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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US\$400 MILLION

TO THE

REPUBLIC OF IRAQ

FOR THE

EMERGENCY OPERATION FOR DEVELOPMENT PROJECT

October 17, 2017

Social, Urban, Rural and Resilience Global Practice  
MIDDLE EAST AND NORTH AFRICA

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2017)

Currency Unit = IQD

1,162 IQD = USD 1

### FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ARAP	Abbreviated Resettlement Action Plan
CPA	Coalition Provisional Authority
CE	Citizen Engagement
CPF	Country Partnership Framework
CPG	Community Production Group
E&S	Environmental and Social
ESIA	Environment and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environment and Social Management Plan
FM	Financial Management
FY	Financial Year
GOI	Government of Iraq
GRS	Grievance Redress Service
HEIS	Hands-on Expanded Implementation Support
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICS	Internal Control System
IDA	International Development Association
IDPs	Internally Displaced Persons
IFR	Interim Unaudited Financial Reports
ISIS	Islamic State of Iraq and Syria
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIM	Master Implementation Manual
MoA	Ministry of Agriculture
MoCHMPW	Ministry of Construction, Housing, Municipalities and Public Works
MoWR	Ministry of Water Resources
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NRRF	National Recovery and Reconstruction Framework for Iraq
PCR	Physical Cultural Resources
PCU	Project Coordination Unit
PDO	Project Development Objective
PMT	Project Management Team

PPE	Personal Protective Equipment
PPSD	Project Procurement Strategy for Development
RPF	Resettlement Policy Framework
ReFAATO	Reconstruction Fund for Areas Affected by Terroristic Operations
SBDs	Standard Bidding Documents
SCD	Systematic Country Diagnostic
TOR	Terms of Reference
TPMA	Third Party Monitoring Agent
TTL	Task Team Leader
UN	United Nations
WAs	Withdrawal Applications
WBG	World Bank Group

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Country Director:	Saroj Kumar Jha
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**REPUBLIC OF IRAQ**  
**EMERGENCY OPERATION FOR DEVELOPMENT PROJECT - ADDITIONAL FINANCING**  
**(P161515)**

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**ADDITIONAL FINANCING DATA SHEET**

*Republic of Iraq*

*Emergency Operation for Development Project - Additional Financing (P161515)*

*MIDDLE EAST AND NORTH AFRICA*

*GSU11*

Basic Information – Parent							
Parent Project ID: P155732		Original EA Category: B - Partial Assessment					
Current Closing Date: 30-Jun-2020							
Basic Information – Additional Financing (AF)							
Project ID: P161515		Additional Financing Type (from AUS): Scale-up; restructuring					
Regional Vice President: Hafez M. H. Ghanem		Proposed EA Category: B					
Country Director: Saroj Kumar Jha		Expected Effectiveness Date: 31-Jan-2018					
Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez		Expected Closing Date: 31-Dec-2022					
Practice Manager/Manager: Ayat Soliman		Report No: PAD2525					
Team Leader(s): Ibrahim Khalil Dajani							
Borrower							
Organization Name		Contact	Title	Telephone	Email		
Republic of Iraq / Ministry of Finance		H.E. Dr. Haider Al-Abadi	Prime Minister/ Acting Minister of Finance	00964-7901919070	saladin592000@yahoo.com		
Project Financing Data - Parent (Emergency Operation for Development-P155732) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P155732	IBRD-85200	Effective	07-Jul-2015	12-Jul-2015	18-Sep-2015	30-Jun-2020	
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P155732	IBRD-85200	Effective	USD	350.00	350.00	0.00	103.17	246.82	29.50
<b>Project Financing Data - Additional Financing Emergency Operation for Development Project - Additional Financing ( P161515 )(in USD Million)</b>									
<input checked="" type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		400.00		Total Bank Financing:		400.00			
Financing Gap:		0.00							
<b>Financing Source – Additional Financing (AF)</b>								<b>Amount</b>	
International Bank for Reconstruction and Development								400.00	
Total								400.00	
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									
<b>Name</b>		<b>Role</b>		<b>Title</b>		<b>Specialization</b>		<b>Unit</b>	
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Jad Raji Mazahreh		Financial Management Specialist		Sr Financial Management Specialist		Financial Management		GGO23	



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Harika Masud	Team Member	Young Professional	Operations	GSU03
Ibrahim Ismail Mohammed Basalamah	Social Safeguards Specialist	Social Development Specialist	Social Safeguards	GSU05
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#### Extended Team

Name	Title	Location

#### Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Iraq	Salah Ad-Din	Tikrit	X	X	
Iraq	Salah Ad-Din	Al-Dour	X	X	
Iraq	Salah Ad-Din	Al Dalooeyya	X	X	
Iraq	Salah Ad-Din	Al Alam	X	X	
Iraq	Diyālā	Jalula	X	X	
Iraq	Diyālā	Diyālā	X	X	
Iraq	Diyālā	Al `Azim	X	X	
Iraq	Diyālā	As-Sadiya	X	X	
Iraq	Al Anbar	Ramadi	X	X	

Iraq	Al Anbar	Rural	X		
Iraq	Ninawa	Mosul	X		
Iraq	Kirkuk	Kirkuk	X	X	
Iraq	Dohuk	Dohuk	TBD		
<b>Institutional Data</b>					
<b>Parent (Emergency Operation for Development-P155732)</b>					
<b>Practice Area (Lead)</b>					
Social, Urban, Rural and Resilience Global Practice					
<b>Contributing Practice Areas</b>					
Energy & Extractives, Health, Nutrition & Population, Transport & ICT, Water					
<b>Additional Financing Emergency Operation for Development Project - Additional Financing (P161515)</b>					
<b>Practice Area (Lead)</b>					
Social, Urban, Rural and Resilience Global Practice					
<b>Contributing Practice Areas</b>					
Agriculture, Education, Energy & Extractives, Environment and Natural Resources, Governance, Transport & ICT, Water					
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required? Consultants will be required					



## I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide an additional loan in the amount of US\$400 million to the Republic of Iraq for the Emergency Operation for Development (EODP) - P155732 [IBRD-85200].

2. **Rationale for Additional Financing (AF).** Fierce and protracted fighting in areas of Iraq newly liberated from the Islamic State of Iraq and Syria (ISIS), especially Mosul, ISIS's last urban bastion in Iraq, resulted in extensive damages that have impacted service delivery and basic commercial activities. In July 2017, Prime Minister Abadi announced the liberation of Mosul and the need to start reconstruction of the area. The international community has expressed its commitment to support the Government-led reconstruction of Mosul and other localities that have been recently liberated from ISIS, namely, the immediate implementation of recovery, reconstruction, and rehabilitation of priority infrastructure to restore delivery of public services. The proposed AF will expand the EODP scope to include agriculture, irrigation, urban services, and education services, as well as additional cities that have been recently liberated from ISIS.

3. **The design of the proposed AF is similar to that of the EODP parent project.** It is fully aligned with the EODP's intended scale-up strategy. Both are intended to complement the Government of Iraq (GoI) stabilization efforts through restoration of public service delivery via reconstruction and rehabilitation of priority infrastructure, and to pave the way for Iraq's sustainable, inclusive and equitable development.

4. **The AF will finance geographic scale-up of the parent project activities to new municipalities liberated from ISIS** in the Salah Ad-Din and Diyala governorates, as well as in the governorates of Al Anbar (including Ramadi), Ninawa (including Mosul) and others that would be identified at a later stage. Accordingly, the implementation responsibilities, which under the parent EODP were under central government institutions, will be expanded to subnational governments.

5. **As part of this AF, the following changes will be introduced to specific components of the EODP:** (i) Component 1 on *restoring electricity infrastructure and connectivity* will be expanded to the new geographic areas, and will include works and activities related to installation of the supplied equipment; (ii) Component 2 on *restoring municipal waste, water and sanitation services* will be extended to the new geographic areas; (iii) Component 3 on *restoring transport infrastructure* will be extended to the new geographic areas and will incorporate financing for a feasibility study on the operation and maintenance of Mosul airport post reconstruction, as well as financing for the restoration of public transport terminals that serve intercity transport under a Public Private Partnership (PPP) scheme; and (iv) Component 4 on *restoring health services* will be revised in scope (the component will receive no additional funding and will focus, in addition to the supply ambulances and mobile clinics, on the repair of damaged hospitals and clinics instead of replacement of supply of mobile hospitals), since the Kuwait Fund for Arab Economic Development has made available a grant of US\$100 million to restore health services in areas recently liberated from ISIS.

