterparts in other ministries and neighboring countries
EMERGENCY TEXTBOOK PROVISION		
<ul style="list-style-type: none"> • Grant Amount: US\$40m • Implemented by: Ministry of Education • Coverage: Nationwide • Effective: May 2004 • Closed: December 2006 	<p>Provide 69 million textbooks to improve learning conditions in primary and secondary schools throughout Iraq. Build institutional capacity, transferring effective project management skills to the ministry.</p>	<p>The project financed the printing and distribution of more than 82 million textbooks (11 books per pupil), exceeding its primary objective</p> <ul style="list-style-type: none"> • Cost savings, which resulted from competitive procurement procedures, financed 13 million additional textbooks • Benefited 6 million students in all 19,000 primary and secondary schools. • Maximized local employment (55% of the grant amount financed local contracts) • The ministry adopted competitive procurement procedures for projects financed through other sources

Active Projects

Project	Objective	Impact	Implementation Status
EMERGENCY SCHOOL REHABILITATION			
<ul style="list-style-type: none"> • Grant Amount: US\$60m • Implemented by: Min of Education • Coverage: Nationwide • Effective: October 2004 	<p>Alleviate school building hazards and overcrowding in primary and secondary schools through new school construction and major rehabilitation of existing schools. Create substantial local near-term employment.</p>	<p>New or rehabilitated facilities will benefit 128,000 pupils</p> <ul style="list-style-type: none"> • Major rehabilitation of 134 schools benefiting 46,000 students • Construction of 117 new schools for 82,000 students • 6,000 jobs created 	<p>Major rehabilitation of 133 schools are complete (benefiting 45,000 pupils)</p> <ul style="list-style-type: none"> • Design of 32 new schools complete and construction of 30 is underway • 3,000 construction jobs created • Over 60% of funds (US\$37m) are contractually committed

Project	Objective	Impact	Implementation Status
SECOND CAPACITY BUILDING			
<ul style="list-style-type: none"> • Grant Amount: US\$7m • Implemented by: World Bank • Effective: November 2004 	<p>Build on the First Capacity Building project to help authorities tackle necessary reforms to move to a diversified and market-driven economy and to improve the delivery of public services.</p>	<ul style="list-style-type: none"> • More than 1,000 Iraqi officials will participate in activities to strengthen institutional capacity and reform • Participant evaluations confirm the value of providing a venue to discuss key policy issues and develop specific skills 	<ul style="list-style-type: none"> • More than 900 participants from various ministries and local institutions have attended 45 workshops in economic management, public sector management and social safety nets • Most of the remaining funds will finance activities designed to enhance public financial management, in line with Iraq's Compact priorities
EMERGENCY HEALTH REHABILITATION			
<ul style="list-style-type: none"> • Grant Amount: US\$25m • Implemented by: Ministry of Health • Coverage: Nine Governorates • Effective: November 2004 	<p>Improve emergency services in 10 hospitals (to ensure at least one well-equipped emergency unit per governorate), and provide 12 hospitals with basic medical equipment and drugs.</p>	<ul style="list-style-type: none"> • Serve an estimated 100,000 patients per year, who will use emergency services provided by the 10 hospitals • Create about 1,000 short-term construction jobs (225,000 man-days) through the use of local contractors 	<ul style="list-style-type: none"> • Rehabilitation of 7 hospitals is underway and 4 are nearly ready to be handed over • Contracts to procure 3 medical equipment lots have been awarded • Contracts to procure 18 emergency drugs have been procured and are under distribution • 22 doctors were trained in Emergency Preparedness and Response
EMERGENCY PRIVATE SECTOR DEVELOPMENT			
<ul style="list-style-type: none"> • Grant Amount: US\$55m • Implemented by: Ministry of Planning and Iraqi Telecommunications and Post Company • Coverage: Nationwide • Effective: November 2004 	<p>Lay the foundation for increasing investment and economic growth, fostering the development of the private and financial sectors by addressing:</p> <ul style="list-style-type: none"> • Selected priorities in institution building; • Essential communications infrastructure. 	<ul style="list-style-type: none"> • Install a nationwide telecommunication backbone, which will create at least 1,000 short-term jobs and, ultimately, benefit every Iraqi and business 	<ul style="list-style-type: none"> • The US\$40m contract to supply and install the high-capacity national telecommunications network has been awarded • Contract to strengthen the Export Promotion Agency and Economic Development Fund has been awarded • Procurement for feasibility studies for industrial estates is nearly complete
EMERGENCY COMMUNITY INFRASTRUCTURE			
<ul style="list-style-type: none"> • Grant Amount: US\$20m • Implemented by: Ministry of Water Resources • Coverage: Fourteen gov. • Effective: December 2004 	<p>Undertake a flexible program of labor-intensive civil works to generate near-term employment while improving rural water irrigation, drainage, and water supply.</p>	<ul style="list-style-type: none"> • Twenty-two subprojects will benefit about 150,000 rural inhabitants by improving about 90,000 hectares of irrigated areas • Will create more than 20,000 job opportunities in total (180,000 man-days) 	<ul style="list-style-type: none"> • 18 subprojects in 9 governorates are complete, creating about 152,000 days of employment, improving 67,000 hectares of irrigated areas, and benefiting 100,000 farmers • 4 subprojects are underway and about 40% completed

Project	Objective	Impact	Implementation Status
EMERGENCY BAGHDAD WATER SUPPLY			
<ul style="list-style-type: none"> • Grant Amount: US\$65m • Implemented by: Mayoralty of Baghdad • Coverage: Baghdad • Effective: December 2004 	Restore basic water supply and sanitation services for Baghdad through the reconstruction and rehabilitation of existing treatment facilities and networks and by providing capacity building to the Mayoralty of Baghdad.	<ul style="list-style-type: none"> • Provide clean water and purge sewage backups for about one million residents of Baghdad (about 17 percent of city's population) • Create 2,000 short-term jobs. • Help the municipality design a comprehensive development plan for Baghdad 	<ul style="list-style-type: none"> • Contracts for US\$12m of goods and work are signed • Two bids for US\$15m each are under evaluation for approval shortly • A team of advisors has been recruited for a Baghdad Comprehensive City Development Plan
EMERGENCY WATER SUPPLY, SANITATION & URBAN RECONSTRUCTION			
<ul style="list-style-type: none"> • Grant Amount: US\$110m • Implemented by: Ministry of Municipalities and Public Works • Coverage: Nine governorates • Effective: December 2004 	Restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact.	Rehabilitate water supply and sanitation systems in nine cities, and urban infrastructure in three cities, which will: <ul style="list-style-type: none"> • provide clean water and purge sewage backups for over 2 million people in 7 municipalities, and • Create 3,000 short-term construction jobs 	<ul style="list-style-type: none"> • Work is underway for US\$71 million for urban rehabilitation & water supply upgrades in Badawa, Al-Samawa and Al-Husseinia • The Ministry has completed a nationwide water and wastewater survey • A National Water Supply and Wastewater sector study is pending
EMERGENCY DISABILITIES			
<ul style="list-style-type: none"> • Grant Amount: US\$19.5m • Implemented by: Ministry of Health • Coverage: Fifteen governorates • Effective: November 2005 	Reduce the burden of the disabled by helping Iraq develop targeted and cost-effective rehabilitation services in a community setting.	<ul style="list-style-type: none"> • Upgrade the infrastructure and equipment of 14 rehab centers and/or prosthetic workshops • Develop the information base to promote evidence-based policy-making and improve the legal framework • Provide 250,000 people access to rehab services • Create over 83,000 man-days of local construction jobs 	<ul style="list-style-type: none"> • Design work for 11 hospitals is underway • Ministry officials participated in a study tour to Bosnia to gain experience from a similar successful Bank-financed project • A group of technicians was trained in March 2007 and a second group is currently under training • Civil works is experiencing delays due to lack of local experience • There are procurement delays due to registration process at MOH
ADDITIONAL FINANCING FOR SCHOOL CONSTRUCTION IN THE MARSHLANDS			
<ul style="list-style-type: none"> • Grant Amount: US\$6m • Implemented by: Ministry of Education • Coverage: Marshland Areas of Southern Iraq • Effective: October 2006 	Provides additional funding for the Emergency School Construction and Rehabilitation Project, to construct approximately 36 new schools in the Marshland areas of Basra, Nasiriyah and Missan.	<ul style="list-style-type: none"> • Involve local stakeholders to mobilize and train local community committees to undertake small site works • Build 36 new schools to serve 6,000-8,000 students • Help stabilize the resettlement of about 30 village communities • Create over 90,000 man-days of construction work 	<ul style="list-style-type: none"> • Project Implementation is largely on track with some delays due to the re-tendering of 3 contracts • Construction is expected to begin in August 2007

