

International Reconstruction Fund Facility for Iraq

World Bank Iraq Trust Fund

Update to Donors

As of May 1, 2006



A. ITF DONOR COMMITMENTS, DEPOSITS, AND INVESTMENT INCOME

- **Total deposits to the ITF stand at US\$454 million.** Seventeen donors have pledged US\$457 million to the ITF, and deposited US\$454 million in the ITF account as of the end of April 2006. Only US\$2.5 million of existing pledges are not yet deposited (Qatar). The Islamic Republic of Iran pledged US\$10 million to IRFFI at the Tokyo Donor Meeting in October 2004, but the allocation between the World Bank and UNDG Trust Funds is still undecided, and no deposit has been made. Table 1 summarizes the status of donor pledges, commitments and deposits.
- **Investment income totals nearly US\$18 million, bringing the total value of the ITF to US\$472 million.** Investment income is credited to the trust fund at the end of each month, to be used for the same purposes as the trust fund principal.

B. ITF PROJECT PORTFOLIO

- **The ITF finances ten emergency projects amounting to about US\$385 million,** following the signing of the Emergency Disabilities Project Grant (US\$19.5 million) on November 23, 2005. Thus, about 85% of current donor deposits are obligated to specific projects. Table 2 reflects the sources and uses of ITF funds, including actual disbursements.
- **Eight projects, amounting to US\$375 million, are grants implemented directly by Iraqi governmental authorities,** which hire private contractors using internationally accepted competitive procurement procedures. Thus, of the US\$385 million, 97% is under implementation by the government of Iraq. Iraqi implementation helps minimize security costs, maximize local employment, build capacity, and increase local ownership and sustainability. However, it also affects the pace of implementation, because projects depend on the capacity of the implementing agency and are vulnerable to changes at the political and technical level.
- **Civil works and goods account for about 80% of total estimated project costs.** Consultant services (mainly local consultants) account for only about 9% of estimated project costs.
- **About 90% of works, goods, and services are subject to competitive procurement procedures,** which are carried out by the Iraqi implementing agencies (with the Bank's close assistance and supervision).
- **One technical assistance activity (Second Capacity Building Project for US\$7 million) is Bank-executed;** the First Capacity Building Project (US\$3.6 million) is completed and closed.

C. ITF DISBURSEMENTS AND CONTRACTING

- **Disbursements, which lag behind implementation and reflect actual payments made to contractors, currently stand at about US\$55 million (12% of ITF resources).** About US\$48 million (88% of disbursements) represent project expenditures. Disbursements for the Iraqi-implemented projects stand at almost US\$44 million, while disbursements for the two Bank-executed capacity building projects (one of which is completed and closed) total less than US\$5 million.
- **Although disbursement progress remains slow, the pace of contracting has accelerated.** About 46% of ITF grant monies have been tendered or contracted, valued at more than US\$172 million. Over US\$90 million of contracts have been awarded or completed – an increase of almost 40% above the level of December 31, 2005. Table 3 summarizes the status of contracts by project.
- **Disbursements for cost recovery charges remain below US\$7 million.** Approximately US\$4 million has been charged directly to the ITF to recover the actual full costs for project analysis, appraisal, negotiation, and supervision. The costs for trust fund management and administration, monitoring agent services, and administrative fees total less than US\$3 million. Total cost recovery remains at less than 2% of the ITF resources. Current projections of the total cost recovery charges over the life of the ITF are estimated to be about 5% of the value of the fund.

D. NEWS SINCE DECEMBER 2005

- **The Fiduciary Monitoring Agent (FMA) for ITF-financed projects is fully operational.** The FMA strengthens the Bank's ability to maintain close monitoring of ITF-financed projects. More specifically, the FMA:
 - (a) Visits project sites throughout Iraq to monitor physical implementation of ITF-financed projects;
 - (b) Verifies procurement and financial management procedures meet World Bank requirements;
 - (c) Supports the Bank in conducting its reviews and audits;
 - (d) Provides on-the-job procurement and financial management support to the PMT staff;
 - (e) Reports to the Bank on project progress monthly;
 - (f) Helps to identify and resolve systemic issues that affect project implementation.
- **The FMA employs about 24 Iraqi consultants who are set up in teams to provide national coverage to monitor procurement and financial management.** FMA teams visit hundreds of project sites throughout the country each month and submit progress reports to World Bank task teams that document physical implementation and compliance with procurement and financial management procedures.