6. **The AF will also expand the sectoral scope of the EODP to address pressing education, agriculture/irrigation, and urban service delivery needs of communities in liberated areas.** In addition to activities that are currently planned or implemented in the four sectors covered by

the parent project (water and sanitation, electricity, transport, and municipal services), the AF would finance the following activities in the new sectors:

(i) **Support for the restoration of agriculture productivity.** The AF will finance provision and distribution of farm household starter packages; repair, reconstruction, and rehabilitation of key knowledge and service centers for agriculture; and measures to promote access of farmers and farmer groups to knowledge, services and technologies. This will be achieved through acquisition and distribution of farm input vouchers<sup>1</sup> and establishment of a transparent and efficient local input supply industry, as well as support for institution building and increased access of local agribusinesses to working capital.

(ii) **Support for emergency repair of water control hydraulic infrastructure and irrigation schemes.** This would support emergency repair of the Falluja barrage and emergency repairs to six irrigation schemes covering 72,000 hectares (ha). Typical emergency works would include repair of headworks, main canal water control structures, groundwater wells, small canal bridges and culverts. This component would also include rebuilding of damaged Ministry of Water Resources (MoWR) offices and O&M offices including the procurement of machinery and equipment for operations and maintenance.

(iii) **Support for the restoration of education services** in liberated and conflict-affected areas of Iraq. The AF will establish the foundation for additional developments in this sector through: rehabilitation, reconstruction, upgrading and equipping of education infrastructure; development and implementation of training and support programs for teachers and school leaders; and vocational training and social support for youth who are not engaged in education, employment or training (NEETs).

(iv) **Support for restoring basic municipal infrastructure and services and preserving cultural heritage assets** at the governorate levels. The AF's support in this regard will entail: rehabilitating urban infrastructure to improve access to municipal, commercial and financial services; upgrading sports facilities for youth and rehabilitation of selected cultural heritage assets; and enhancing the capacity of municipal authorities and service providers to deliver public services.

(v) **The AF will also deepen and mainstream across project components key citizen engagement and community participation elements of the EODP design**, including the social inclusion of Internally Displaced Persons (IDPs), returnees and other vulnerable groups; support to cultural heritage restoration as a means for dialogue and reconciliation; and fostering decentralization by strengthening governorate-level implementation mechanisms for planning, implementation and monitoring.

7. Corresponding results indicators and targets have been adjusted in the Results Framework of the AF.

8. **Partnerships:** The EODP has created opportunities for collaboration with development partners which will contribute to the Iraq's recovery and reconstruction program. In addition to United Nations (UN) agencies, the governments of German (EUR500 million), Japan (US\$300

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<sup>1</sup> Electronic vouchers will be utilized by the project. To minimize the risk of failure of the various electronic systems and processes, a small pilot will be conducted prior to the launch of implementation to identify and rectify errors.

million), and Kuwait (US\$ 100 million) have contributed to these programs. Some of the funds are being managed either through the UN system, ReFAATO or directly by the line ministries.

## II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

### *Country and Sector Background*

9. **The Government of Iraq is grappling with an economic downturn combined with monumental costs of recovery and reconstruction after years of protracted conflict.** Declining oil prices in 2015 and 2016 and low revenues, combined with heavy losses incurred during the ISIS insurgency and high levels of spending on humanitarian relief and security resulted in a budget deficit of 12 percent in 2016. Poverty and unemployment have increased in many communities; private consumption and investment remain subdued and continued economic, social and security disruptions have led to a deterioration in the standards of living.

10. **Vulnerable groups**, including IDPs, returnees, women, children and youth have suffered some of the greatest adverse repercussions of the economic, social and security disruptions of the conflict (World Bank, 2015)<sup>2</sup>. Loss of life, large scale displacement and in-migration due to diminishing economic opportunities have transformed the structure of families and communities. As of 2016, the number of IDPs in Iraq was estimated to be 3,035,000 (Internal Displacement Monitoring Centre)<sup>3</sup>. There are approximately 1.6 million widows in the country, and increasing numbers of female-headed households and orphans.

a. **IDPs.** Nearly one-fifth of IDPs live in critical shelter arrangements, including unfinished or abandoned building, schools, religious sites and informal settlements (International Organization for Migration (IOM), 2016). Disease outbreaks, including cholera, are frequent. Nearly one-fifth of displaced families no longer have their key identity documents that are essential to gain access to education, medical and social services, as well as Iraq's main social safety net, the Public Distribution System (PDS). Displaced persons and returnees continue to contend with such hardships, which are in turn compounded by a fragile socio-political environment punctuated by the breakdown of security, a widespread militia presence and the targeting of specific ethnic groups (United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), 2015).

b. **Children/Youth.** About 49 percent of IDPs are under the age of 18 years and about 20 percent of school-age children have dropped out of the education system in the last two years. The psychological impact of the violence on these children is likely to have lifelong effects. Children who have been forced to flee their homes due to violence often exhibit negative changes in behavior as a result of their experiences.

**Women.** Violence against women and girls, particularly sexual violence, has been a widely-used tactic of terror in the armed conflict. Protracted violence, increased insecurity and the constant fear of economic destitution has led to an increase in the number of girls under 15 years of age who are married. UNICEF monitoring data from 2016 confirm that about 975,000 girls

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<sup>2</sup> <http://documents.worldbank.org/curated/en/542811487277729890/pdf/IRAQ-SCD-FINAL-cleared-02132017.pdf>

<sup>3</sup> <http://www.internal-displacement.org/countries/iraq>

in Iraq were married before the age of 15, twice as many as reported in 1990. Female labor force participation, at 15 percent, is low even relative to rates in the rest of the MENA region, which are themselves, at 20 to 25 percent, strikingly low by global standards. Ninety percent of Iraqi women of working age are not in the labor force. Most of those who do work are employed in part-time jobs, and underemployment for women has increased over time<sup>4</sup>. Very few women who are not employed and of working age report that they are looking for work (World Bank, 2014)<sup>5</sup>. Women with low levels of education and skills are often self-employed and concentrated in private sector activities. The agriculture sector (along with public services) has a particularly high share of women, whose participation in the sector has increased from 30 to 50 percent between 1980 and 2010 (World Bank, 2016)<sup>6</sup>.

**11. Despite its limited capacity, the Government of Iraq continues to grapple with the myriad challenges of reconstruction efforts in areas previously occupied by ISIS.** The GoI is leading efforts to consolidate political stability and social cohesion in the liberated municipalities, the majority of which were initially concentrated in Tikrit, Dour, Al Doloueyya and Al-Alam (Salah Ad-Din governorate) and Jalula, As-Sadiya and Al-AAzeem (Diyala governorate), and that are now being expanded to Ramadi (Al Anbar governorate) and Mosul (Ninawa governorate) and a few others. The GoI is also taking measures to rebuild trust with its constituents by opening space for civil society and empowering the population to engage in policy dialogue and processes to foster bottom-up accountability.

#### *Relationship to Country and Bank strategies*

**12. The project's strategic objective to take steps towards normalization through inclusive service delivery in the liberated areas reflects the World Bank Group's strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner as well as the Forward Look of 2030.** The operation is also aligned with the pillars of the Middle East and North Africa (MENA) regional strategy on renewing the social contract and recovery and reconstruction<sup>7</sup>. Both of these emphasize state rebuilding and support for the transition of fragile and conflict-affected states into stable and peaceful societies.

**13. The project is also aligned with the GoI's medium- and long-term strategic framework.** This framework highlights two main strategic drivers: (i) ensuring the security and stability of all Iraqis, liberating all ISIS-controlled areas and reinstating law and order - a prerequisite for the economy to improve and for reinstating people's trust in government; and (ii) strengthening sustainable delivery of public services as a means to bridge the gap between the old and the new social contract. The GoI has prioritized addressing the needs of displaced persons and host communities, particularly those of vulnerable groups, including women and children. It has also underscored engagement with the private sector as one of the avenues to rejuvenate employment and economic activity.<sup>8</sup>

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<sup>4</sup> Iraq Systematic Country Diagnostic, 2017

<sup>5</sup> World Bank, World Development Indicators, 2014

<sup>6</sup> Iraq Risk and Resilience Assessment. Mimeo.