Project	Objective	Impact	Implementation Status													
EMERGENCY SOCIAL PROTECTION																
<ul style="list-style-type: none"> • Grant Amount: US\$8m • Implemented by: Ministry of Labor & Social Affairs and Ministry of Finance • Coverage: Nationwide • Effective: June 2006 	Enhance impact of Iraq's social safety net and pensions programs. Assist Iraq to implement modern management and information systems to improve the delivery of social safety nets.	<p>Improve targeting and reduce leakages to increase the benefits that reach vulnerable populations, through:</p> <ul style="list-style-type: none"> • Implementing modern information systems to maintain data in order to improve management and policy decisions • Building technical capacity for policy analysis and design • Helping Iraq draft a pension reform strategy 	<ul style="list-style-type: none"> • First 2 procurement packages have had to be re-tendered • PMT has redesigned IT equipment tendering packages • Bank is processing extension of grant closing date to February 2010 													
EMERGENCY HOUSEHOLD SURVEY & POLICIES FOR POVERTY REDUCTION (HSPPR)																
<p>GRANT FINANCING</p> <ul style="list-style-type: none"> • Grant Amount: US\$5.1m • Implemented by: MOPDC and KRG Statistical Units • Coverage: Nationwide • Effective: July 2006 	Provides financial and technical assistance to help Iraq undertake the Iraq Household Socio-Economic Survey. The survey provides needed data to enable Iraq to establish a poverty line and make evidence-based policy decisions, to ensure social assistance is targeted to the neediest populations.	<p>The survey is the first comprehensive nation-wide household survey since 1998. The survey will:</p> <ul style="list-style-type: none"> • Combine an income and expenditure survey with a Living Standard Measurement Survey • Provide results to serve as the basis to develop Poverty Reduction Strategy • Cover 17,000 households nationwide within 12 months 	<ul style="list-style-type: none"> • Fieldwork began in November 2006. Thus far, over 6,000 households in all 18 governorates have been surveyed 													
<p>TECHNICAL ASSISTANCE</p> <ul style="list-style-type: none"> • Grant Amount: US\$1.5m • Implemented by: WB • Effective: May 2006 				EMERGENCY ENVIRONMENTAL MANAGEMENT				<ul style="list-style-type: none"> • Grant Amount: US\$5m • Implemented by: Ministry of Environment • Coverage: Nationwide • Effective: December 2006 	Aims to strengthen key institutional and regulatory functions of the ministry, to enable the ministry to undertake policy analysis, formulate regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.	<ul style="list-style-type: none"> • Analyze issues and produce an Environmental Action Plan, outlining critical priorities for the next 3-5 years • Install and monitor 18 air quality monitoring stations in 3 cities • Prepare solid waste management master plan for Baghdad; and a health care waste management plan 	<ul style="list-style-type: none"> • The project launch workshop took place in March 2007 • Evaluation of 4 bids to purchase air quality monitoring stations is underway • Proposals for consultancy services are due July 4, 2007 • Cooperation between ministries and Mayoralty of Baghdad has been promising 	EMERGENCY ELECTRICITY RECONSTRUCTION				<ul style="list-style-type: none"> • Grant Amount: US\$6m • Implemented by: Ministry of Electricity • Coverage: Nationwide • Effective: April 2007
EMERGENCY ENVIRONMENTAL MANAGEMENT																
<ul style="list-style-type: none"> • Grant Amount: US\$5m • Implemented by: Ministry of Environment • Coverage: Nationwide • Effective: December 2006 	Aims to strengthen key institutional and regulatory functions of the ministry, to enable the ministry to undertake policy analysis, formulate regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.	<ul style="list-style-type: none"> • Analyze issues and produce an Environmental Action Plan, outlining critical priorities for the next 3-5 years • Install and monitor 18 air quality monitoring stations in 3 cities • Prepare solid waste management master plan for Baghdad; and a health care waste management plan 	<ul style="list-style-type: none"> • The project launch workshop took place in March 2007 • Evaluation of 4 bids to purchase air quality monitoring stations is underway • Proposals for consultancy services are due July 4, 2007 • Cooperation between ministries and Mayoralty of Baghdad has been promising 													
EMERGENCY ELECTRICITY RECONSTRUCTION																
<ul style="list-style-type: none"> • Grant Amount: US\$6m • Implemented by: Ministry of Electricity • Coverage: Nationwide • Effective: April 2007 	Aims to restore base load generation of the Hartha Power Station Units 2 and 3, and to lay the groundwork for improved power system planning. The ITF grant financed component supports consultant support, feasibility studies, training, and technical assistance to strengthen institutional capacity.	<ul style="list-style-type: none"> • Alleviate power supply shortfall. • Provide power to approximately 1 million households and grid-connected industrial consumers for 20 years • Strengthen capacity of Ministry of Electricity to undertake improved power system planning 	<ul style="list-style-type: none"> • The grant became effective in April 2007 • The IDA-financed companion loan is awaiting effectiveness 													

63. The Emergency Textbook Provision Project (US\$40 million) was the first project implemented by Iraq in several decades. The project pioneered implementation arrangements for World Bank projects and set the stage for the World Bank's work in the education sector in Iraq. The project was judged to be successful, fully meeting its primary objective, to improve the conditions of learning in primary and secondary schools. Keeping schools open and functioning was a key condition to help mitigate the effects of the on-going instability on the poor and vulnerable populations. Recipient commitment to the project was strong—the PMT was frequently described as committed and dedicated, while working under difficult and even dangerous conditions. The project help strengthened the capacity of the Ministry of Education (MOE) to: (i) execute donor-funded projects; (ii) utilize procurement methods that meet modern, international standards; (iii) accurately monitor and report financial activities of projects; and (iv) coordinate among several donors that supported textbook provision between 2003 and 2006. The focus of donor activities has now been able to shift from immediate needs (e.g. providing textbooks and school supplies), which are covered by the Ministry of Education's budget, to reconstruction and capacity building. For more information about the Emergency Textbook Provision Project, and the lessons learned throughout its implementation, see Box 5.

Box 5: Emergency Textbook Provision Project

Did the project meet its objective? The Emergency Textbook Provision Project aimed to improve the conditions of learning in primary and secondary schools by providing 69 million textbooks for 6 million students for all 12 grades of school, throughout the country. Savings of US\$9 million, resulting from the employment of competitive bidding procedures, financed the production and distribution of about 12 million additional textbooks.

Why was the World Bank involved in textbook provision? Emergency efforts to distribute textbooks were undertaken by various donors (e.g. UNICEF, UNESCO, USAID). These efforts quickly met about 40% of the demand for the 2004-2005 school years by procuring textbooks outside of the MOE, utilizing direct contracting procedures with international firms. The strategy of the MOE recognized persistent problems of access and quality of educational resources, and requested World Bank assistance, through the ITF, to help improve learning conditions through the production and distribution of textbooks. The project helped lay the groundwork for reform in managing textbook printing and distribution.

What were some important “lessons learned” through the implementation of the project that may apply to other projects?

- Simple project design is key in an emergency situation.
- Promote effective donor coordination, and share data and experiences to help maximize the results of the project.
- Assess the implementing agency's capacity early on, and undertake measures to mitigate risks.
- Plan for intensive and frequent supervision, and utilize local supervision consultants to inspect goods and visit project sites.
- For maximum impact, maintain focus on building longer-term institutional capacity, while working to achieve short-term and visible results.

64. Beyond the results delivered through any specific project, the ITF may be the only vehicle that provides support to Iraq's own national and sub-national structures. Executing

projects through Iraqi institutions strengthens those institutions through the hands-on project implementation experience. Projects financed through the ITF continue to help Iraq deliver improvements in basic service delivery, while building skills in the civil service to implement development programs, conduct poverty analyses, undertake sectoral analyses, and design social protection schemes to target services to the neediest citizens.