- **The external evaluation of the multi-donor trust fund experience of ITF is complete.** The study reviewed the design, objectives, and governance structure of the ITF experience to date, especially regarding fiduciary requirements and procedures, governance structure, management, oversight and accountability, and donor coordination. Final results will be shared with the Donor Committee.
- **The first phase of the Country Portfolio Performance Review (CPPR), a detailed assessment of the eight Iraqi-implemented projects is complete.** The views of the Iraqi PMTs are currently being gathered, to compile a comprehensive list of implementation issues. The CPPR will be discussed with the incoming government to agree on actions to be taken by the Bank and the government to improve project performance and impact, and to inform the design of future ITF and IDA projects.
- **Disbursement procedures for Iraq aim to provide project financing in a timely manner, while putting in place appropriate mitigating controls to ensure that funds are being used for the intended purposes.** The current approach is characterized by a heavy reliance on direct payments to contractors and reimbursements for project funding, and results in relatively low disbursement rates. To accelerate the flow of funds to executing agencies, the Bank will consider piloting alternative disbursement methods, while maintaining an effective control structure.
- **The World Bank intends to strengthen its presence in Iraq before the end of this calendar year.** The World Bank occupies office space in the International Zone (IZ) and is evaluating various staffing configurations and their budget requirements. An international consultant is currently located in the IZ and additional senior support will be located in the IZ to strengthen policy dialogue with Iraqi officials, overall program management, and donor coordination. The World Bank is seeking to also increase Iraqi staffing outside the IZ (security permitting) to increase project identification and supervision capacity.
- **The second IDA-financed project, the Emergency Road Rehabilitation Project (US\$135 million) was negotiated in February 2006.** IDA-financed projects to support electricity rehabilitation and water supply and sanitation rehabilitation are also under preparation, and the Bank is starting discussion on rehabilitation of two hydro power projects in the Kurdistan Regional Government (KRG) region.
- **A briefing book on the core reform agenda for the new government, drawing on the Bank's knowledge accumulated over 2003-2005, is undergoing review and revision within the Bank.** The briefing book will be provided in English and Arabic to the new government, and subsequently shared with international partners.

Table 1: Donor Pledges, Commitments and Deposits to ITF
May 1, 2006

Donor	Pledges in Donor Currency ^{1/}		Pledges (US\$ million)	Commitments ^{2/} (US\$ million)	Deposits (US\$ million)	% of Pledge Deposited
	Currency	Currency (million)				
	Australia	AUD	22.0	16.1	16.1	16.1
Canada	CAD	30.0	22.3	22.3	22.3	100%
EC	EUR	123.0	149.8	149.8	149.8	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	130.0	130.0	130.0	130.0	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			456.8	456.8	454.3	99%

^{1/} The Islamic Republic of Iran has pledged US\$10 million to IRFFI at the Tokyo Meeting. The allocation between the World Bank and the UNDG Trust Funds is still pending.

^{2/} The "Commitments" column shows commitments in currencies other than US\$ converted at the exchange rate as of the date of the agreement and is for indicative purposes only. The "Deposits" column shows the actual US\$ equivalent amount credited to the ITF account.

Table 2: Sources and Uses of Funds		
(US\$ Million)		
May 1, 2006		
	Funding Available	Funding Disbursed
Sources of Funds		
Donor Deposits	454.3	454.3
Investment Income	17.8	17.8
Total Sources of Funds	472.1	472.1
Uses of Funds		
Project Financing		
Approved Projects		
Textbook Provision	40.0	33.7
School Construction & Rehabilitation	60.0	4.9
Health Rehabilitation	25.0	0.7
Baghdad Water Supply & Sanitation	65.0	0.3
Water Supply, Sanitation & Urban Reconstruction	90.0	1.2
Private Sector Development	55.0	0.2
Community Infrastructure	20.0	2.5
Disabilities	19.5	
Capacity Building I	3.6	2.5
Capacity Building II	7.0	2.1
Subtotal Approved Projects	385.1	48.2
Project Pipeline	66.8	
Total Project Financing	451.9	48.2
Cost Recovery for Project Processing and Trust Fund Administration	20.2	6.8
		^{1/}
Total Use of Funds	472.1	55.0

