

Appendix G - International Reconstruction Fund Facility for Iraq

This appendix outlines the International Reconstruction Fund Facility for Iraq (IRFFI).

International Reconstruction Fund Facility for Iraq (IRFFI)

The World Bank and the United Nations Development Group (UNDG) led the creation of the International Reconstruction Fund Facility for Iraq (IRFFI) to provide a multinational vehicle to coordinate reconstruction efforts with the emerging Iraqi government. The IRFFI comprises two trust funds run by the World Bank and UNDG. Each trust fund has developed a strategic framework for its operations that has been reviewed by the Iraqi Strategic Review Board (ISRB), the Ministry of Planning and Development Cooperation, and the donor committee:

- A Facility Coordination Committee coordinates the two trust funds. The committee, which meets monthly, will include members of the World Bank and UNDG. A member of the International Monetary Fund (IMF) participates as an observer.
- A Facility Donor Committee, representing each government that has contributed at least \$10 million to the IRFFI, meets semiannually to provide oversight and approve programs and priorities. The committee also has up to two members who are chosen by consensus from among donor nations whose contributions are less than \$10 million.

The IRFFI funds projects outside the PCO program, but efforts between the PCO and IRFFI must be coordinated on all levels. The ISRB and the Ministry acts as central points of coordination and encourages direct communication between the organizations.

As of January 3, 2005, \$1.014 billion has been deposited into the IRFFI. Table G-2 lists the current deposits by country into the respective trust funds. The largest donor, Japan, has contributed almost half (48%) of the trust fund donations.

UN Development Group (UNDG) Iraq Trust Fund

In early 2004, the UN Country Team for Iraq developed a strategic assistance plan that has been formally approved by the Iraqi government and the donor community. These are the key elements of the plan:

- grouping sectoral activities into 11 clusters
- encouraging joint logistical support across cluster activities
- soliciting Iraqi prioritization of reconstruction needs as part of the planning process

Table G-1 lists the many UN organizations participating in the reconstruction of Iraq. The number of organizations and size of the projects reinforce the need for a cluster approach to coordinate activities across UN organizations. The UNDG Trust Fund has formalized general principles for prioritizing programs within a cluster, as well as general criteria for prioritizing cluster activities for funding. A Steering Committee is responsible for allocating the funds, and Iraqi authorities must approve all projects before their implementation. Table 7-16 in

Chapter 7 on donor funds provides the cluster funding totals. The UN is updating their financial information, but at the time of the preparation of this report, data had not been revised since the Tokyo conference.

UN Organizations Participating in Iraq Reconstruction by Project Total, as of October 14, 2004	
Participating UN Organization	Amount (in millions)
United Nations Development Program	\$111.69
World Health Organization	60.60
United Nations Children's Fund	55.75
United Nations Development Program/EAD	46.08
Food and Agriculture Organization (United Nations)	35.59
United Nations Centre for Human Settlements	23.55
United Nations Environment Program	15.70
United Nations Educational, Scientific and Cultural Organization (since 1945; Paris, France)	12.71
United Nations Population Fund (formerly United Nations Fund for Population Activities)	12.60
United Nations Office for Project Services	11.46
United Nations Industrial Development Organization	8.01
United Nations High Commissioner for Refugees	7.13
Economic and Social Commission for Western Asia	1.00
International Labour Organization	0.32
Total Approved Funding	\$402.19
Note: Data not formally reviewed or audited.	

Table G-1

World Bank Iraq Trust Fund and World Bank Assistance

The World Bank has provided valuable analytical and administrative support for the reconstruction of Iraq, including participation in the joint needs assessment with the UN in October 2003 and administration of the World Bank Iraq Trust Fund (WBITF). In January 2004, the World Bank released an "Interim Strategy Note of the World Bank Group for Iraq." This document outlined three objectives for the interim period (the first six to nine months of 2004):

1. Prepare and implement emergency operations to address urgent needs.
2. Build Iraqi institutional capacity.
3. Lay the groundwork for Iraq's medium-term program (2005-2007).