<sup>8</sup> Republic of Iraq Ministry of Planning, (2013) National Development Plan 2013-2017, Baghdad. <http://www.mop.gov.iq/mop/resources/IT/pdf/123.pdf>



14. **The project responds to the June 2017 Draft Document of the General Framework of the National Recovery and Reconstruction Framework for Iraq (NRRF).** The final draft of the NRRF will constitute a 10-year plan (two five-year plans from 2018 through 2022 and from 2023 through 2028) that is intended to unify efforts of the GoI and international development partners to address the priorities of various governorates and their citizens.

15. **The project's support to inclusive service delivery in the liberated areas reflects the World Bank Group's (WBG) strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner and contributes to implementation of the MENA regional strategy pillars on renewal of the social contract and recovery and reconstruction.** This AF builds on the flexibility and adaptability instilled into the Iraq Country Partnership Strategy (CPS) (FY13-FY16) discussed by the Board of Executive Directors on December 18, 2012 and its related current Performance Learning Review which builds on the 2017 Systematic Country Diagnostic (SCD) for Iraq. The SCD has identified priorities to reduce poverty and boost prosperity in Iraq in an inclusive and sustainable manner by: (a) reestablishing security; and (b) rebuilding the social contract and state legitimacy. The limited capacity of Iraq's public institutions has translated into weak performance of the civil service and limited accountability. The importance of strengthening Iraq's institutions is particularly critical towards economic recovery and development.

16. **Successful implementation of the project will be instrumental in renewing the social contract between the state and the people of Iraq,** and could potentially spur the GoI to extend project support to all liberated areas. From the GoI perspective, successful implementation could translate into the future acceptance of participative community engagement components in development programs. From a beneficiary perspective, successful implementation would allow for better participation in the efforts to reconstruct the country which could lead to a better understanding of democratic participation and an active interest in the development of their immediate communities. The success may also create incentives for other multilateral and bilateral donors to participate in the reconstruction efforts.

#### ***Parent Project Status and Performance***

17. **The parent loan of US\$350 million (EODP, P155732) was approved on July 7, 2015 and became effective on September 18, 2015.** The Project Development Objective for the proposed AF remains the same as that of the parent EODP, namely: *“to support the Republic of Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery in targeted municipal areas”*. Four additional sectors (agriculture, irrigation, education and urban services) were incorporated into the original design, and the scope of most of the original components was expanded, both in terms of magnitude as well as geographic areas. Through the restoration of education, agriculture, irrigation and urban services, the project will provide further targeted support to vulnerable groups. The AF will also support decentralization reforms and equip ministries and subnational governments with knowledge and technical know-how to undertake efficient and effective programming for recovery and reconstruction that will continue to build social and economic resilience, reduce inefficiencies and promote accountability.

18. **The World Bank brings an integrated approach to complement the work that has been initiated by the EODP.** The Bank is responding to the need to support returnees and the existing population in the liberated areas, while building long-term resilient social safety nets. To this effect, two operations currently under preparation, the Emergency Social Stabilization and

Resilience Project (ESSRP) (P165114) and the Social Fund for Development (SFD) (P163108) will be closely coordinated with the EODP, leveraging existing targeting and payment methods. The ESSRP will also introduce robust social accountability, citizen engagement, and grievance redress mechanisms to build social cohesion, trust, and strengthen relationships between the central and local governments, while taking into account gender aspects and support for vulnerable and marginalized groups to address some of the root causes of violence. The proposed ESSRP will complement EODP and the AF and will support small-scale “cash for work” activities in areas that may overlap with the EODP or the AF. A subproject monitoring and management platform will be developed at the Reconstruction Fund for Areas Affected by Terroristic Operations (ReFAATO) to avoid any duplication of efforts, including that with other donors’ support.

**19. The EODP is currently rated as moderately satisfactory, both in terms of its progress towards the development objective and progress on implementation.** Its ratings on implementation progress and PDO progress were updated in August 2017, due to corrective actions that were based on a disbursement improvement action plan prepared in collaboration with the GoI. Actions suggested by this plan addressed implementation bottlenecks and led to significant improvements in the level of commitments and disbursements and the pace of implementation. By September 2017, the level of commitments was 53 percent of the total original loan amount, compared to 32 percent in May 2017. Similarly, the level of disbursements increased from 19 percent to 26 percent between July and September 2017. The GoI has set a target of close to 90 percent for parent project commitments and 50 percent disbursements by the end of December 2017.

**20. This remains a Category B project for safeguards purposes.** Existing safeguards instruments continue to be adequate, overall safeguards requirements are complied with and there has been no deviation from the effective application of safeguards during implementation. All repairs considered under the AF will be based on the original blueprints of the damaged infrastructure.

**21. Financial management and procurement performance are rated as moderately satisfactory.** In terms of financial management, all Project Management Teams (PMTs) have financial officers and internal controllers with basic competencies; designated accounts are open and operational; the format and contents of Interim Unaudited Financial Reports (IFRs) that are submitted regularly to the Bank are compliant with World Bank requirements; and sound internal and external controls have been put in place. The financial audit report of September 18, 2017 was accepted by the Bank. The auditor issued a clean opinion. Procurement of works, goods and selection of consultant services is implemented in line with the agreed procurement rules and provisions. Capacity of the Project Coordination Unit (PCU) and the current PMTs has improved gradually during implementation of the EODP. Although there is scope for additional capacity building, particularly for contract management, the current level of capacity of the PCU and PMTs is moderately satisfactory. As the project will rely more on electronic systems and processes, a small pilot will be conducted prior to the launch of implementation to identify and rectify errors.

### *Consideration of Alternative Funding*

**22. Efforts are underway to mobilize additional funding.** The magnitude of the damages, especially in the recently liberated city of Mosul, is unprecedented, and urgent support to the Iraqi people in recently liberated areas would avoid the return of ISIS. Therefore, the Bank is working

closely with the GoI to mobilize additional resources from the international community, multilateral banks and the private sector. Towards this end, the Bank is currently supporting the GoI in the preparation of an “International Conference for Inclusive Recovery, Reconstruction and Development in Terror Affected Areas in Iraq” to be hosted by the Government of Kuwait in Kuwait City in January 2018.

### ***Risk Rating***

23. **The overall risk rating** is high. The description of key risks that are either substantial or high and risk mitigation measures follows:

a. **Political and governance risks will remain high.** This relates not only to the complex social fabric and political landscape in Iraq, including highly entrenched vested interests in public and private sectors, but also to the impact of regional geopolitics on internal dynamics and performance. Two major events may impact the current situation: (i) the referendum in Kurdistan that took place on September 25, 2017; and (ii) the upcoming April 2018 national elections which could result in possible changes (or outright rejection) of the current reform and development agenda. Of immediate concern is the return of ISIS combatants and their families, which could result in reprisals and/or unrest and undermine physical security.

The World Bank Group (WBG) will continue to rely on its comparative advantage, including technical knowledge and expertise and applying lessons learned from recovery and reconstruction in other country contexts that are relevant for Iraq and the Bank’s role as a trusted convener of public-private partnerships. The AF will strengthen its focus on citizen engagement and expand it to include a broader range of stakeholders (e.g., Parliament, civil society and academics) who are likely to be involved in the critical development and policy choices that lie ahead. The citizen engagement will also ensure the availability of timely and comprehensive information regarding the project activities that is useful to the public to understand and contribute to the GoI’s efforts towards reconstruction and development, and provide support for putting into place avenues for strengthening effective community participation and enhancing the ownership of subprojects by beneficiaries and communities.

b. **Macroeconomic risks will continue to be substantial** as Iraq will face macroeconomic challenges related to internal fiscal pressures and high levels of violence and insecurity in various parts of the country, as well as external shocks including the volatility of oil prices. These risks could undermine the momentum of economic growth and affect the implementation of the WBG program. Public finances are likely to be strained due to high levels of expenditure on security and stabilization efforts, as well as ongoing and planned activities geared towards poverty reduction and socio-economic development that may not yield immediate results. This will require further strengthening of social safety nets to protect vulnerable groups, including women, IDPs and youth.

c. **The risks associated with sector strategies and policies and the technical design of subprojects remain substantial.** Given the multi-sectoral nature of the project, there are a number of stakeholders involved, including various line ministries, governorates and the Iraqi Reconstruction Fund for Areas Affected by Terroristic Operations (ReFAATO), with different levels of capacity that have to be taken into account. Due to the new sectors that will be

incorporated as part of the AF, the number of Project Management Teams (PMTs) has increased from five to 12. In addition, undertaking damage assessments and day-to-day implementation and supervision is difficult since the project specifically targets newly liberated areas where there is a high concentration of IDPs and significant security risks.