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

Table 3: Status of Contracts by Project
(US\$ Million)
May 1, 2006

Project	Grant Amount	Tenders or RFPs Issued	Contracts Signed
Textbook Provision	40.0	38.8	38.5
School Construction & Rehabilitation	60.0	17.4	8.2
Baghdad Water Supply & Sanitation	65.0	8.7	8.6
Health Rehabilitation	25.0	21.2	1.5
Private Sector Development	55.0	47.7	0.1
Water Supply, Sanitation, Urban Reconstruction	90.0	25.5	25.5
Community Infrastructure	20.0	12.9	8.1
Disabilities	19.5	-	-
TOTAL	374.5	172.2	90.5

Table 4: Summary of Projects Financed by the World Bank Iraq Trust Fund

Emergency Project Name	Grant US\$ m	Implementing Agency	Grant Signing	Objective / Impact / Implementation Status
First Capacity Building	3.6	World Bank	2/14/04	Closed. Trained about 600 Iraqi officials, paving the way for emergency operations.
Textbook Provision	40.0	Min. of Education	5/15/04	The project financed the printing and distribution of more than 79 million textbooks, benefiting 6 million students in all 19,000 primary and secondary schools for the 2004/05 school year. Cost savings of \$9 million, from using competitive procurement procedures, were used to deliver an additional 3.5 million textbooks for 2005/06. A capacity building activity to improve textbook quality will take place this year before the project closes.
School Rehabilitation and Construction	60.0	Min. of Education	10/14/04	Major rehabilitation of 134 schools is complete and 9 contracts for constructing 18 new schools are in the bid evaluation stage, with construction to start by July 2006. The project benefits over 100,000 families with children attending unsafe or overcrowded schools and will create thousands of jobs through use of Iraqi construction firms.
Baghdad Water Supply and Sanitation	65.0	Mayoralty of Baghdad	12/4/04	The project will benefit about one million residents of Baghdad—about 17 percent of the city's population—by rehabilitating water supply and sanitation throughout the city. The mayoralty has contracted local and international consultants to prepare tender documents and detailed designs, and has now moved to the construction phase—it has signed contracts for US\$8.5 million of goods and works. Also, it has recruited a team of advisors to help prepare and implement a Baghdad Comprehensive City Development Plan.
Health Rehabilitation	25.0	Min. of Health	12/4/04	The project finances rehabilitation of priority emergency services, including emergency obstetric care, in 11 selected hospitals, and provides 12 hospitals with basic medical and laboratory equipment and essential drugs. Local firms have finalized detailed civil work designs. Rehabilitation of 2 health units has commenced, and 3 others will begin in June 2006.
Second Capacity Building	7.0	World Bank	12/6/04	The project follows up the first capacity building project to help the authorities tackle medium-term policies, focusing on economic management, public sector management, and social safety nets. So far, more than 24 workshops have trained about 375 participants.
Private Sector Development	55.0	Min. of Planning and Min. of Telecom.	12/6/04	Procurement is underway, although delayed, for the supply and installation of a high-capacity national telecommunications network. Procurement for consultancy services for remaining components is also underway, including feasibility studies for industrial estates in Arbil and Basra.
Water, Sanitation, and Urban Reconstruction	90.0	Min. of Municipalities and Public Works	12/8/04	The project finances high-impact water supply and sanitation rehabilitation in 9 governorates; and urban reconstruction in the poorest areas of 3 governorates, benefiting over 2 million people. The design phase is completed and the first phase of civil works has commenced. A US\$27 million contract is underway for urban rehabilitation and upgrading of the water supply system of Badawa. Procurement of other rehabilitation work is underway.
Community Infrastructure Rehabilitation	20.0	Min. of Water Resources	12/18/04	The project finances a flexible program of labor-intensive civil works to generate near-term employment while improving rural water infrastructure (irrigation, drainage, and water supply). 14 subprojects amounting to US\$12 million are underway, of which 6 are almost completed. In all, the project will finance 20 subprojects, creating more than 20,000 jobs.
Disabilities Project	19.5	Min. of Health	11/23/05	Aims to improve services to the disabled by developing a comprehensive policy and legal framework for disabilities, strengthening government-NGO partnerships, and reconstructing 14 rehabilitation centers.