O. INFORMATION DISSEMINATION

65. The IRFFI website (www.irffi.org), jointly managed and updated by World Bank and UNDP staff, resides on World Bank servers and is publicly available. The website serves as a repository for up-to-date news, monthly reports and data, providing regular updates on the financial status of deposits, commitments, and disbursements as well as project implementation progress to donors and other interested parties.

ANNEX 1: ITF BACKGROUND AND COUNTRY CONTEXT

THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

1. **Mandate.** At their meeting on April 12, 2003, the Group of Seven Industrialized Countries' (G-7) Finance Ministers and Central Bank Governors recognized the need for a multilateral effort to rebuild and develop Iraq. United Nations (UN) Security Council Resolution 1483 (May 22, 2003) noted the statement of the G-7 and called for the international financial institutions to assist the people of Iraq in reconstruction and to facilitate assistance by the broader donor community. In response, on June 24, 2003, the UN hosted a meeting of some 50 states which, collectively, became known as the Liaison Group. The Liaison Group, in turn, requested a small number of major donors, known as the Core Group, to convene a Donors' Conference. The Liaison Group also asked the World Bank and the UN to assess Iraq's reconstruction needs, and to design a multi-donor trust fund to coalesce donor support around Iraq's priority reconstruction needs.
2. **Joint Needs Assessment.** The World Bank and the UN, with support from Iraqi national officials and the International Monetary Fund (IMF), conducted a Needs Assessment during the period June through August 2003. The Needs Assessment was finalized following consultations in Dubai and Madrid with the Core Group, representatives of Iraq's Governing Council, Iraqi sector ministries, and the Coalition Provisional Authority. The final document was presented at the Donors' Conference in Madrid on October 23-24, 2003, where it was endorsed by the donors present and representatives of the Iraqi Governing Council.
3. **The Design of IRFFI.** In parallel with the Needs Assessment, the World Bank and the UNDG designed the International Reconstruction Fund Facility for Iraq (IRFFI). The IRFFI aims to help donors channel their resources and coordinate their support for reconstruction and development activities in Iraq in line with the priorities identified in the Needs Assessment and validated by Iraqi authorities. The World Bank and UN designed the structure, governance, and modalities of the IRFFI in close consultation with the Core Group, other donors, and Iraqi national authorities over the period August through December 2003 at meetings held in Washington, D.C., Brussels, New York, Dubai, Madrid, and Amman.
4. The IRFFI facility encompasses two trust funds: the World Bank Iraq Trust Fund (ITF) administered by the World Bank, and the UN Development Group Trust Fund (UNDG Trust Fund) administered by the United Nations Development Program (UNDP) on behalf of itself and participating UN organizations. The IRFFI structure is designed to promote close cooperation and avoid duplication by providing a common governance structure.

B. THE WORLD BANK IRAQ TRUST FUND

5. **ITF Effectiveness.** On January 29, 2004, the World Bank Board of Executive Directors approved the World Bank to act as Administrator of the ITF. The ITF became effective upon receipt of the first deposit, on March 30, 2004. Since then, 17 donors have deposited about US\$454 million in the ITF, amounting to almost 100% of the pledged amounts.
6. **Eligible Sectors.** The ITF finances eligible operations in all sectors and cross-cutting themes identified in the Needs Assessment, with the exception of mine action, and with particular emphasis on areas where the World Bank has comparative advantage. The ITF does not finance quick-disbursing Government budget recurrent expenditures or humanitarian relief, nor does it finance peacekeeping efforts, or other security, military, or political interventions. ITF resources are dedicated to specific reconstruction and rehabilitation projects to be implemented by Iraqi institutions, and training/technical assistance programs designed to increase institutional capacity.

7. **Recipients.** Recipients of grants from the ITF need to meet the World Bank's eligibility criteria, including financial viability. Recipient entities responsible for implementing activities financed from the ITF can include: Iraqi ministries, governorates and municipalities, private entities, NGOs, UN agencies, or international financial institutions.

8. **Emphasis on Iraqi Ownership.** The ITF emphasizes Iraqi ownership and building Iraqi institutional capacity. Unlike other donors, World Bank-financed programs, including those financed by the ITF, are implemented by Iraqi institutions with the goal to enhance knowledge transfer (e.g. current international standards for procurement, financial management and governance). This approach is critical in order to assist Iraq to develop institutional policies and systems that can be leveraged by all donors, and will promote the more effective use of all donor funds as well as Iraq's own resources.

9. The process for selecting projects to be financed by the ITF has been designed to ensure Iraqi ownership from the earliest stage. Under the ITF, potential grant recipients, in consultation with World Bank staff, submit project proposals for approval to the Iraqi Strategic Review Board (ISRB). The ISRB determines whether proposals are consistent with priority needs and ensures coordination among donor programs. Following ISRB approval, the World Bank proceeds to appraise the project. For satisfactorily appraised operations, the World Bank, as the ITF Administrator, and the recipient negotiate and sign a Grant Agreement. The Grant Agreement spells out the terms and conditions under which funds will be provided to the recipient entity, and governs the actual use and disbursement of funds. It specifies measurable indicators to monitor implementation progress. It also contains detailed financial management, procurement, monitoring, and other fiduciary arrangements to ensure that funds are used for eligible expenditures.

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ANNEX 2: PROJECT STATUS SHEETS

FIRST CAPACITY BUILDING PROJECT (COMPLETED)

Grant Amount: US\$3.6 million

Effectiveness Date: February 2004

Implementing Entity: World Bank

Strategic Context and Donor Coordination:

The project was designed to respond to the immediate and most urgent training needs of the Iraqi public sector staff. The activities undertaken were agreed upon by the Ministry of Planning and Development Cooperation and the various ministries concerned, and focused on priority areas for Iraq's development agenda and the preparation and implementation of the World Bank Iraq Trust Fund-financed projects. The European Commission's Rapid Response Mechanism (EC-RRM) provided €3 million for a six-month implementation period, with no extension of the closing date.

Project Objective and Description:

The overall aim of the project was to **build the capacity of the Iraqi authorities** to enable them to participate effectively in the definition and prioritization of international programs of support and to play a leading role in the reconstruction process.

Geographic Coverage: Nationwide

Beneficiaries:

The project focused on the immediate need for Iraqi ministries to become familiar with prioritizing, designing and executing donor-funded projects. Overall it benefited over 550 officials from various ministries and local institutions.

Project Components and Costs:

- (i) training on managing the project cycle (procurement, financial management, project management, and safeguards);
- (ii) sector specific training for line ministries; and
- (iii) training for private sector capacity enhancement.

Project Costs by Type of Expenditure:

Capacity building: US\$3.6 million

Implementation Status:

During the life of the project, twenty-two activities were completed and 581 Iraqis from 19 ministries were trained (coming from the Central Bank, the Mayoralty of Baghdad, the Supreme Audit, various, universities, private banks, Chambers of Commerce and Business Associations). The objectives were achieved and enabled the Iraqi officials to design and implement projects and start developing sector strategies towards meeting the MDGs. Participation in study tours and workshops helped Iraqi officials develop professional networks with counterparts in other ministries and neighboring countries.



Payroll and Human Resources Management Workshop

EMERGENCY TEXTBOOK PROVISION PROJECT (COMPLETED)

Grant Amount: US\$40 million

Effectiveness Date: May 2004

Closing Date: December 2006

Implementing Entity: Ministry of Education (MOE)

Strategic Context and Donor Coordination:

The US and UN (UNESCO and UNICEF) financed textbooks for the 2003/2004 school year. The Bank responded to an urgent request from the Ministry of Education to finance textbooks for 2004/2005. The Ministry of Education used its own resources in addition to cost savings from 2004/2005 to finance textbooks for 2005/2006, and has adopted the Bank's procurement procedures. The Bank supported the ministry in developing a strategic framework and a donor coordination strategy.

Project Objective and Description:

The objective of the project was to provide **urgently needed textbooks** in order to improve conditions of learning in primary and secondary schools.

Geographic Coverage:

Nationwide (all 18 governorates)

Beneficiaries:

The project benefited all 6 million primary and secondary school pupils, who received 11 books each on average.

Near-Term Employment Creation:

The project was designed to maximize local content and employment by contracting local printers to the maximum extent possible, taking into consideration the quantity of paper available in Iraq. Contracts to Iraqi printers amount to US\$14 million; and an estimated US\$7.5 million was spent on local labor costs.