To mitigate the risks, the proposed AF builds on the lessons learned from implementation of the EODP that has been under implementation since July 2015. Moreover, the ongoing *Dynamic Damage and Needs Assessment (DNA)* led by the Bank and expected to be completed by December 2017 will be key to corroborating the GoI's damage assessment. Effective communication by the GoI and the World Bank Group will be critical to ensure appropriate coordination and knowledge sharing, especially since this reconstruction program is also intended to pave the way for successive sector-specific programs.

d. **Institutional capacity for implementation and sustainability risks will continue to be substantial** as Iraq's implementation capacity remains frail, which could derail results if this is further exacerbated by security challenges and weak decision-making processes. This risk is also compounded by the decentralization of subproject planning and implementation at the subnational/Governorate level, where implementation capacity might be even weaker than at the national level. EODP implementation has suffered delays primarily due to unclear decision-making processes and capacity constraints at the national and subnational levels. Some of these risks may not be mitigated fully during project implementation period, but the WBG will continue to seek higher-level government interventions to address the delays and finance capacity-related activities to address the constraints. The WBG's approach is to accept informed risks and undertake proactive mitigation by drawing on the findings of the 2014 World Development Report<sup>9</sup> and lessons from engagement thus far in Iraq. Accordingly, the AF has made provisions for the capacity constraints of various implementing entities to improve the speed of response. In addition, the project will reinforce its efforts to establish effective partnerships, provide technical assistance to strengthen the capacity of subnational governments, and ramp up its efforts to provide timely information and engage with beneficiaries and citizens throughout project implementation.

e. **Fiduciary risks will remain high.** These high risks continue despite some improvements in capacity of some of the PMTs currently implementing activities under the EODP. However, the fact that the added PMTs under the governorates have never been exposed to Bank's operations justifies the risk rating. The Bank will continue supporting the specific fiduciary measures that have been instituted under the EODP, in addition to a more systematic approach to institutional capacity building. This approach will emphasize ministry and agency-specific institutional assessments and action plans; the continued presence of the fiduciary team in the field through local consultants, including third-party monitoring agency; and ongoing support to the GoI to improve public financial management (PFM) and procurement functions. The project will ramp up the existing EODP supervision arrangements directly and through third parties to ensure adequate risk management.

f. **Environment and social risks are high,** given the sheer scale of the AF in terms of the number of geographic locations, activities in several sectors and the high level of resettlement

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<sup>9</sup> World Development Report 2014 on Risks and Opportunity: Managing Risks for Development.

involved. These factors have the potential to cause adverse environmental and social impacts. The environmental risk is high, although all investments are expected to focus on reconstruction or rehabilitation of existing infrastructure based on original blueprints. Given large scale displacement due to the conflict and fragile security conditions overall, social risks associated with involuntary resettlement and livelihood restoration are substantial.

These risks will be mitigated by relying on standard safeguards instruments: the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) for overall guidance<sup>10</sup>, and subproject-specific Environmental and Social Impact Assessments (ESIAs), Environmental and Social Management Plans (ESMPs) and Abbreviated Resettlement Action Plans (ARAPs) which will be produced during the initial months of the implementation phase. The AF will benefit from the experiences gained during implementation of the parent project, and the Bank team will continue to provide guidance to existing and new PMTs to ensure that safeguards requirements are integrated into individual subproject designs and are monitored adequately on a regular basis.

g. **Stakeholders risk is substantial:** There is a continued risk that there might be opposition from some stakeholders, which, in light of the sectarian nature of the conflict and violence, could have a negative impact on the AF implementation and its intended outcomes. Moreover, the demography, number and timing of IDP returnees to many of the recently liberated areas remains unknown resulting in an unidentified demand for housing, services and infrastructure. Although information is regularly sought from United Nations (UN) agencies, aid agencies and international NGOs in the field, it is not possible to accurately predict such demand. The ability of project beneficiaries, particularly IDPs, women and youth to participate in identifying priority subprojects through citizen engagement mechanisms is uncertain, which might entail the need for community-based participatory training programs to enable them to be part of the process.

The ReFAATO will coordinate with other agencies and governments working on different projects to ensure that their operations are not competing or overlapping and to leverage on lessons learned. The ReFAATO will also ensure to targeted communications and citizen engagement activities to help clarify perceptions and manage expectations.

h. **Conflict and violence risk remains high,** as implementation arrangements must consider access restrictions and quickly adapt to changing circumstances on the ground. Third-party monitoring will continue to be mobilized to areas of limited access to World Bank teams. This will enhance the supervision of World Bank-financed operations.

24. **There was no climate change risk in the parent project, however, in light of the agriculture and irrigation components, climate change risks are rated as moderate.** The proposed new activities have been screened for climate and disaster risk. The main concern lies in the risk of floods due to yearly fluctuation in annual discharge from the Tigris and Euphrates rivers, particularly for low-lying areas in Salah ad-Din and Al Anbar governorates. The damages to Fallujah Barrage during the war caused large-scale flooding to these areas, and therefore requires urgent repairs. Such repairs will take some time, and there may be a short-term risk of flooding

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<sup>10</sup> The ESMF and RPF have been updated to reflect the AF activities, translated into Arabic language, and disclosed to the public locally and on the Bank's website on September 20, 2017, following consultations with key stakeholders.

depending on climatic conditions. Other climate-related concerns are the possibility of droughts and an increase in the frequency and intensity of sand storms, which may adversely affect agriculture productivity, especially in Al Anbar governorate. To mitigate this risk, the safeguards instruments of agriculture investments include vulnerability assessments and identify adaptation measures to such events.

### III. PROPOSED CHANGES

#### Summary of Proposed Changes

Proposed changes are as follows:

- (i) expansion of geographical scope for all existing components (electricity infrastructure and connectivity, municipal waste, water and sanitation, and transport infrastructure);
- (ii) sectoral expansion, adding components covering agriculture, water and irrigation, education and urban services;
- (iii) beneficiary targeting to include an emphasis on IDPs, returnees, women and youth, particularly in terms of improving their access to water and sanitation services, education and employment opportunities;
- (iv) revision of the health component to reflect the replacement of the supply of mobile hospitals with the repair of damaged hospitals and clinics. The latter will be implemented by a new PMT at the Public Buildings Directorate at the MoCHMPW;
- (v) modification of implementation responsibilities for developing the Housing Reconstruction Subsidy Scheme, which is moved under the Reconstruction Fund's mandate, where its Board of Trustees comprises all relevant line ministries at the level of senior officials;
- (vi) expansion of technical assistance to include supporting the GoI in identifying and justifying through feasibility studies the potential for private sector engagement in reconstructing, operating and maintaining major infrastructure, including the Mosul airport, and restoring other services;
- (vii) expansion of implementation responsibilities, which focused on the federal government institutions under the parent EODP, to the subnational governments. This would also support the Government's decentralization agenda and local governments' taking on more responsibilities, including services delivery;
- (viii) expansion of activities to include piloting conservation, rehabilitation and/or restoration of selected cultural heritage assets in Mosul's historic center; and
- (ix) modification of fiduciary arrangements based on the institutional assessment for decentralized modality.

The proposed AF activities trigger the same safeguard policies as the parent project. In addition, due to the inclusion of irrigation activities, OP 4.09 on Pest Management is triggered. The environmental category of the AF remains unchanged. The ESMF and the RPF of the parent project have been updated to include mitigation measures relevant to the new sectors and geographic coverage.

Change in Implementing Agency	Yes [ X ] No [ ]
Change in Project's Development Objectives	Yes [ ] No [ X ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ X ] No [ ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ X ] No [ ]

Change in Legal Covenants	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Financial Management	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Procurement	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
<b>Development Objective/Results</b>	
<b>Project's Development Objectives</b>	
Original PDO The PDO is to support the Republic of Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery in targeted municipal areas.	
<b>Change in Results Framework</b>	
Explanation: The results framework has been changed to reflect: expansion in geographical coverage for existing components (electricity infrastructure and connectivity, municipal waste, water and sanitation, and transport infrastructure); sectoral expansion of new components (agriculture, irrigation, education and urban services); revision of the original health component to replace the supply of mobile hospitals with repairing damaged clinics and equipping them with the necessary medical tools; and beneficiary targeting to reflect an emphasis on IDPs, women and youth.	
<b>Compliance</b>	
<b>Change in Safeguard Policies Triggered</b>	
Explanation: The environmental category and triggered safeguards policies remain the same as per EODP with one additional triggered policy, i.e. OP 4.09 as the investments in the agriculture sector might include rehabilitation of seeds multiplication, processing facilities (which will use pesticides) and distribution of farm tools, possibly including pesticides, to farm households. The ESMF of the parent project has been updated to cover the new sectors (agriculture, irrigation, education and municipal services) and the new regions (Ninawa and Al Anbar Governorates). The updated ESMF was disclosed on September 19, 2017 and it captures environmental benefits, risks and impacts of various investments, classifying those investments into typologies along environmental and social criteria and impacts, and for each typology defining the specific, required instruments and processes. The ESMF includes measures for selecting pesticides, according to OP 4.09 requirements for safe handling of pesticides and using adequate Personal	



Protective Equipment (PPE). The ESMF also includes requirements for preparing the Pest Management Plan for activities that will comprise procurement of pesticides or pesticides application tools.