STATUS OF ITF-FINANCED PROJECTS AS OF MAY 1, 2006

EMERGENCY TEXTBOOK PROVISION PROJECT

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 is using 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 is supporting the ministry in developing a strategic framework and a donor coordination strategy.

Project Objective and Description:

The objective of the project is 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, although there is no specific data on employment created.

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) for six million students (12 grades) in all governorates for the school year 2004/2005.
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 to the MOE.

Project Costs by Type of Expenditure:

Goods (textbooks): US\$ 37.5 million

Other goods: US\$ 0.2 million

Consultants: US\$ 0.4 million

Implementation Status:

The project objective has been achieved. 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. In all, the project financed more than 82 million textbooks. A capacity building activity to improve textbook quality will take place this year before the project closes.

EMERGENCY SCHOOL CONSTRUCTION AND REHABILITATION PROJECT

Grant Amount: US\$60 million **Effectiveness Date:** October 2004 **Closing Date:** June 2007

Implementing Entity: Ministry of Education

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; and the Bank is financing major reconstruction and construction. **The Bank is the only donor significantly financing new construction, and the only donor working through Iraq's Ministry of Education.** In addition, the Bank is supporting the ministry in developing a strategic framework and a donor coordination strategy.

Project Objective and Description:

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

The project will also create substantial near-term employment through rehabilitation by local construction companies.

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.

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 at an average cost of US\$414,000 per school and US\$1,150 per student;
 - (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 (of which US\$0.25 million for international consultants and US\$2.25 million for local consultants)

Implementation Status:

Major rehabilitation of 134 schools (actual cost: US\$7.3 million) is completed. The ministry has contracted local firms for design of new school construction, preparation of bidding documents, and supervision of works. Nine contracts for the construction of 18 new schools are in the bid evaluation stage, with construction expected to start by July 2006.

EMERGENCY BAGHDAD WATER SUPPLY AND SANITATION PROJECT

Grant Amount: US\$65 million **Effectiveness Date:** December 2004 **Closing Date:** August 2007

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\$2.8 m)
2. Rehabilitation of 2B pumping station in **Shark Dijla water treatment plant** (US\$4.5 m)
3. Extension and rehabilitation of the **al-Rasheed water treatment plant** (US\$7.2 m)
4. Rehabilitation of the **Abu Nawas raw water pumping station** (US\$6.2 m)
5. Rehabilitation and renewal of the **Sadr City sewerage network** (US\$15 m)
6. Rehabilitation and renewal of the **drinking water network in Za'afarania** (US\$15.4 m)
7. **Capacity building**, including system design, feasibility studies, and audits (US\$3.9 m)
8. Development of a **comprehensive city development plan** for Baghdad (US\$3 m)
9. **Price and physical contingencies** (US\$7 m)

Project Costs by Type of Expenditure:

Civil works and goods: US\$ 51.1 million; **Consulting services:** US\$6.9 million (local: US\$4.6 million; international: US\$2.3 million); **Price and physical contingencies:** US\$7 million

Detailed Status of Implementation and Disbursements:

During 2005, the Mayoralty of Baghdad contracted local and international consultants to prepare tender documents and detailed designs, and to subsequently supervise works. The mayoralty has now moved to the phase of contracting civil works—it has signed contracts for US\$8.5 million of goods and works under components 2 and 4. Also, it has recruited a team of advisors to help the municipality prepare and implement the Baghdad Comprehensive City Development Plan.