Project Components and Costs:

1. **Provision of textbooks for primary and secondary schools** (US\$39.5 million): Printing and distribution of approximately 69 million textbooks (600 titles).
2. **Project management and capacity building** (US\$0.5 million): Provision of supplies and equipment for the MOE's Project Management Team needed to manage the project, and provision of technical assistance and capacity building to ensure effective project management and transfer of skills.

Project Costs by Type of Expenditure:

Goods (textbooks): US\$ 37.5 million

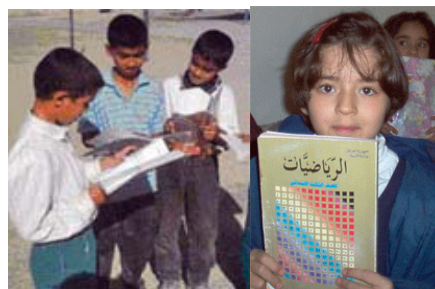
Other goods: US\$ 0.2 million

Consultants: US\$ 0.4 million

Funds Disbursed: US\$ 38.8 million

Implementation Status:

The project closed on December 31, 2006. All textbooks have been delivered and are being used by students. Competitive bidding procedures led to cost savings of about US\$9 million, which were used to deliver an additional 13.5 million textbooks for 2005/2006. Therefore, the project has exceeded its main development objective in financing the printing and distribution of more than 82 million textbooks (16% more than initially estimated).



EMERGENCY SCHOOL CONSTRUCTION AND REHABILITATION PROJECT

Grant Amount: US\$60 million

Effectiveness Date: October 2004

Implementing Entity: Ministry of Education (MOE)

Strategic Context and Donor Coordination:

The Ministry of Education Situation Analysis, building on the UN/World Bank Joint Needs Assessment, identified almost US\$700 million in urgent repair and reconstruction needs over three years: over 12,000 schools (over 80%) require repair, including 2,300 that require minor repair, 9,400 that require major repair, and around 1,300 that need to be demolished and rebuilt. An additional 3,000 school buildings are also needed. The World Bank, the UN, and the US are the main donors supporting education and are coordinating their efforts. The US focused initially on minor rehabilitation; the UN is supporting both minor and major rehabilitation. The Bank is the only donor significantly financing new major construction, and the only donor working through Iraq's Ministry of Education.

Project Objective and Description:

The project aims to alleviate urgent school building hazards by constructing new schools to replace unsafe or overcrowded facilities, and by rehabilitating schools needing urgent repair.

Geographic Coverage:

Nationwide (both construction and rehabilitation will take place in all 18 governorates)

Beneficiaries:

The project benefits over 100,000 families with children attending primary and secondary schools. It directly benefits about 130,000 pupils (about 7% of pupils in overcrowded or damaged schools.) Construction of new buildings will provide spaces for 42,000 students in primary and secondary schools, and benefit a further 40,000 by eliminating multiple school sessions. The rehabilitation of schools will directly benefit 45,700 students.



A rehabilitated school in Diwaniyah.

Near-Term Employment Creation:

The project maximizes local content by using Iraqi firms for design and supervision of work, and for reconstruction and construction. It is expected that the project will produce over 6,000 job opportunities, over half of which are underway through ongoing reconstruction work.

Project Components and Costs:

1. Construction or rehabilitation of 260 primary and secondary schools (US\$58.6 million)
 - (a) Construction of 117 schools (US\$48.4 million): construction will take place in three stages.
 - (b) Rehabilitation of 143 schools (US\$7.6 million): at an average cost of US\$181 per student.
2. Project management and capacity building (US\$1.43 million)

Project Costs by Type of Expenditure:

Civil works:	US\$56.1 million
Goods:	US\$0.4 million
Consulting services:	US\$2.5 million (95 % local consultants)

Implementation Status:

Major rehabilitation of 133 schools (actual cost: US\$7.3 million) is completed, benefiting 45,000 pupils and creating 3,000 construction jobs. The ministry contracted local firms for design of new schools, preparation of bidding documents, and supervision of works. The design of 32 new schools has been completed, and construction works began in October 2006 for 30. Remaining schools are halfway through the design phase. At the request of the MOE the project closing date has been extended to June 30, 2009.



Classroom in a primary school rehabilitated in Baghdad



School Construction in Derbandy Khan/ Sulaimaniyah (April 2007)

SUPPLEMENTAL GRANT FOR MARSHLAND SCHOOLS (US\$6 MILLION)

Grant Amount: US\$6 million

Effectiveness Date: October 2006

Implementing Entity: Ministry of Education (MOE)

Strategic Context and Donor Coordination:

The MOE and the Bank have prepared a new component to the Emergency School Construction project to be financed by additional financing of US\$6 million. Signed on October 31, 2006, it finances the construction of about 30 small schools in the marshland areas of Basra, Thi-Qar, and Missan using small contractors and local labor. It will emphasize local stakeholder involvement, using NGOs to mobilize and train local school/community committees to undertake small site improvement works in each school site.

The project was prepared with representatives from the three governorates concerned, and will be implemented in the governorates under the overall guidance of the Project Management Team in Baghdad.

Project Objective and Description:

The project provides additional funding for the Emergency School Construction and Rehabilitation Project, to construct approximately 36 new schools in the Marshland areas of Basra, Nasiriyah and Missan.

Geographic Coverage:

Marshland Areas of Southern Iraq (Basra, Thi-Qar and Missan).

Beneficiaries:

This Marshland Schools component would benefit 6,000 – 8,000 children and help stabilize the resettlement of about 30 communities in existing villages.

Near-Term Employment Creation:

The project will create over 90,000 man-days of construction work.

Project Components and Costs:

School Construction	US\$4.367 million
Capacity Building for Local Stakeholders:	US\$0.15 million
Project Management and Capacity Building:	US\$0.1 million
Physical Contingencies:	US\$0.092 million
Price Contingencies	US\$1.29 million

Project Costs by Type of Expenditures:

Civil Works:	US\$5.18 million
Small Works and Incidental Services:	US\$0.17 million
Consulting Services:	US\$0.53 million
Training:	US\$0.045 million
Operating Costs:	US\$0.075 million

Implementation Status:

Project implementation is largely on track, with some small delays because of the re-tendering of three contracts in Phase I construction. The NGOs have been identified for the community training and management of the site improvement grants. At the request of the MOE the grant closing date has been extended to June 2009, to bring it into line with ESCRP.

EMERGENCY COMMUNITY INFRASTRUCTURE REHABILITATION PROJECT

Grant Amount: US\$20 million

Effectiveness Date: December 2004

Implementing Entity: Ministry of Water Resources (MOWR)

Strategic Context and Donor Coordination:

The project employs a flexible programmatic approach that allows interventions to adapt to the changing realities on the ground and to the interventions of other donors. Although the project's focus is on job creation and local impact, it could help lay the groundwork for irrigation and drainage sector rehabilitation and reform.

Project Objective and Description:

The project aims to generate near-term employment while addressing urgent rural rehabilitation needs through a flexible program of labor-intensive civil works to improve rural water supply and sanitation and irrigation and drainage. The project finances four pre-identified subprojects and 16 additional subprojects that have been identified and prepared during the course of the project.

Geographic Coverage:

Thirteen governorates: The subprojects benefit the governorates of Al Muthana, Baghdad, Thi-Qar, Sulaymaniyah, Wasset, Najaf, Diyala, Karbala, Erbil, Salahuddin, Babel, Dahook and El-Qadisiah.

Beneficiaries:

The project will benefit about 120,000 rural inhabitants by improving irrigation, drainage, and water supply, affecting about 80,000 hectares.

Near-Term Employment Creation:

Job creation is a specific project objective. The project will create more than 20,000 job opportunities in total.

Project Components and Costs:

- 1. Subprojects in 13 governorates (US\$17 million)
- 3. Procurement of goods for the MoWR (US\$ 2.3 million)
- 4. Project management and capacity building (US\$0.7 million)



Project Costs by Category of Expenditure:

- Civil works:** US\$15 million
- Goods:** US\$2.3 million (e.g., earthmoving equipment, vehicles)
- Consulting services & institutional strengthening:** US\$0.7 million
- Contingencies:** US\$2 million

Implementation Status:

After a slow start, the project is now fully satisfactory and implementing at a rapid pace. Eighteen subprojects amounting to about US\$14 million are completed in nine governorates. Four subprojects are underway (completion rates averaging 40%, and expected to be completed close by end December 2007).