<b>Current and Proposed Safeguard Policies Triggered:</b>	<b>Current (from Current Parent ISDS)</b>	<b>Proposed (from Additional Financing ISDS)</b>
Environmental Assessment (OP) (BP 4.01)	Yes	Yes
Natural Habitats (OP) (BP 4.04)	No	No
Forests (OP) (BP 4.36)	No	No
Pest Management (OP 4.09)	No	Yes
Physical Cultural Resources (OP) (BP 4.11)	Yes	Yes
Indigenous Peoples (OP) (BP 4.10)	No	No
Involuntary Resettlement (OP) (BP 4.12)	Yes	Yes
Safety of Dams (OP) (BP 4.37)	No	No
Projects on International Waterways (OP) (BP 7.50)	Yes	Yes
Projects in Disputed Areas (OP) (BP 7.60)	No	No

**Other Changes to Safeguards**

Explanation:

The ESMF and the RPF of the parent project have been updated to cover the new sectors (agriculture, irrigation, education, and urban infrastructure and services and cultural heritage preservation) and the new regions (Ninawa and Al Anbar governorates).

**Covenants - Additional Financing (Emergency Operation for Development Project - Additional Financing - P161515)**

<b>Source of Funds</b>	<b>Finance Agreement Reference</b>	<b>Description of Covenants</b>	<b>Date Due</b>	<b>Recurrent</b>	<b>Frequency</b>	<b>Action</b>
IBRD		Project Management Teams (Loan Agreement, Schedule 2, Section A.2 (a)) Description: The Borrower shall establish, by no later than October 31, 2017, a Project Management Team within each Participating Ministry that was not involved in the Original Project.	31-Oct-2017	<input type="checkbox"/>		New

IBRD		Participating Governorates (Loan Agreement, Schedule 2, Section A.3 (a)) Description: the Borrower shall cause each Participating Governorate to establish, by no later than October 31, 2017, and thereafter maintain throughout the period of implementation of the Project, a Project Management Team, staffed with competent technical and other personnel.	31-Oct-2017	<input type="checkbox"/>		New
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**Covenants - Parent (Emergency Operation for Development - P155732)**

Ln/Cr/TF	Finance Agreement Reference	Description of Covenants	Date Due	Status	Recurrent	Frequency	Action
IBRD-85200		Project Coordinating Unit (Loan Agreement, Schedule 2, Section I.A.1) Description: The Borrower shall maintain, throughout the period of implementation of the Project, a Project Coordination Unit under the Reconstruction Fund reporting to the Council of Ministers,		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change

		to be responsible for, inter alia: coordination and facilitation of Project implementation (including among the PMTs), and providing overall strategy, guidance, and monitoring and evaluation for the Project.					
IBRD-85200		Project Management Teams (Loan Agreement, Schedule 2, Section I.A.2 (a) and (b)) Description: The Borrower shall establish, by no later than July 30, 2015, and thereafter maintain within each of MoE, MoCHMPW, and MoH throughout the period of implementation of the Project, a Project Management Team(s), staffed with competent		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change

		technical and other personnel.					
IBRD-85200		Project Implementation Manual (Loan Agreement, Schedule 2, Section I.B.1)   Description: The Borrower shall, by no later than October 31, 2017, update and adopt the Project Implementation Manual, in form and substance satisfactory to the Bank.	31-Oct-2017	Not yet due	<input type="checkbox"/>		New
IBRD-85200		Housing Reconstruction Subsidy Scheme (Loan Agreement, Schedule 2, Section I.E)   Description: The Borrower shall: (a) by no later than eighteen (18) months after the Effective Date, prepare and furnish to the Bank, for its review and comment, a draft of the Housing	28-Dec-2017	Not yet due	<input type="checkbox"/>		No Change

		Reconstruction Subsidy Scheme, and afford the Bank a reasonable opportunity to exchange views with the Bank on said draft Scheme; and (b) thereafter, by no later than twenty-four (24) months after.					
IBRD-85200		Safeguards (Loan Agreement, Schedule 2, Section I.F.5(a) (i)) Description: The Borrower shall, prior to commencing Minor Civil Works for any activity under the Project to be carried out prior to the preparation of the ESMF: when required under the ESAP, prepare, adopt and disclose appropriate Simplified ESMP(s) in accordance with the ESAP, such		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change

		Simplified ESMP(s) to be in form and substance satisfactory to the Bank.					
IBRD-85200		Safeguards (Loan Agreement, Schedule 2, Section I.F.5(a) (ii)) Description: The Borrower shall, prior to commencing Minor Civil Works for any activity under the Project to be carried out prior to the preparation of the ESMF: when required under the Simplified ESMPs, carry out specific public consultation in form and in substance satisfactory to the Bank.		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change
IBRD-85200		Safeguards (Loan Agreement, Schedule 2, Section I.F.7(b)) Description: The Borrower shall: ensure that adequate		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change

		measures, satisfactory to the Bank, are put in place to ensure that all aspects of Project implementation are carried out in an inclusive, non-discriminatory and participatory manner.					
IBRD-85200		Safeguards (Loan Agreement, Schedule 2, Section I.F.9)   Description: The Borrower shall ensure that any area in which civil works under the Project will be implemented has been cleared of Explosive Remnants of War, and to that end, prior to commencing civil works for any activity under the Project.		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change
IBRD-85200		Safeguards (Loan Agreement, Schedule 2,		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change

		Section I.F.9)   Description: The Borrower shall provide a confirmation, in form and substance satisfactory to the Bank, that the area in which such civil works will be implemented has been declared safe and clear of Explosive Remnants of War.					
IBRD-85200		Withdrawal of Loan Proceeds (Loan Agreement, Schedule 2, Section IV.B.1)   Description: No withdrawal shall be made for payments made prior to the date of the Loan Agreement, except that withdrawals up to an aggregate amount not to exceed USD 15 million may be made for payments made prior to this date but		Complied with	<input type="checkbox"/>	CONTINUOUS	No Change



		on or after January 1, 2015, for Eligible Expenditures.					
<b>Conditions</b>							
<b>Source Of Fund</b>		<b>Name</b>			<b>Type</b>		
<b>Description of Condition</b>							
<b>Risk</b>							
<b>Risk Category</b>					<b>Rating (H, S, M, L)</b>		
1. Political and Governance					High		
2. Macroeconomic					Substantial		
3. Sector Strategies and Policies					Moderate		
4. Technical Design of Project or Program					Substantial		
5. Institutional Capacity for Implementation and Sustainability					Substantial		
6. Fiduciary					High		
7. Environment and Social					High		
8. Stakeholders					Substantial		
9. Other					High		
OVERALL					High		
<b>Finance</b>							
<b>Loan Closing Date - Additional Financing ( Emergency Operation for Development Project - Additional Financing - P161515 )</b>							
<b>Source of Funds</b>				<b>Proposed Additional Financing Loan Closing Date</b>			
<b>Loan Closing Date(s) - Parent ( Emergency Operation for Development - P155732 )</b>							
Explanation:							
The closing date of the parent loan will be adjusted to align with the closing date of the AF.							
<b>Ln/Cr/TF</b>	<b>Status</b>	<b>Original Closing Date</b>	<b>Current Closing Date</b>	<b>Proposed Closing Date</b>	<b>Previous Closing Date(s)</b>		

