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World Bank Authorizes Iraq Reconstruction Trust Fund

Also approves rebuilding strategy for next 6-9 months

The World Bank has authorized a trust fund for the reconstruction of Iraq and approved a rebuilding strategy for the next six to nine months.

In a January 29 press release, the Bank said the strategy covers both emergency projects and technical assistance. It is based on a needs assessment conducted jointly by the Bank and the United Nations in 2003, the release said.

The goals of the strategy are to build the capacity of the Iraq government to manage the country's reconstruction, initiate immediate programs to address the urgent needs of creating jobs and restoring basic infrastructure and services, and provide policy advice that will help Iraq make the transition to a market economy.

"This short-term strategy is based on the realities on the ground and enables us to respond rapidly and flexibly to the Iraqi people's immediate needs in coordination with the Iraqis and the international donor community," said Christiaan Poortman, World Bank vice president for the Middle East and North Africa. "It is an Iraqi-led process."

The fund is one of two created to channel resources from international donors for Iraq. The other is managed by the United Nations.

The Bank's lending practices -- including the issue of Iraq's debt, security and legal issues related to Iraq's government -- remain subject to board approval, the release said.

Following is the text of the World Bank press release:

(begin text)

World Bank Authorizes Trust Fund, Endorses Interim Strategy For Iraq

WASHINGTON, January 29, 2004 -- The World Bank's Board of Executive Directors today authorized the Bank to act as an administrator for the Iraq Trust Fund, which will finance a program of emergency projects and technical assistance. The program is contained in the Interim Strategy for Iraq, discussed by the Board today. It includes not only specific projects and technical assistance, to be financed by the trust fund, but also a program of economic and sector work aimed at laying the groundwork for an expanded development assistance program in the near future. The Interim Strategy builds on the Bank's previous work in Iraq during 2003 and outlines a Bank-sponsored work program for Iraq for the next six to nine months.

Over the last two decades, the effects of war, misdirected resources, and Iraq's centralized

command economy have stifled growth and development. Basic infrastructure and the education and healthcare systems have dramatically declined due to years of neglect. International sanctions imposed in 1991 further crippled Iraq's economy. Despite the country's rich resources, Iraq's human development indicators are now among the lowest in the region.

Although reliable economic information remains limited, unemployment is high and there is severe poverty and vulnerability stemming from decades of economic decline combined with the impact of the recent war. Preliminary estimates indicate that Iraq's GDP [gross domestic product] declined by about 4 percent in 2002 and a further 31 percent in 2003, amounting to an estimated \$13-17 billion in 2003, or \$480-630 per capita. This year, however, GDP is projected to increase by about 33 percent, bringing it to \$17-22 billion or \$620-810 per capita.

The work program detailed in the Interim Strategy is based on a Joint Iraq Needs Assessment of reconstruction and development challenges conducted by the United Nations and the Bank last year. The immediate goals of the work program are threefold -- build the Iraqi government's ability to manage a reconstruction program, including administering large amounts of external funding in a transparent and accountable manner; initiate emergency programs to address urgent needs such as job creation and restoring basic infrastructure and services; and provide policy advice and analytical work that will pave the transition to a market-based economy and a medium-term development program.

"This short-term strategy is based on the realities on the ground and enables us to respond rapidly and flexibly to the Iraqi people's immediate needs in coordination with the Iraqis and the international donor community," says Christiaan Poortman, Vice President for the Middle East and North Africa. "It is an Iraqi-led process that ensures the key priorities on their national development are taken into account."

During this interim period, the Bank will implement projects in close coordination with Iraqi officials out of a temporary office set up in Jordan.

The Iraq Trust Fund is one of two trust funds that fall under the International Reconstruction Fund Facility for Iraq designed by the World Bank and the UN. The Facility was created in response to international donors' request for a vehicle to channel their resources and coordinate donor financing for Iraq's reconstruction and development activities.

The Bank's lending services remain subject to Board approval on several issues including settlement of Iraq's arrears, the security situation on the ground, and the legal issue of Iraq's government.

(end text)

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