So far, the project has created an estimated 152,000 man-days of employment, has improved 67,000 hectares of irrigated areas; and has benefited over 100,000 farmers. There has been an average of 6-7 bidders per contract, indicating a competitive procurement environment.

The Bank and the Ministry of Water Resources have identified a possible follow-up project, subject to further discussions with the Government of Iraq and subject to availability of funds from Iraq Trust Fund and from IDA.



Building canals near Sulaymaniyah



Monitoring and Evaluation of the project's impact on agricultural production have been assisted through devising and implementing a Satellite Imagery system. The following images provide some examples. The system involves:

- “Ground-truthing” work in the field, undertaken by Iraqi consultants;
- Remote sensing work, through obtaining high resolution images by “*Quick Bird*” Satellite
- Image processing and interpretation in Amman, calibrated by field work in Iraq.

Groundtruthing: GPS & digital photos



EMERGENCY WATER SUPPLY, SANITATION, AND URBAN RECONSTRUCTION PROJECT

Grant Amount: US\$110 million

Effectiveness Date: December 2004

Implementing Entity: Ministry of Municipalities and Public Works (MOMPW)

Strategic Context and Donor Coordination:

The Joint UN-World Bank Needs Assessment estimated total needs for rehabilitation and reconstruction of water supply and sanitation facilities to be about US\$6.8 billion over four years. The Bank worked closely with the MOMPW to identify project components, which were coordinated with the work of the US, DfID (in the south), and UN agencies (in the north). Unlike the financing of the other donors, Bank financing is implemented by the MOMPW, which ensures Iraqi ownership and builds Iraqi institutional capacity. The Bank's interventions are carefully designed for sustainability (i.e., new water treatment units are accompanied when necessary by distribution network rehabilitation). The Bank meets regularly with other major donors, and is collaborating closely with the Japan Bank for International Cooperation (including joint missions) to identify joint and complementary financing opportunities for future projects.

Project Objective and Description:

The project's objective is to help restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact. The project finances water supply and sanitation rehabilitation in nine cities, and rehabilitation of urban infrastructure in the poorest areas of three cities.

The project will also create vitally needed short-term employment and strengthen Iraq's capacity to manage large-scale reconstruction. It will also contribute to the reduction of waterborne diseases, a major contributor to infant and child mortality.

Geographic Coverage:

Water Supply/sanitation in nine municipalities: Karbala, Majar, Beji, Kena'an, Al Hussainia, Al-Samawa, Badawa; and al Basra.

Complementary urban upgrading in three of the municipalities: Karbala, Badawa, and Basra.

Beneficiaries:

Rehabilitation financed under the project will benefit over 2 million in nine municipalities.

Near-Term Employment Creation:

The project will create substantial employment – estimated at a minimum of 3,000 short-term jobs – through construction contracts awarded to Iraqi firms. Although there were no initial projections of job creation, numbers of jobs created will be tracked and reported on a quarterly basis.

Project Components and Costs:

1. Rehabilitation and upgrading of water systems (US\$75 million) in City of Karbala, Majar Beji, Kena'an, Al-Hussainia, Al-Samawa, Badawa.
2. Urban rehabilitation (US\$31 million) in Karbala, Badawa, and Basra.
3. Capacity building (US\$4 million), including consulting services to undertake final designs and tender documents and for construction and implementation supervision.



Project Costs by Type of Expenditure:

Civil works:	US\$94 million
Consulting services:	US\$6 million (60% local)
Price and physical contingencies:	US\$10 million

Implementation Status:

The Ministry of Municipalities and Public Works contracted local and international consultants to prepare tender documents and detailed designs, and to subsequently supervise works. The design phase is completed and the ministry is now moving to the phase of contracting civil works.

Work is underway for the US\$71 million contract for urban rehabilitation and upgrading of the water supply system of Badawa (Erbil), Al Samawa and Al Husseinya. The ministry has also completed a nationwide water and wastewater survey to update the 2003 Joint Needs Assessment. The ministry, with possible help from Japan through a PHRD grant, is preparing a comprehensive National Water Supply and Wastewater Sector Study. The study aims at enhancing water supply and wastewater services in Iraq and will include: appropriate sector strategies, and policies; options for restructuring sector institutions; a medium-term investment program to enhance current services; an emergency plan for efficient asset management; and an indicative sector-wide financing plan.



Work in Progress (Badawa) (September 06- January 07)



EMERGENCY BAGHDAD WATER SUPPLY AND SANITATION PROJECT

Grant Amount: US\$65 million

Effectiveness Date: December 2004

Implementing Entity: Mayoralty of Baghdad

Strategic Context and Donor Coordination:

The project was designed to complement US-funded water supply and sanitation rehabilitation. For example, the project supports network rehabilitation linked to the US-funded rehabilitation of the Baghdad sewerage treatment plant. The Bank meets regularly with major donors and collaborates closely with the Japan Bank for International Cooperation (including joint missions).

Project Objective and Description:

The project aims to help restore basic water supply and sanitation services for the capital city of Baghdad through the reconstruction and rehabilitation of existing treatment facilities and networks and by providing capacity building support. It funds rehabilitation of four water pumping stations and water treatment plants, and replaces the water supply network in Za'afarania district and the sewerage collection system in Sadr City. The project includes the development of a Comprehensive City Development Plan to ensure that future expansion of the water supply and sanitation networks are in line with the overall urban development plan for the city. The project will also create vitally needed short-term employment and help build Iraq's capacity to manage large-scale reconstruction.

Geographic Coverage: Municipality of Baghdad

Beneficiaries:

The project is expected to improve the quality of life of about one million residents of Baghdad (17 percent of Baghdad's population) by improving the supply of potable water, eliminating sewerage backup in streets and homes, and contribute to reducing the incidence of waterborne diseases, a major factor in infant and child mortality.

Near-Term Employment Creation:

The project will create substantial employment—estimated at 2,000 short-term jobs—through construction contracts awarded to Iraqi firms. The number of jobs created will be tracked and reported on a quarterly basis.

Project Components and Costs:

1. Rehabilitation of chlorine and chemical units at al-Karkh water treatment plant (US\$3.7 m)
2. Rehabilitation of 2B pumping station in Shark Dijla water treatment plant (US\$6.1 m)
3. Extension and rehabilitation of the al-Rasheed water treatment plant (US\$4.2 m)
4. Rehabilitation of the Abu Nawas raw water pumping station (US\$4.0 m)
5. Rehabilitation and renewal of the Sadr City sewerage network (US\$15.8 m)
6. Rehabilitation and renewal of the drinking water network in Za'afarania (US\$16.2 m)
7. Capacity building, including system design, feasibility studies, and audits (US\$5.1 m)
8. Development of a comprehensive city development plan for Baghdad (US\$3.8 m)
9. Contingencies (US\$6.1m)

Project Costs by Type of Expenditure:

Civil works and goods:	US\$52 million
Consulting services:	US\$7 million
Price and physical contingencies:	US\$6 million

Implementation Status:

The Mayorality of Baghdad contracted local and international consultants to prepare tender documents and detailed designs, and to subsequently supervise works. It has now moved to the phase of contracting civil works—signing contracts for US\$12 million of goods and works under components 2 and 4. Two bids worth US\$15 each are under evaluation and are expected to be committed shortly under component 5 (Sadr City) and 6 (Za'afarana). Also, it has recruited a team of advisors to help the municipality prepare and implement the Baghdad Comprehensive City Development Plan.

EMERGENCY PRIVATE SECTOR DEVELOPMENT PROJECT

Grant Amount: US\$55 million

Effectiveness Date: December 2004

Implementing Entity:

Ministry of Planning (MOP) [Components 1 and 2] Iraqi Telecommunications and Post Company (Components 3 and 4)

Strategic Context and Donor Coordination:

The telecommunication components were designed to complement assistance provided by JICA and by the U.S. Treasury (payment system). The Private Sector Development (PSD) components were conceived in consultation with the Iraqi Government, the Iraqi private sector, and the main donor agencies: USAID and DfID. The PSD agenda continues to be coordinated USAID, DfID, the EC, and UNIDO.