IBRD-85200	Effective	30-Jun-2020	30-Jun-2020	31-Dec-2022						
<b>Change in Disbursement Arrangements</b>										
Explanation: Additional Project Management Teams (PMTs) will be established at the Ministries of Agriculture, Education, Transport and Water Resources, as well as at the 4 governorates participating in implementing activities under the AF.										
<b>Change in Disbursement Estimates (including all sources of Financing)</b>										
Explanation: The AF will be disbursed to eligible activities over a five-year period starting from AF loan effectiveness.										
<b>Expected Disbursements (in USD Million) (including all Sources of Financing)</b>										
Fiscal Year	2018	2019	2020	2021	2022	2023	0000	0000	0000	0000
Annual	45.00	100.00	80.00	75.00	75.00	25.00	0.00	0.00	0.00	0.00
Cumulative	45.00	145.00	225.00	300.00	375.00	400.00	0	0	0	0
<b>Allocations - Additional Financing (Emergency Operation for Development Project - Additional Financing - P161515)</b>										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement % (Type Total)			
			Proposed				Proposed			
IBRD	USD	Goods, Works, Consultants Services, Non-Consultants Services, IOC	400.00				100.00			
		<b>Total:</b>	400.00							
<b>Components</b>										
<b>Change to Components and Cost</b>										
Explanation: The new components focusing on additional sectors are added, and several original component costs will be increased to reflect the expanded geographic coverage. The scope of support to the health sector will be revised due to the sizable Kuwaiti support to this sector (the component will receive no additional funding and will focus on, in addition to the supply ambulances and mobile clinics, the repair of damaged hospitals and clinics instead of replacement of supply of mobile hospitals).										
Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action						

Restoring Electricity Infrastructure and Connectivity	Restoring Electricity Infrastructure and Connectivity	75.00	120.00	Revised
Restoring Municipal Waste, Water and Sanitation Services	Restoring Municipal Waste, Water and Sanitation Services	60.00	100.00	Revised
Restoring Transport Infrastructure and Developing a Housing Reconstruction Subsidy Scheme	Restoring Transport Infrastructure and Services	140.00	250.00	Revised
Restoring Health Services	Restoring Health Services	42.00	42.00	No Change
Technical Assistance	Technical Assistance	25.00	25.00	No Change
Project Management, Sensitization, and Monitoring and Evaluation	Project Management, Sensitization, Communications and Monitoring and Evaluation	8.00	8.00	Revised
	Restoring Agriculture Productivity	0.00	30.00	New
	Restoring Education Services	0.00	35.00	New
	Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets	0.00	60.00	New
	Emergency Repair of Water Control, Infrastructure and Irrigation Schemes	0.00	30.00	New
	Unallocated	0.00	50.00	New
	<b>Total:</b>	350.00	750.00	

#### Other Change(s)

#### Change in Implementing Agency

##### Explanation:

To accelerate project implementation and rapidly restore services, implementation will be extended to include subnational governments. Four governates of Al Anbar, Diyala, Ninawa and Sala Ad-Din will be responsible for the implementation of activities to enhance urban services within their jurisdictions. In addition, national level institutions in the agricultural and irrigation sectors and in education and urban services will be included to implement their respective activities as per their legal mandates.

<b>Implementing Agency Name</b>	<b>Type</b>	<b>Action</b>
Ministry of Health	Implementing Agency	No Change
Ministry of Electricity	Implementing Agency	No Change
Ministry of Construction, Housing and Public Municipalities and Public Works	Implementing Agency	No Change
Reconstruction Fund for Areas Affected by Terroristic Operations	Implementing Agency	No Change
Ministry of Agriculture	Implementing Agency	New
Ministry of Education	Implementing Agency	New
Ministry of Water Resources	Implementing Agency	New
Ministry of Transport	Implementing Agency	New
Governorate of Al Anbar	Implementing Agency	New
Governorate of Diyala	Implementing Agency	New
Governorate of Ninawa	Implementing Agency	New
Governorate of Salah Ad-Din	Implementing Agency	New
<b>Change in Institutional Arrangements</b>		
Explanation:		
Additional Project Management Teams (PMTs) will be established at the Ministries of Agriculture, Transport, Education and Water Resources, as well as at the four governorates participating in implementing activities under the AF.		
<b>Change in Financial Management</b>		
Explanation:		
The financial management arrangements will remain the same for the implementing agencies under the parent EODP. A similar structure will be adopted for the additional line ministries (Agriculture, Education, Transport and Water Resources). The financial management structure related to the governorate level will feature additional fiduciary support from private financial/auditing firms, financed by the project, according to Bank procedures.		
<b>Change in Procurement</b>		
Explanation:		

The original project followed the Bank’s previous procurement guidelines, however, the additional financing will use the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Borrower’s procurement plan for the project (“Procurement Plan”) provided for under Section IV of the Procurement Regulations will apply, as the same may be updated from time to time in agreement with the World Bank.

The Bank requires the Borrower to develop a high level and simplified Project Procurement Strategy for Development (PPSD). Hands-on Expanded Implementation Support (HEIS) by the Bank is being proposed to help mitigate the lack of familiarity of the PMTs with the Bank Procurement Regulations, including preparation of PPSD.

**IV. Appraisal Summary**

<b>Appraisal Summary</b>
<b>Economic and Financial Analysis</b>
<p>Explanation:</p> <p>The developmental and economic impacts of conflict are extremely high. This is evident in direct economic costs of conflicts, including the widespread destruction and degradation of physical capital and infrastructure, lost employment opportunities and livelihoods options, lack of public services, and capital flight, as well as indirect costs, including reduced levels of human capital, weakened institutions, prevention cost, and a decline of social capital as well as trust. Iraq, although a country with vast resources and potential, is a fragile country. Infrastructure has been badly damaged by the conflicts. Thus, there is a tremendous need of reconstruction and economic growth, as well as of rebuilding weak institutions. In such circumstances, the economic returns to investment are typically large.</p> <p>The economy remains extremely vulnerable to the country’s ongoing security problems which impede investment and inhibit private economic activity. Further, high dependence on the oil sector makes the economy more vulnerable to declining oil prices and consequently, the overall economy suffers from structural weaknesses. The public sector is very large even by regional standards where government and state-owned enterprises employ approximately half of the labor force, but the quality of public services has been weak. Electricity, construction, transport, and a small agricultural sector are highly dependent on government spending and thus on oil revenues. The Iraqi health and education systems have suffered the consequences of three major wars, inappropriate policies, poor management, and inadequate resource allocation.</p> <p>There is a strong need to consolidate peace and stability in the newly liberated municipal areas in the country, and the project contributes to addressing this need. In addition, the project provides the opportunity for GoI to strengthen its institutional capacity and existing mechanisms at all levels so as to respond effectively to the needs of the country’s overall development. This project will generate long-term positive impacts and benefit a broad range of direct and indirect beneficiaries. The Bank with experience in such interventions in Iraq and elsewhere in the Middle East, has a comparative advantage in conducting this work. Further, the Bank has convening power to bring potential interested parties together to support the project.</p>
<b>Technical Analysis</b>

<p>Explanation:</p> <p>The AF is expected to continue the repair of damaged infrastructure and restoration of services. So far, the implementation of activities has typically been close to the estimated cost. The technical designs have been the same as for the parent project, with an exception of introducing new activities in the agriculture, irrigation, education and urban sectors. All these are aimed to restore services, and provide employment opportunities to the poor, women and youth. Fiduciary arrangements remain the same and no problems are foreseen compared to the original appraisal.</p>
<p><b>Social Analysis</b></p>
<p>Explanation:</p> <p>No new social safeguards policies are triggered. The ESMF and the RPF of the parent project have been updated to cover the new sectors (agriculture, irrigation, education and urban infrastructure and services and cultural heritage preservation) and the new regions (Ninawa and Al Anbar governorates).</p>
<p><b>Environmental Analysis</b></p>
<p>Explanation:</p> <p>The environmental category and triggered safeguards policies remain the same as per EODP with one additional triggered policy, i.e. OP 4.09 as the investments in the agriculture sector might include rehabilitation of seeds multiplication, processing facilities (which will use pesticides) and distribution of farm tools, possibly including pesticides, to farm households. The ESMF and the RPF of the parent project have been updated to cover the new sectors (agriculture, water resources, education and municipal services) and the new regions (Ninawa and Al Anbar governorates). A summary of the ESMF and the type of instruments suggested for different types of investments are available in Annex 4.4.</p>
<p><b>Risk</b> <span style="float: right;"><b>High</b></span></p>
<p>Explanation:</p> <p>There are no changes in the overall risk rating compared to the parent project.</p> <p>There was no climate change risk in the parent project.</p> <p>Climate change risks are moderate. The proposed new activities have been screened for climate and disaster risk. The main concern lies in the risk of floods due to yearly fluctuation in annual discharge from the Tigris and Euphrates rivers, particularly for low-lying areas in Salah ad-Din and Al Anbar governorates. The damages to Fallujah Barrage during the war has caused large-scale flooding to these areas, and therefore requires urgent repairs. Such repairs will take some time however, and there may be a short-term risk of flooding depending on climatic conditions. Other climate-related concerns are the possibility of droughts and an increase in the frequency and intensity of sand storms, which may adversely affect agriculture productivity, especially in Al Anbar governorate. To mitigate this risk, the safeguards instruments of agriculture investments should carry out vulnerability assessment and identify adaptation measures to such events.</p>