EMERGENCY HEALTH REHABILITATION PROJECT

Grant Amount: US\$25 million **Effectiveness Date:** November 2004 **Closing Date:** December 2006

Implementing Entity: Ministry of Health

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. The Bank has a broad knowledge of health sector issues and can respond selectively to Iraq's immediate needs while laying the groundwork for medium- and long-term health system reform. Many donors expect the Bank to play a leadership role in policy and system reform.

Project Objective and Description:

This project responds to an urgent need to **improve emergency services in 11 hospitals throughout Iraq**, selected to ensure at least one well equipped emergency unit per governorate and taking into account the work of other donors in the six remaining governorates. The project design was based on the following criteria: respond to urgent needs; avoid duplicating the work of other donors (some donors are rebuilding entire hospitals); and achieve visible impact nationwide.

Beyond its specific objective of improving access to quality emergency services, the project is expected to build ownership and capacity within the slowly reconstituting Iraqi administration and to become a model for locally driven reconstruction work in the health sector.

Geographic Coverage:

Nine governorates in the north, center, and south of Iraq: Baghdad, Diyala, Kirkuk, Missan, Karbala, Anbar, Salah Deen, Erbil, Sulaimanyiah.

Beneficiaries:

About 15 million Iraqis live within the areas serviced by the 11 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 11 selected hospitals**, and the 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 up to 37 essential emergency drugs** to be used at 12 emergency facilities, including 11 rehabilitated through this project (US\$ 2.9 million);
3. Support to **strengthen planning and management capacity** within the central and governorate health administrations (US\$ 1.7 million); and
4. Support to **project management** (US\$ 0.9 million).

Project Costs by Type of Expenditure:

Civil works: US\$ 14.7 million; **Goods:** US\$ 8.4 million; **Consulting services:** US\$1.9 million (of which US\$1.3 million for local firms for design and supervision of works); **Training:** US\$1.8 million; **Operating Costs:** US\$0.1 million

Implementation and Status:

Local firms have completed the designs for rehabilitating 10 out of 11 emergency health units, and the Ministry of Health has now moved to the phase of contracting civil works. Rehabilitation of two health units (Missan and Salah Deen) has commenced, and rehabilitation of three other health units is expected to start in June 2006. Regarding the procurement of emergency pharmaceuticals (US\$2.9 million), the Bank has re-authorized the tender due to non-responsiveness of the first bids. Pharmaceuticals are expected to be delivered onsite by the end of August 2006.

SECOND CAPACITY BUILDING PROJECT

Grant Amount: US\$7 million **Effectiveness Date:** November 2004 **Closing Date:** November 2006

Implementing Entity: World Bank

Strategic Context and Donor Coordination:

The project builds on the first Capacity Building Project, which provided urgent training related to reconstruction (including procurement, financial management and project management). Many training activities are carried out jointly with other donors, such as the IMF and DFID.

Project Objective and Description:

The program aims to **strengthen economic management and build institutional capacity** needed to shift to a market-driven economy; improve the efficiency, effectiveness, and quality of public services; and facilitate use of public resources, including donor funds, for urgent reconstruction and development efforts.

Geographic Coverage: Nationwide

Beneficiaries:

The project will directly benefit over 1,000 officials and help lay the groundwork for crucial institutional strengthening and reform.

Project Components and Costs:

The program includes capacity building in four areas:

1. Economic reform and transition.
2. Poverty, social protection, and social development.
3. Public sector management.
4. Managing the project cycle, including the legal/fiduciary aspects of reconstruction.

Project Costs by Type of Expenditure:

Capacity building: US\$7 million

Detailed Status of Implementation and Disbursements

Twenty-four training activities have taken place to date, involving 375 participants from various entities, such as the Ministry of Planning and Development Cooperation, Ministry of Finance, Ministry of Trade, Ministry of Labor, and the Central Bank.

EMERGENCY PRIVATE SECTOR DEVELOPMENT PROJECT

Grant Amount: US\$55 million **Effectiveness Date:** December 2004 **Closing Date:** December 2007

Implementing Entity:

Ministry of Planning (Components 1 and 2) Iraqi Telecommunications and Post Company (ITPC, 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 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 (in coordination with the Kurdistan Regional Government) 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 provides 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 costs related to **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 \$40 million telecommunications infrastructure. International consultants will deliver most of the TA under the PSD components. However, most TA RFPs require local participation during implementation and emphasize the importance of building local capacity.