Project Objective and Description:

The project aims to lay the foundation for increasing investment and economic growth by addressing selected priorities in institutional capacity building and essential communications infrastructure to help foster the development of the private and financial sectors. A secondary objective is to generate job creation through the development of the private sector.

Geographic Coverage:

The communication infrastructure will cover Baghdad, the north, the south and the west regions. Private sector development components would benefit private enterprises and organizations throughout the country. Specifically, two industrial estates studies will be undertaken for Arbil in the north and Basra in the south.

Beneficiaries:

The project has national impact, benefiting every Iraqi and business, by financing Iraq's national communications backbone.

Near-Term Employment Creation:

Installation of telecommunications infrastructure will create at least 1,000 short-term jobs. Most importantly, the national communications backbone will create thousands of jobs through downstream communications companies, and provide an essential building block to enable private sector development.

Project Components and Costs:

1. Develop enabling public institutions that support the private sector. (US\$6.8 million)
2. Improve the competitiveness of Iraqi private firms by improving their ability to access finance and foreign markets. (US\$5 million)
3. Build reliable telecommunications infrastructure to interconnect key parts of the Central Bank's payments and settlements system. (US\$3 million)
4. Build a high capacity national backbone communications network capable of supporting corporate needs and develop the human capacity to operate it efficiently. (US\$39.5 million)
- 5/6. Finance project management. (US\$0.7 million)

Project Costs by Type of Expenditure:

Goods and civil works: US\$42.5 million

Consulting services: US\$12.2 million

Iraqi labor, supervised by an international supplier, will install the US\$40 million telecommunications infrastructure. International consultants will deliver most of the TA under the PSD components. However, most TA requests for proposal require local participation during implementation and emphasize the importance of building local capacity.

Implementation Status:

The US\$40 million contract for the supply and installation of a high-capacity national telecommunications network was signed on June 23, 2006. Procurement for consultancy services for remaining components is underway, including feasibility studies for industrial estates in Arbil and Basra.

EMERGENCY ENVIRONMENT MANAGEMENT PROJECT

Grant Amount: US\$5 million

Effectiveness Date: December 2006

Implementing Entity: Ministry of Environment (MOEn)

Strategic Context and Donor Coordination:

The Second Interim Strategy for Iraq supports sector reform agenda on environment, water and waste water management, energy, agriculture and drainage and education sectors to be funded through the ITF as well as International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) credit. The environment section of the *Second Interim Strategy* calls for (a) the provision of training on environment and social safeguards based on the Environment and Social Screening and Assessment Framework (ESSAF) for Iraq, (b) developing and implementing the Emergency Environment Management Project (EEMP) and (c) preparing a regional project in Shatt El Arab. EEMP is the first environmental operation in Iraq.

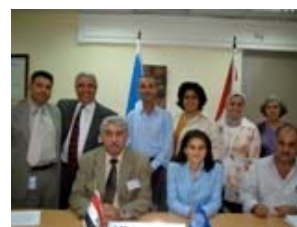
Project Objective and Description:

The project development objective is to strengthen key institutional and regulatory functions of the Ministry of Environment. These key institutional and regulatory functions will enable MOEn to undertake environmental policy analysis and coordination, formulate laws and regulations, monitor environmental quality, promote environmental awareness and conduct technical studies.

Geographic Coverage: Nationwide.

Beneficiaries / Outputs:

- Prepare an Environmental Action Plan to analyze environmental issues and propose priorities for intervention in the next 3-5 years.
- Install and monitor 18 air quality monitoring stations installed in three cities;
- Prepare Master Plan for solid waste management in Baghdad;
- Prepare a health care waste management plan.



Project negotiations (Sept06)

Project Components and Costs:

The project comprises three components:

- (i) Strengthen the Environmental Management Capacity of the MOEn (US\$0.9 million)
- (ii) Develop Capacity in Environmental Monitoring (US\$2.6 million)
- (iii) Strengthen Technical Capacity in Waste Management (US\$.8 million)

Project Costs by Type of Expenditure:

Goods:	US\$2.84 million
Consulting services:	US\$1.65 million
Operating Cost:	US\$0.21 million
Contingency:	US\$0.3 million

Implementation Status:

The project launch workshop and a training course on ESSAF took place in Amman in March 2007. The shortlist for consultancy services to undertake components (i) and (iii) has been established and proposals are due on July 4, 2007. Four bids were received to purchase air quality monitoring stations, and evaluation is underway. A promising cooperation between the Ministry of Environment, the Mayoralty of Baghdad and the Ministry of Health has been observed so far to ensure a proper implementation of component (iii).

EMERGENCY HEALTH REHABILITATION PROJECT

Grant Amount: US\$25 million

Effectiveness Date: November 2004

Implementing Entity: Ministry of Health (MOH)

Strategic Context and Donor Coordination:

Estimated reconstruction needs of the health sector range from US\$3 to US\$4.6 billion. The US and Japan are the largest donors to the health sector, focusing on major construction and reconstruction of hospitals and health centers. Many donors expect the Bank to play a leadership role in policy and system reform.

Project Objective and Description:

The objective of the Project is to improve access to quality emergency services in selected health facilities to serve the urgent needs of the Iraqi population. This objective would be achieved through: (i) rehabilitation of priority emergency services, including emergency obstetric care in 9 selected hospitals (The original plan was to rehabilitate 12 hospitals. However, due to Government mobilizing its own resources and security concerns in some sites, the number of the sites has been reduced to 9), and the urgent provision of basic medical and laboratory equipment to the selected rehabilitated hospitals; (ii) the provision of a 3 to 6 month supply of up to 37 essential emergency drugs to be used at emergency facilities rehabilitated through this project; (iii) continued support to strengthening of planning and management capacity within the central and Governorate health administrations; and (iv) support to project management.

Geographic Coverage:

Currently 7 (down from the originally planned 9) governorates in the north, center, and south of Iraq: Baghdad, Kirkuk, Missan, Karbala, Salah Deen, Erbil, Sulaimanyiah.

Beneficiaries:

About 13 million Iraqis live within the areas serviced by the 9 emergency health units. From this population, an estimated 100,000 people will use the emergency health services per year.

Near-Term Employment Creation:

Creating immediate employment is not a project objective; however, the project will create an estimated 1,000 short-term jobs through civil works undertaken by local construction companies.

Project Components and Costs:

1. Rehabilitation of priority emergency services in 10 selected hospitals, and provision of basic medical and laboratory equipment to the rehabilitated hospitals (US\$21.4 million);
2. Provision of a 3 to 6 month supply of essential emergency drugs (US\$2.9 million)
3. Capacity building and training (US\$1.7 million)
4. Support to project management (US\$0.9 million)

Project Costs by Type of Expenditure:

Civil works:	US\$12.6 million;
Goods:	US\$8.5 million
Consulting services:	US\$1.6 million (90 % for local firms)
Training:	US\$1.8 million
Operating Costs:	US\$0.5 million

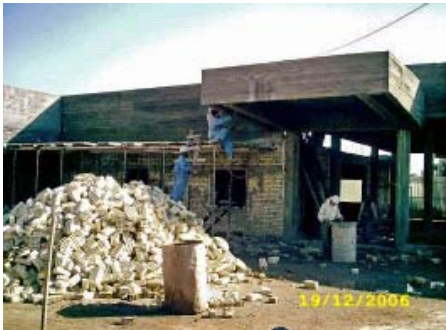
Implementation Status:

Rehabilitation works in 7 hospitals are underway, and 4 of these are about to be completed and handed over by the contractors to the respective health directorates.

Contracts to procure 3 of 4 medical equipment lots were awarded and are being shipped to Iraq.

Contracts to procure 18 emergency drugs worth US\$1.26 million have been procured, and are currently under distribution. The remaining 40 drugs worth of US\$2 million have been contracted with the World Health Organization (WHO).

Twenty-two doctors have been trained in Emergency Preparedness and Response organized by the University of Maryland and held in Cairo, Egypt.



Hospital Renovation in Sadr City (December 2006)



Pharmaceuticals stored (Baghdad)



Renovated Rezgary Teaching Hospital / Erbil -April 2007)

EMERGENCY DISABILITIES PROJECT

Grant Amount: US\$19.5 million

Effectiveness Date: November 2005

Implementing Entity: Ministry of Health (MOH)

Strategic Context and Donor Coordination:

Iraq has a growing population of disabled resulting from the war and related accidents, yet social and rehabilitation services for this group have declined. Given the country's high unemployment rates and poor community services, becoming disabled poses a serious risk for the entire family to fall into poverty. Although improving services to the disabled is a Government priority, it has not been sufficiently addressed by the donor community.