## V. WORLD BANK GRIEVANCE REDRESS

25. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection

Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## ANNEX 1: REVISED RESULTS FRAMEWORK AND MONITORING INDICATORS

Project Name:	Emergency Operation for Development Project - Additional Financing (P161515)	Project Stage:	Additional Financing	Status:	FINAL
Team Leader(s):	Ibrahim Khalil Dajani	Requesting Unit:	MNC02		
Product Line:	IBRD/IDA	Responsible Unit:	GSU11		
Country:	Iraq	Approval FY:	2018		
Region:	MIDDLE EAST AND NORTH AFRICA	Financing Instrument:	Investment Project Financing		
Parent Project ID:	P155732	Parent Project Name:	Emergency Operation for Development (P155732)		

### Project Development Objectives

Original Project Development Objective - Parent:

The Project is to support the Republic of Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery in Targeted Municipal Areas.

Proposed Project Development Objective - Additional Financing (AF):

### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

### Project Development Objective Indicators

Status	Indicator Name	Corpor	Unit of Measure		Baseline	Actual(Current)	End Target
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		ate					
Revised	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	860000.00	3000000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
New	Number of youth with access to services under the project	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		1000000.00
				Date	12-Oct-2017		30-Dec-2022
				Comment			
New	Number of IDPs with access to services under the project	<input type="checkbox"/>	Number Sub Type Breakdown	Value	0.00		2000000.00
				Date	12-Oct-2017		30-Dec-2022
				Comment			
Revised	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	85.00	65.00
New	Number of youth with access to services under the project	<input type="checkbox"/>	Number	Value	0.00		2000000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Number of IDPs with access to services under the project	<input type="checkbox"/>	Number	Value	0.00		1000000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
Revised	Sub-projects with a satisfactory outcome	<input type="checkbox"/>	Percentage	Value	0.00	30.00	80.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Revised	Number of people in urban areas provided with access to	<input type="checkbox"/>	Number	Value	0.00	125000.00	550000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022

	Improved Water Sources under the project			Comment			
Revised	Number of people in urban areas provided with access to Improved Sanitation under the project	<input type="checkbox"/>	Number	Value	0.00	75000.00	630000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Revised	Number of people in urban areas provided with access to regular solid waste collection under the project	<input type="checkbox"/>	Number	Value	0.00	430000.00	1730000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Revised	Number of people in urban areas provided with access to electricity under the project by household connections	<input type="checkbox"/>	Number	Value	0.00	190000.00	1200000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Revised	Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project	<input type="checkbox"/>	Number	Value	0.00	40000.00	3000000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Revised	Number of people receiving primary health services through mobile primary health units supported by the project	<input type="checkbox"/>	Number	Value	0.00	0.00	175000.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
New	Number of farmer households with access to irrigated fields	<input type="checkbox"/>	Number	Value	0.00		33700.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Number of students receiving education services at schools supported by the project	<input type="checkbox"/>	Number	Value	0.00		65000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			

### Intermediate Results Indicators

Status	Indicator Name	Corpor	Unit of Measure		Baseline	Actual(Current)	End Target
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		ate					
Revised	Grievances registered related to delivery of project benefits addressed (%)	<input type="checkbox"/>	Percentage	Value	0.00	100.00	100.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
No Change	Grievances related to delivery of project benefits that are addressed-(number)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	5.00	90.00
				Date			
				Comment			
New	Irrigated Areas Improved	<input type="checkbox"/>	Hectare(Ha)	Value	0.00		72000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Number of Public Transport Terminals repaired	<input type="checkbox"/>	Number	Value	0.00		12.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Number of households receiving emergency agriculture credit through voucher programs	<input type="checkbox"/>	Number	Value	0.00		5000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Number of households accessing one or more key services agriculture support services	<input type="checkbox"/>	Number	Value	0.00		50000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Percentage of Female headed households	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		5.00
				Date			
				Comment			
New	Increase in area under agriculture production by	<input type="checkbox"/>	Hectare(Ha)	Value	0.00		20000.00
				Date	20-Sep-2017		30-Dec-2022

	beneficiary households			Comment			
New	Energy Supplied through solar PV systems	<input type="checkbox"/>	Megawatt hour(MWh)	Value	0.00		1.50
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Energy Supplied by distributed generation	<input type="checkbox"/>	Megawatt hour(MWh)	Value	0.00		6.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Teachers recruited or trained	<input type="checkbox"/>	Number	Value	0.00		5000.00
				Date	20-Sep-2017		30-Dec-2022
				Comment			
New	Percentage of Female Beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		10.00
Revised	Beneficiaries that feel project investments reflected their needs (percentage)	<input type="checkbox"/>	Percentage	Value	0.00	30.00	90.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Marked for Deletion	Beneficiaries that feel project inv. reflected their needs - female (number)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	84000.00	184575.00
Marked for Deletion	Total beneficiaries - female (number)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	293000.00	184575.00
Marked for	Total beneficiaries - male		Number		0.00	280000.00	180925.00

Deletion	(number)	<input type="checkbox"/>	Sub Type Supplemental	Value			
Marked for Deletion	Beneficiaries that feel project inv. reflected their needs - male (number)	<input type="checkbox"/>	Number Sub Type Supplemental	Value	0.00	84000.00	180925.00
Revised	Piped household water reconnections that are benefiting from rehabilitation works undertaken by the project	<input type="checkbox"/>	Percentage	Value	0.00	0.00	328681.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Marked for Deletion	Household sewer connections rehabilitated under the project	<input type="checkbox"/>	Number	Value	0.00	0.00	140000.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
Marked for Deletion	Distribution lines constructed or rehabilitated under the project	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	3144.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
No Change	Distribution lines rehabilitated under the project	<input type="checkbox"/>	Kilometers Sub Type Breakdown	Value	0.00	0.00	3144.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
Revised	Transmission lines constructed or rehabilitated under the project	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	3100.00
				Date	30-Jun-2015	11-Aug-2017	30-Dec-2022
				Comment			
Marked for Deletion	Transmission lines rehabilitated under the project	<input type="checkbox"/>	Kilometers Sub Type Breakdown	Value	0.00	0.00	1100.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
No Change	Roads rehabilitated, Non-rural		Kilometers	Value	0.00	42.00	420.00

		<input type="checkbox"/>		Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
No Change	Bridges rehabilitated	<input type="checkbox"/>	Number	Value	0.00	7.00	19.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
Marked for Deletion	Health facilities constructed, renovated, and/or equipped (number)	<input type="checkbox"/>	Number	Value	0.00	0.00	10.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			
Marked for Deletion	Ambulances purchased and/or equipped	<input type="checkbox"/>	Number	Value	0.00	0.00	35.00
				Date	30-Jun-2015	11-Aug-2017	31-Dec-2019
				Comment			

## ANNEX 2: DETAILED DESCRIPTION OF MODIFIED AND NEW PROJECT ACTIVITIES

The following provides a description of the modification to the existing components and their allocated amounts and an introduction of the new components and costs namely Component 7 Restoring Agriculture Productivity, Component 8 Emergency Repair of Water Control Infrastructure and Irrigation Schemes, Component 9 Restoring Education Services and Component 10 Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets. In addition, there will be US\$50 million unallocated that will be mobilized flexibly towards immediate responses to the participating sectors as decided jointly between the government and the Bank.

### 2.1 MODIFICATIONS TO EXISTING COMPONENTS

#### Component 1: Restoring Electricity Infrastructure and Connectivity (US\$45 million)

1. This component aims to support restoration of electricity services to the liberated areas, with particular emphasis on: (i) public sector led interventions covering the reconstruction of damaged transmission and distribution assets (as per the original EODP); and (ii) where feasible, private sector- led efforts to expand access to electricity based on service contracts for installing new infrastructure for distributed generation (fee per KWh) and solar photovoltaic (SPV) systems for institutions and households.

**Sub-component (a).** *Transmission and Distribution Grid Reconstruction* to support procurement and installation of equipment, materials, spare parts and civil works to rehabilitate and reconstruct the heavily damaged transmission and distribution networks in the project areas.

