

Meeting of the LPAC on
Loan Management Programme with Fiduciary Monitoring:
Support Unit to Monitoring Committee on Japanese ODA Loan Projects
19 March 2009, 08:30 am

Present:

EIBalla Hagona (Chair)
Humam Misconi/ Natsuko Yukawa (Presenter; also representing the views of national institutions)
Rob Duys (Poverty)
Fatimata Sy (RCP)
Naoko Takasu (Mine Action, and Alternate Gender Focal Point)
Helen Olafsdottir (CPR Advisor)

Ex-Officio:

Asif Husain-Naviatti (Secretary)

Not Present:

Gulfia Shienko (PSU comments provided)

At a donors' conference in October 2003, Japan pledged \$5 billion of assistance to Iraq, of which \$3.5 billion was in the form of ODA loans. Japanese plans have been under formulation since early 2005, and are now poised for implementation. The planning process included an evaluation of risk, which identified the capacity of the Government of Iraq (Gol) to manage loans and execute well-planned and –formulated budget proposals as a weakness. As a first step towards implementation of the loan, under the Ministry of Electricity of Kurdistan Region Government, the MoE approached JICA and UNDP late in 2007 with a request to provide support in preparation for loan implementation. Following the successful implementation of this assignment, MoE awarded direct contract to UNDP for partnership servicers in loan management in November 2008.

A Monitoring Committee was established to supervise ODA Loan in July 2008 at the level of the Prime Minister's Advisory Board, and involving other key national actors in Gol. UNDP has been asked to establish, staff and manage a Support Unit to the Monitoring Committee. Three international staff and 8 national staff will be hired.

The role of the Support Unit will be twofold: (1) act as fiduciary monitoring agent, since UNDP is well-positioned on the ground in Iraq and have substantial experience based on previous achievements, access to Gol institutions and a profound knowledge of the Gol's management system; and (2) support the implementation process, providing advice, consultations and guidance in procurement and financial management.

UNDP has supported similar activities in other parts of the world, especially Latin America, where UNDP provides support to largely middle-income countries. The loaner can benefit from UNDP's experience, expertise and low cost in comparison to most consultancies which could provide a similar service. However, this will be the first such arrangement in a crisis setting. The Bureau for Resources and Strategic Partnerships, recently named Partnerships Bureau (PB), in New York is therefore particularly interested in the outcome in Iraq, and will be drawing experience from it. A PB staff member will accompany a loan management mission to Iraq in April.

The Loan Management project will be funded by JICA and will last one year with scope for extension. The reason for this is that the Gol was reluctant to pay for the loan assets at the beginning, which would normally be the practice. Accordingly, JICA agreed to pay this during the first year only – hence initial project duration – as a demonstration of the benefit this will bring to Gol.

- Decision 1: Minor adjustments are required to documentation, for example reflecting UN Country Assistance Strategy outcomes on the front page where UNDAF outcomes are requested. Documentation should also be clear that this is a UNDP project towards supporting JICA's Loan Management Programme – i.e. this is not a UNDP programme. Baseline indicators should be strengthened.
- Decision 2: LPAC recommends that the security component in the costing be more realistically raised to 3%, given rising costs of a growing security unit and the support required during inevitably frequent travel inside, and in and out of Iraq.
- Decision 3: The gender equality component should be strengthened by requesting gender disaggregation of statistics on beneficiaries to assure gender-based targets, and also to target capacity building training, within the capacity development component, towards women, among other potential initiatives which should be explored.
- Decision 4: To ensure unity of purpose and coherence, LPAC recommended that the project establish clear linkages with other UNDP projects and budget execution in particular.
- Decision 5: On this basis, and subject to strengthening of the project according to decision 3, LPAC recommends the project be approved.



Recommendation Approved:
EIBalla Hagona, LPAC Chair

24/3/2009



Endorsed:
Paolo Lembo, Director