Project Objective and Description:

The Project objective is to support the delivery of improved rehabilitation and prosthetic services that reduce the burden of physical disability. The Project will: (i) support the development of a national policy on disabilities; (ii) increase the capacity of Iraqi institutions and other stakeholders to meet the needs of the disabled; (iii) strengthen the partnerships between the GoI and civil society in provision of services to the disabled; and (iv) upgrade infrastructure and equipment of selected rehabilitation and prosthetic centers throughout Iraq.

Geographic Coverage:

The 10 rehabilitation centers are situated in 15 governorates.

Beneficiaries:

The project will directly benefit an estimated 250,000 persons with physical disabilities who would not otherwise have access to quality rehabilitation services needed for leading a productive life. The project will impact about 1.4 million of Iraqis representing the families of the disabled.

Near-Term Employment Creation:

Creating immediate employment is not a project objective; however, the project will create short-term jobs through civil works undertaken by local construction companies.

Project Components and Costs:

1. **Policy Development and Partnerships** (US\$0.8 million)
2. **Deliver of Services to Disabled Persons** (US\$18.0 million)
3. **Project Management** (US\$0.7 million)

Project Costs by Type of Expenditure:

Civil works:	US\$4.78 million
Goods:	US\$11.33 million
Consulting services:	US\$1.92 million
Training:	US\$1.3 million
Operating Costs:	US\$0.17 million



Bosnia Study Tour (Sept 06)

Implementation Status:

Civil works for 1 rehab center has been tendered and the designs for 11 rehab centers have been awarded and about to be completed. Civil works are experiencing substantial delays due to lack of experience of local consultants contracted for the design of the centers. Medical aids and equipment procurement is encountering delays due to prolonged registration process in the MOH and the lack of capacity in the MOH to prepare the technical specifications. In September 2006, Ministry officials participated in a study tour to Bosnia to gain experience from a similar project. A group of technicians participated was trained on prostheses and orthoses in March 2007, and the second group is currently in Germany participating in the same training. A total of 35 technicians will be trained with eight to be trained to be trainers.

EMERGENCY SOCIAL PROTECTION PROJECT

Grant Amount: US\$8 million

Effectiveness Date: June 2006

Implementing Entity: Ministry of Labor and Social Affairs (MOLSA), Ministry of Finance (MOF)

Strategic Context and Donor Coordination:

The World Bank is responding to a direct request from the Minister of Labor and Social Affairs in October 2005, followed up by an official letter in January, 2006, for support in social safety net and pension reform design and implementation processes within the context of the Government's NDS. The ultimate goal is to provide vulnerable populations with the support they need to sustain themselves. The project will also complement the Household Survey and Policies for Poverty Reduction Project also financed by the ITF.

The main donor involved in the project is USAID, which has been providing policy advice in Pensions and Safety Net, and supporting the design of the revised Social Safety Net Program. USAID is financing Bearing Point, who has a presence on the ground. The Project will finance the scaling up of the Bearing Point/USAID Social Safety Net information system pilot. Bearing Point/USAID staff was part of all Bank missions, including preparation, appraisal, launch workshop, and supervision.

Project Objective and Description:

The project aims to strengthen Iraq's capacity to develop equitable and sustainable social safety net and pensions programs to better assist the poor and vulnerable. The project will finance the implementation of modern management and information systems, improve the targeting of safety nets, and reduce leakages.

Geographic Coverage:

Nationwide

Project Components and Costs:

1. Safety Nets (US\$6.3 million)
2. Pensions (US\$0.8 million)
3. Project Management (US\$0.8 million)



Project Costs by Type of Expenditure:

Goods:	US\$4.5 million (IT equipment)
Technical Assistance:	US\$1.1 million
Training:	US\$0.8 million
Contingencies:	US\$1.6 million

Implementation Status:

Project management has significantly improved in the past six months, which has had an impact on progress, although it is not reflected in progress on the ground or disbursement. Unfortunately, the two first procurement packages (for IT Equipment and Consulting Services related to the Pensions component) could not be awarded for procurement reasons, and had to be re-tendered. The PMT learned lessons from these failed procurements and redesigned the packaging of the IT equipment. As requested by the Recipient, the Bank is processing the extension of the Grant closing date, until February 28, 2010. This date takes into consideration the security situation in Iraq, which may further delay project implementation.

EMERGENCY HOUSEHOLD SURVEY & POLICIES PROJECT

Grant Amount: US\$6.1 million

Effectiveness Date: July 2006

Implementing Entity: US\$5.1 million are implemented by the Ministry of Planning and Development Cooperation; the Kurdish Regional Government (Statistics Agency). The US\$1.5 million technical assistance component is implemented by the World Bank.

Strategic Context and Donor Coordination:

The project helps Iraq build efficient, inclusive, transparent, and accountable institutions as stated in the second ISN. The project includes the first nation-wide expenditure survey since 1988. In addition to providing expenditure data, the survey was designed to update the UNDP sponsored survey which was done 2 years ago. Moreover, the survey was very carefully coordinated with UNICEF's Household Survey, visiting the same households in order to merge the two survey data sets.

Project Objective and Description:

The project aims to strengthen Iraq's ability to establish a poverty line, target social assistance to the neediest, and make informed policy decisions. It finances a comprehensive household survey, data analysis, and poverty & social impact assessments.



Geographic Coverage: Nationwide.

Beneficiaries and output:	GOI Executed Sub-Project (US\$5.1 million)	WB Executed Sub-Project (US\$1.5 million)
Component 1: Poverty Assessment and Data Sets	GOI team work on Poverty Assessment and Data Sets	Technical Assistance for Poverty Assessment and Data Sets
Component 2: Poverty and Social Impact Analysis Report	GOI team work on Poverty and Social Impact Analysis Report	Technical Assistance for Poverty and Social Impact Analysis Report
Component 3: GOI Strategy for Poverty Reduction, Employment Generation and Safety Nets	GOI team work on Strategy for Poverty Reduction, Employment Generation and Safety Nets	Technical Assistance for Strategy for Poverty Reduction, Employment Generation and Safety Nets

Project Components and Outputs:

The project has three components:

- (i) collect and analyze data on poverty and unemployment.
- (ii) assess the effect of economic policy options on both poverty and employment, including the impact of sequencing reforms and policies;
- (iii) develop information-based strategies to reduce poverty, generate employment, and improve the functioning of social safety nets.

Project Costs by Type of Expenditure:

Goods: US\$0.65 million
Consultant Services: US\$3.12 million
Operating Cost: US\$1.1 million
Unallocated: US\$0.25 million
World Bank Executed Sub-project: US\$1.5 million

Implementation Status:

Fieldwork started last November in all 18 governorates, 6,000 households were surveyed so far.

SECOND CAPACITY BUILDING PROJECT

Grant Amount: US\$7 million

Effectiveness Date: November 2004

Implementing Entity: World Bank

Strategic Context and Donor Coordination:

The Second Capacity Building Project (CB2) builds on the First Capacity Building Project, which provided urgent training for managing development projects, especially in the basics of procurement, financial management and project management. In line with the Bank's increasing emphasis on helping Iraq build the institutional capacity to use its resources transparently and effectively, CB2 finances specific technical assistance and training activities designed to help the authorities tackle medium-term economic reforms. Many activities are carried out jointly with other donors, including the IMF, UN, and DfID.

Project Objective and Description:

The project aims to strengthen economic management and build institutional capacity needed to shift to a diversified, market-driven economy; promote the effective use of public resources, including Iraq's own resources as well as international aid; and improve the efficiency, effectiveness, and quality of public services.

Geographic Coverage: Nationwide

Beneficiaries:

The project directly benefits over 900 officials and helps introduce crucial institutional strengthening and reform initiatives. Participants include staff of various ministries and local institutions of Iraq.

Project Components:

1. Economic reform and transition
2. Poverty, social protection, & social development
3. Public sector management
4. Managing the project cycle

Implementation Status

CB2 has financed about 51 activities, reaching over 900 participants from various private and public sector entities. Recent workshops include a series of capacity building workshops on sub-national public financial management (PFM) in Iraq.