The World Bank uses WBITF resources to finance projects and use internal, budgeted resources for economic and sector work, as well as policy advice. Table 7-15 in Chapter 7 provides a summary of World Bank projects funded by the WBITF. The bulk of the initial round of World Bank projects have focused on emergency needs primarily in water supply and sanitation, health care, and education.

The second primary objective is to *build Iraqi institutional capacity*. The first institutional capacity building project (\$3.6 million) was completed on August 9, 2004. It trained 581 Iraqi civil servants from 19 ministries to enable them to effectively participate in the definition and prioritization of international programs of support. The project focus was on:

- managing the project cycle
- sector-specific training for line ministries
- private sector capacity enhancement

The second Iraqi institutional capacity building project is funded at \$7 million, and it is aimed at senior Iraqi policy-makers and technical specialists. The program objective is to build the capacity of Iraqis in economic reform and transition, public sector management, and managing the project cycle (including legal aspects of reconstruction). The first private sector development project is scheduled to begin shortly and is funded at \$55 million. Its focus is to finance part of the telecommunications backbone (\$40 million) and infrastructure for a payment system, promote investment and export, and provide direct support for private sector opportunities.

The third objective, *laying the groundwork for Iraq's medium-term program (2005-2007)*, is being met through internal World Bank resources. The economic and sector work program has been grouped in three clusters:

- economic reform and transition
- poverty, safety nets, and social development
- public sector management
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The World Bank, in close collaboration with counterpart ministries, is finalizing a number of short policy notes focusing on key reforms, including investment climate and state-owned enterprise reform, trade reform, telecommunication sector reform, financial sector reform, oil and gas sector reform, and social protection and safety net issues. These working versions of policy notes are currently available: Investment Climate, Reform of State-Owned Enterprises, Food Grain Market Reform, and World Trade Organization Accession.

Total IRFFI Donor Contributions and World Bank and UNDG Iraq Trust Fund Allocations				
Donor	Commitments		Deposits	
	World Bank	UN	World Bank	UN
Australia	\$10,200,000	\$4,396,800	\$10,200,000	\$4,396,800
Australia (from AusAID & DIMIA)	N/A	3,292,462	N/A	3,292,462
Belgium ^A	N/A	1,356,852	N/A	0
Canada	22,300,000	37,767,199	22,300,000	37,767,199
Denmark ^A	N/A	4,525,870	N/A	4,525,870
European Commission ^A	102,500,000	101,833,827	102,500,000	78,224,600
European Commission Rapid Reaction Mechanism ^A	N/A	25,201,200	N/A	23,572,978
European Commission (Human Rights) ^A		1,356,852	N/A	0
Finland	2,600,000	3,885,600	2,600,000	3,885,600
Greece ^B	N/A	763,980	N/A	763,980
Iceland	1,000,000	500,000	1,000,000	500,000
India	2,500,000	5,000,000	2,500,000	2,500,000
Ireland	N/A	1,226,400	N/A	1,226,400
Italy	N/A	13,261,000	N/A	13,261,000
Japan (MOF & MOFA)	130,000,000	360,950,528	130,000,000	360,950,528
Korea	3,000,000	7,000,000	3,000,000	7,000,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
The Netherlands ^A	6,200,000	6,697,000	6,200,000	6,697,000
New Zealand	N/A	940,800	N/A	940,800
Norway ^A	2,200,000	7,080,673	2,200,000	4,449,094
Qatar	5,000,000	5,000,000	2,500,000	2,500,000
Spain	20,000,000	N/A	20,000,000	N/A
Sweden	5,400,000	5,788,840	N/A	5,788,840
Turkey	N/A	200,000	N/A	0
United Kingdom	71,400,000	55,542,000	71,400,000	55,542,000
United States	5,000,000	5,000,000	5,000,000	5,000,000
Total	\$394,300,000	\$663,567,883	\$386,400,000	\$627,785,151

Note: World Bank Data as of January 3, 2005 and UN Data as of December 31, 2004

^AUSD equivalent of Commitments not yet deposited are estimates based on UN Operational Exchange rates

^BGreece has committed a total of 3,000,000 € of which only 600,000 € was deposited in 2004

Note: Data not formally reviewed or audited.

Table G-2