Detailed Status of Implementation and Disbursements:

The ITPC issued a Request for Proposals for the large telecommunications project (\$39 million) in mid July 2005. Procurement has experienced some delays and is ongoing. In addition, procurement is in the final stage for all other components, including for feasibility studies for industrial estates in Arbil and Basra.

EMERGENCY WATER, SANITATION, AND URBAN RECONSTRUCTION PROJECT

Grant Amount: US\$90 million **Effectiveness Date:** December 2004 **Closing Date:** August 2007

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 Dukan;

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\$54 million) in:
 - (a) City of **Karbala** (US\$16.34 million): rehabilitation of two treatment plants, part of the distribution network, and trunk and lateral sewer lines;
 - (b) **Majar** District in Maysan Governorate (US\$3.16 million): replacement of two water treatment units, rehabilitation and extension of distribution networks, pumping stations and installation of about 3,000 house connections, in order to supply 18,000 inhabitants in two villages with potable water;
 - (c) **Beji** in Salah al-Din Governorate (US\$1.83 million): replacement of two water treatment units, rehabilitation of distribution networks, and installation of about 2,000 home connections, to provide potable water to 16,000 inhabitants in two villages;
 - (d) **Kena'an** District in Diyala Governorate (US\$1.89 million): replacement of three water treatment units, rehabilitation of distribution networks and installation of about 2,700 house connections, to provide potable water to about 22,000 inhabitants in three villages;
 - (e) City of **Al-Hussainia** in Baghdad Governorate (US\$7.6 million) supply and construction of a water intake, a raw water transmission line, a water treatment plant with five water treatment

units, and a distribution network including house connections, to supply potable water to city of 135,000 inhabitants, of which 60% do not have access adequate water access;

- (f) **Al-Samawa** in Al-Muthana Governorate (US\$12.34 million): supply and installation of 8 water treatment units, supply and installation of 25 km of a new water pipeline, and a staging water tank, and the rehabilitation and upgrading of 3 low lift pumps, three high lift pumps, and a pumping station, in order to reduce water shortage in the cities of Al-Samawa (pop. 196,000), Al-Khadir (pop. 86,000) and Al-Suqair (pop. 38,000) and 10 large villages.
 - (g) **Badawa** slum in Arbil City (US\$1.5 million): supply and installation of a water distribution network, drilling 10 wells, installing pump houses, storage tanks, chlorinators and diesel generators in order provide potable water and sewerage to the Badawa population (total 42,000), which is entirely dependent on water wells.
 - (h) **Dohuk** Governorate (US\$4.92 million): supply and construction of a water distribution network and storm-water drainage system to relieve existing conditions in the western section of the city, where 10,000 plots of land were distributed to poor and displaced families.
 - (i) **Dukan** (US\$4.48 million): total rehabilitation of the water supply system, including distribution network, pumps, reservoir, tanks, etc., and construction of intake works and a water treatment plant.
2. **Urban rehabilitation** (US\$22 million) in
- (a) **Karbala** (US\$6.4 million): rehabilitation of existing damaged streets and squares, the traditional market and Al-Abbas street, and an environmental impact assessment study of a new municipal slaughterhouse.
 - (b) **Badawa** (US\$7.76 million): construction of a storm water network to collect and drain rainwater into the city trunk main, and upgrading of unpaved neighborhood roads and main streets.
 - (c) **Basra** (US\$7.78 million): resurfacing of main streets, upgrading of neighborhood internal dirt roads to paved roads, construction of pedestrian sidewalks, and construction of a new storm water drainage network.
3. **Capacity building** (US\$4 million), including consulting services to undertake final designs and tender documents and for construction and implementation supervision.
4. **Physical and price contingencies** (US\$10 million)

Project Costs by Type of Expenditure:

Civil works: US\$65 million

Goods: US\$11 million

Consulting services: US\$4 million (local: US\$ 2.6 million; international: US\$1.4 million)

Price and physical contingencies: US\$ 10 million

Detailed Status of Implementation and Disbursements:

During 2005, 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 nearly completed and the ministry is now moving to the phase of contracting civil works. The ministry signed a US\$27 million contract for urban rehabilitation and upgrading of the water supply system of Badawa (Arbil). Five other construction contracts of about US\$60 million are expected to start by summer 2006. 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.