The first workshop, held in Erbil in January 2007, presented international experience and hands-on-training to the Kurdistan Regional Government (KRG) to help officials define their priorities and develop an action plan to improve PFM in the region. Fifty representatives from the KRG attended the workshop, along with officials from other provinces who participated as observers.

The second workshop, held in April 2007 in Beirut, focused on PFM in the southern and central governorates. The workshop was designed jointly with representatives from the governorates who had attended the earlier workshop. Forty participants from the governorates' accounts directorates and treasuries attended the workshop, along with representatives from the central ministries, the Board of Supreme Audit, the Inspector Generals, and the Commission on Public Integrity. The workshop aimed to help the governorates define their own priorities and to produce an action plan to improve PFM at the governorate level, based on international benchmarks, experience and expertise.

Participant evaluations of workshops financed through CB2 confirm the value of providing a venue to discuss key policy issues and develop specific skills. Most of the remaining funds will be directed to activities designed to enhance PFM in line with Iraq's Compact priorities and the Bank's core work.

EMERGENCY ELECTRICITY RECONSTRUCTION PROJECT

Grant Amount: US\$6.0 million **Effectiveness Date:** April 4, 2007

Implementing Entity: Ministry of Electricity

Strategic Context and Donor Coordination:

The Emergency Electricity Reconstruction Project (EERP) was designed as a support services component in the broader donor effort to restore and improve electricity supply in Iraq. The initial electricity reconstruction needs were estimated at US\$35.8 billion in 2003. The United States, Japan, the United Kingdom and the United Nations Development Program pledged substantial contributions. The electricity sector is a priority sector of the World Bank's Second ISN, the National Development Strategy and International compact for Iraq, which includes the elements of MoE's new Master Plan for the years 2006-2015. Donor coordination of interested parties in the sector - including UNDP, CIDA, DfID and World Bank - takes place twice per year.

Project Objectives and Description:

The broader objectives of the EERP are (i) to alleviate the power supply shortfall by restoring the base load generation capacity of the Hartha Power Station Units 2 and 3 to 400 MW, and (ii) to lay the groundwork for improved power system planning and fuel supply in Iraq and to strengthen in-house capacity for this purpose. The project aims to provide current to approximately 1 million households and grid-connected industrial consumers for a period of 20 years. The specific project component financed by the grant concerns consultancy support and training of Iraqi staff of the MoE in the preparation of least cost reconstruction and expansion plans, feasibility studies and advisory services for future projects. This includes a study and consulting services for the Mansouriya Project for the development of a gas field and construction of a simple cycle plant.

Geographic Coverage:

Southern Iraq (Hartha Power Plant) and nationwide (national power grid and MoE).

Beneficiaries and Output:

Directly: Regional and overseas training of MoE staff in technical areas of operations, maintenance and planning, environment and general project management, as well as in financial, legal and general management aspects of power utilities. Indirect national impact: power consumers, from improved efficiency and more stable power supply.

Project Components and Costs:

Component 1 (financed by IDA): Rehabilitation of Hartha Power Station Units 2 and 3, Engineering Services, environmental mitigation measures and support to the MoE Project management Team (PMT): (US\$112 million).

Component 2 (financed by the Grant): Support Services (US\$6.0 million)

Project Costs by Type of Expenditure of the Grant:

Goods: US\$0.5 million

Consulting Services: US\$3.5 million

Incremental Operating Costs: US\$1.0 million

Price and physical contingencies: US\$1.0 million

Implementation Status:

A consultancy for assistance in adjudicating bids for the rehabilitation works is expected to be awarded shortly.

ANNEX 3: MAP OF ITF IRAQI-IMPLEMENTED PROJECTS BY GOVERNORATE



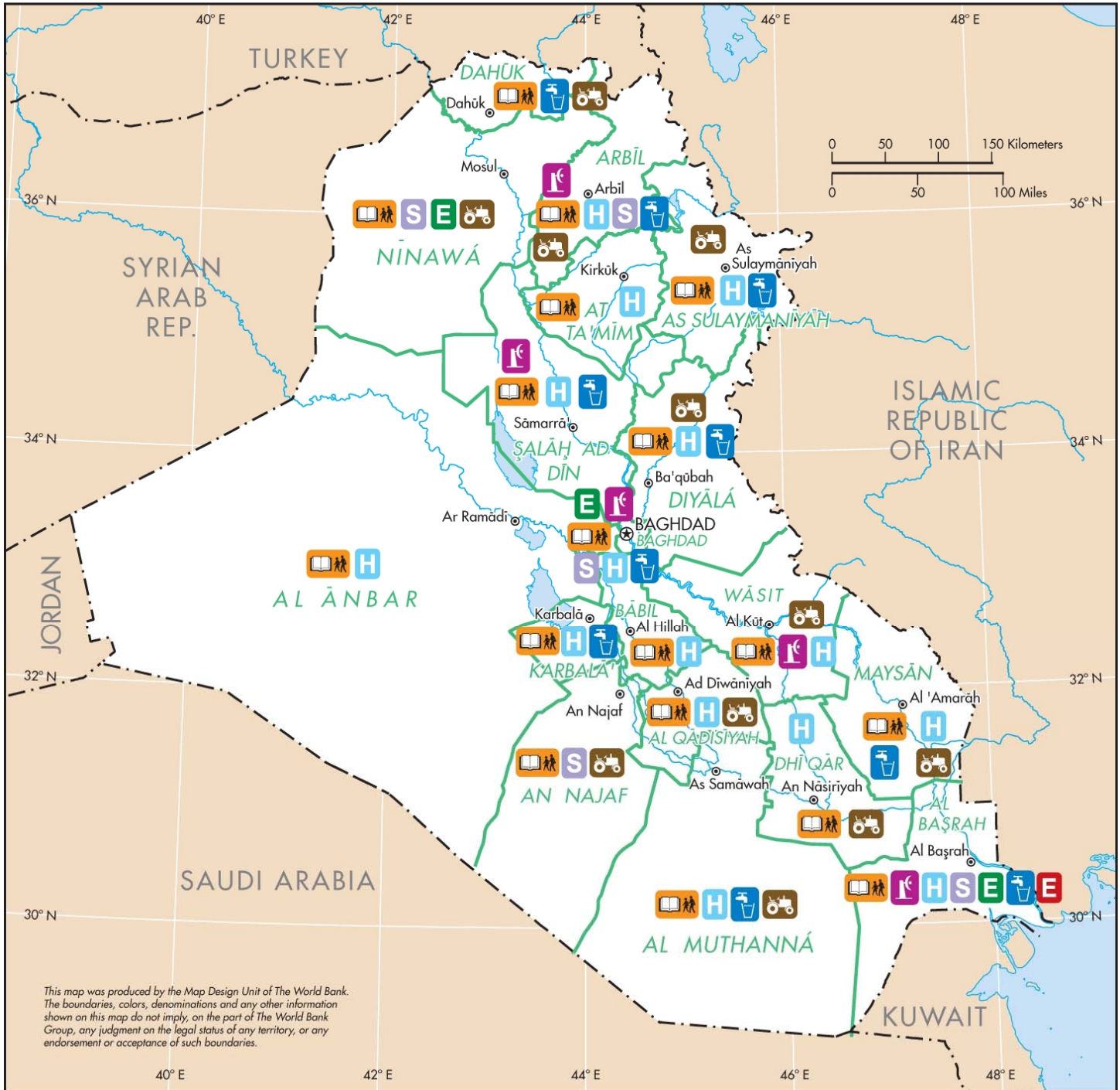
WORLD BANK IRAQ TRUST FUND

IRAQI-IMPLEMENTED PROJECTS BY GOVERNORATE

JUNE 2007



- | | |
|---|---|
|  WATER SUPPLY & SANITATION (\$175 Mil.) |  HEALTH (\$44.5 Mil.) |
|  EDUCATION (\$106 Mil.) |  RURAL INFRASTRUCTURE (\$20 Mil.) |
|  TELECOMMUNICATIONS & PRIVATE SECTOR DEVELOPMENT (\$55 Mil.) |  SOCIAL PROTECTION & PUBLIC ADMINISTRATION (\$13.1 Mil.) |
|  ENERGY (\$6 Mil.) |  ENVIRONMENT (\$5 Mil.) |



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