EMERGENCY COMMUNITY INFRASTRUCTURE REHABILITATION PROJECT**Grant Amount:** US\$20 million **Effectiveness Date:** December 2004 **Closing Date:** June 2007**Implementing Entity:** Ministry of Water Resources**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:

Fourteen governorates. Subprojects are currently under implementation in the governorates of Al Methane, Baghdad, Thi-Qar, Sulaymaniyah, Wasset, Najaf, Diyala, Karbala, Erbil and Salahuddin. Other potential project areas are: Babel, Missan, 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 10 governorates (US\$12 million)
2. Subprojects to be identified in other priority areas (US\$3 million)
3. Procurement of goods for the MoWR (US\$ 2.3 million)
4. Project management and capacity building (US\$0.7 million)
5. Physical and price contingencies: US\$2 million

Project Costs by Type of Expenditure:

Civil works: US\$15 million (rehabilitation subprojects are expected to range from US\$300,000 to US\$1,000,000 each); **Goods:** US\$2.3 million (earthmoving equipment, vehicles, communication equipment, office equipment); **Consulting services and institutional strengthening:** US\$0.7 million; **Contingencies:** US\$2 million

Detailed Status of Implementation and Disbursements:

After a slow start, the project is now fully satisfactory and implementing at a rapid pace. Fourteen subprojects amounting to about US\$12 million are underway, of which six are almost completed. The Ministry of Water Resources recently signed three additional civil works contracts, and is carrying out bidding for three others. Of the 15 goods contracts, half are completed and the remaining is in an advanced stage of procurement. The Bank and the Ministry of Water Resources are discussing a possible follow-up project, subject to additional deposits to the Iraq Trust Fund.

EMERGENCY DISABILITIES PROJECT**Grant Amount:** US\$19.5 million **Effectiveness Date:** November 2005 **Closing Date:** December 2007**Implementing Entity:** Ministry of Health**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 specifically addressed by the donor community. The Bank is drawing on its global experience, and its approach is not only to provide immediate assistance, but to ensure that sector development takes place through the establishment of a sound policy framework that will provide the basis for sustainability and for further reform measures.

Project Objective and Description:

This project aims to help prevent the disabled from falling deeper into poverty and to reduce the burden of physical and psycho-social disabilities through targeted and cost-effective rehabilitation services in a community setting. Specifically, the project will upgrade the infrastructure and equipment of 11 specialized rehabilitation centers countrywide; improve the information base on the disabled to allow evidence-based policymaking, and improve the policy and legal framework for the disabled.

Geographic Coverage:

The 11 rehabilitation centers are situated in 15 governorates.

Beneficiaries:

The project will directly benefit an estimated 250,000 persons with physical disabilities who would otherwise not have access to quality rehabilitation services needed for leading a productive life. The project will also impact an estimated 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. Service delivery to the disabled (US\$13.2 million)
2. Development of a long-term strategy and action plan for the disabled (US\$.5 million);
3. Capacity building to support implementation
4. Monitoring and evaluation and project management (US\$.5 million)

Project Costs by Type of Expenditure:

Civil works: US\$5 million; **Goods:** US\$12 million; **Consulting services:** US\$1.4 million (mainly local firms for design/supervision of works); **Training:** US\$1 million; **Operating Costs:** US\$0.1 million

Implementation and Status:

To date, the Ministry of Health has awarded four out of nine consultancy contracts, and the remaining 5 are in progress. The ministry has also launched the tender for the procurement of medical aids, and bidding documents for the procurement of rehabilitation and workshop equipment are under preparation. Tenders for works contracts will be launched in August-September 2006.