**Sub-component (b) (New).** *Emergency Electricity Service Restoration* to support service contracts (fee/KWh) for private rental of emergency generation services in areas where it will take some time to reconstruct the electricity network. This will provide an effective transitory solution and facilitate restoration of basic services such as water supply and health services. A detailed feasibility assessment will be undertaken within the first six months of the project to identify viable business models. Privately owned generation and distribution of electricity services is widespread in most of the governorates in Iraq due to the poor reliability of the grid supply service, with the current national average of about 15 hours per day. However, there is no regulatory oversight of the activities of private operators. Given the high cost of fuel and the limited number of consumers, private operators are not functioning at full capacity, and, as a result, electricity service charge is about 100 times the cost of the grid supply.

**Sub-component (c) (New).** Support for the installation SPV systems via the private sector, to address gaps in the provision of electricity services. A detailed assessment will be undertaken within the first six months of project implementation to identify feasible business models, including financial incentives (for working capital or consumer loans) that could be supported by the project. Although private solar development is a compelling solution due to resource abundance, the modular nature of solar energy and minimal dependencies on existing infrastructure, investments in this area are hindered by Government subsidies that have been put into place to maintain electricity prices at artificially low levels, combined with the challenge that

most electricity consumers do not pay their electricity bill. The Government has initiated actions to increase tariffs, including operations efficiency (including electricity bills collections and disconnections for non-payment) and enforcement of bill payment. The project will play a crucial role in creating a market, and potentially supporting transformation of the renewable energy landscape in Iraq, specifically by providing technical knowledge and catalysing the installation of initial systems for renewable energy generation.

### **Component 2: Restoring Municipal Waste, Water and Sanitation Services (US\$40 million)**

2. This component is largely similar to that described for the EODP and aims to restore water, wastewater and solid waste services through the repair, reconstruction, and rehabilitation of damaged infrastructure in selected municipalities. Reconstruction of public works will generate local employment opportunities, and successful completion of public works in this sector will reduce the incidence of public health risks through water-borne diseases.

3. However, the AF will incorporate the following modifications to the original component: i) it will now focus on three governorates (Al Anbar, Ninawa and Salah Ad-Din, including the districts and sub-districts surrounding Mosul and Ramadi) and ii) prioritize reconstruction and rehabilitation of sewage treatment plants and connections, and solid waste management equipment (garbage trucks, containers, etc.)

### **Component 3: Restoring Transport Infrastructure and Services (US\$110 million)**

4. Transport infrastructure (bridges, roads, airports, and railway) is key to the economic development of Iraq. Most of the transport infrastructure in the war-impacted regions suffered destruction and damages resulting from the recent military operations, sabotage and vandalism during the crisis. Critical bridges, road sections, airports and railways have been significantly damaged. This has led to severe disruption of service delivery, closure of several bridges, road sections as well as other modes of transport such as airports and railway systems. In addition, lack of maintenance funding and institutional weaknesses have further deteriorated the quality of the transport infrastructure and service delivery of the sector.

5. *Subcomponent a)* Transport Infrastructure (Roads and Bridges) (US\$105 million): The objective of this component under the AF is to expand coverage to liberated areas in Al Anbar and Ninawa governorates to restore service delivery, connectivity and access to economic and social services that have been disrupted due to the destruction of roads and bridges in military operations against ISIS. Activities under this component will include the reconstruction of key bridges that have been fully destroyed, and rehabilitation of partially damaged bridges in affected areas, particularly in Mosul that has endured wide-ranging destruction to physical assets and infrastructure.

6. Activities for this component AF will include: preparation of detailed plans, designs and bidding documents for the repair, rehabilitation and reconstruction of roads and bridges, and technical assistance and consultancy services for supervision and implementation of transport subprojects. In addition, the proposed reconstruction and rehabilitation works financed by AF would support the GoI's plans for economic recovery, social reconciliation and employment creation for working-age youth. The latter activities will be implemented by the ReFAATO in coordination with sector authorities as well as local governments to the extent possible.



7. **Subcomponent b)** Transport Infrastructure Services (Civil Aviation, Railways and Public Transport) (US\$5 million): The AF will support the preparation of a feasibility study for the reconstruction, operation and maintenance of the Mosul airport financed by a public-private partnership scheme. This work will draw upon the World Bank's experience in Jordan and other best practice examples. To avoid duplication and random rehabilitation of the Iraq Republic Railway (IRR), the AF will finance the preparation of repair plans for railway rehabilitation priorities. The AF will also finance the rapid repair of key public transport terminals as well as an assessment for a PPP in operation and maintenance of selected terminals.

#### **Component 4: Restoring Health Services (No additional funding)**

8. EODP financing will continue with the originally available funding but with minor revisions to the activities supported i.e. EODP will finance the repair and supply of medical equipment to partially damaged hospitals and clinics in place of supply of mobile hospitals. The latter will be implemented by the Public Buildings Directorate at MoCHMPW. No additional funding is proposed to this component. The State of Kuwait, through the Kuwait Fund for Arab Economic Development has made available a grant of US\$100 million to restore the country's health services as agreed with the Government of Iraq.

#### **Component 5: Technical Assistance (No additional funding)**

9. Sectoral Development: This component will develop and espouse a systematic, programmatic and integrated approach towards multi-sectoral recovery and reconstruction efforts. This approach is intended to support the preparation of a range of potential sector investment projects underpinned by strategic and medium to long-term needs assessments over the AF implementation period. The AF will continue to provide support to finalize and implement the General Framework of the National Recovery and Reconstruction Framework for Iraq, and to avail of possible opportunities to enhance the PCU's capacity to manage multi-sector recovery as part of the WB's collaboration with the ReFAATO.

10. Technical Assistance: This component will continue to implement a detailed and nuanced approach to various facets of *state/citizen trust-building and promoting reconciliation in the broader project context* including: (i) inclusive participation by local communities, (ii) transparency of resource allocations, (iii) measures to promote tolerance amongst various social groups through community-led subprojects, (iv) dissemination of information regarding the project to build trust and confidence by using targeted media, social media and communications campaigns, (v) youth initiatives to build social capital and foster reconciliation and (vi) effective grievance redressal and increased accountability on service delivery issues at the local level.

11. In addition, technical assistance in this area will be geared towards working on a *broad strategy for the sustainable management of physical cultural resources (PCRs)*. This activity will entail: a) a systematic and detailed assessment of physical cultural resources that have been damaged; b) the preparation of a prioritized list of required interventions; c) the development of a reconstruction and restoration strategy for PCRs (including related standards, guidelines, knowledge and technical resources, and design codes); and d) design and preparation to establish a fund to support the restoration and maintenance of PCR on a more sustainable basis. Technical assistance will be offered to the stakeholders including the Ministry of Tourism, Culture and Heritage, the Governorate of Ninawa, the religious endowments, the educational, cultural and

scientific institutions, as well as professional associations of the city, to: (a) document and conduct a detailed survey of the damaged heritage site; (b) develop strategic guidelines, work plan, and a monitoring and evaluation (M&E) plan to reconstruct historic urban landscape of Mosul; and (c) train youth and vulnerable groups in the city for skills necessary for the restoration work.

#### **Component 6: Project Management, Sensitization and Communications and Monitoring and Evaluation (No additional funding)**

12. This component will continue to cover costs associated with the management and coordination of the project, including social and environmental safeguards, procurement and financial management, communication and community sensitization, and M&E. The remit of this component will be extended to supervise effective execution of citizen's engagement initiatives.

13. Strategic communication and citizen engagement activities will be administered throughout project implementation and monitoring to promote an inclusive approach in the reconstruction process. Efforts to promote citizen participation in the project will be underpinned by a strategic communications campaign that is part of an overall holistic citizen's engagement strategy. The aim will be to raise awareness of the project's objectives, scope and activities; potential benefits (and costs) for beneficiaries; its relevance to the GoI's broader vision for recovery and reconstruction; and various avenues that are available for beneficiaries and citizens to remain apprised of Project developments and to engage in the design and implementation of subprojects across a range of sectors. Communication messages and modalities will be tailored to the information seeking habits of specific vulnerable groups (IDP's, women, youth, unemployed, business, etc.) and proactive dissemination of timely and comprehensive information through appropriate media will establish a precedent for transparency and signal the GoI's willingness for the local populace to be informed and engaged. This approach will also be useful to manage expectations and promote buy-in and ownership.

14. A baseline beneficiary survey will determine modes of engagement and appropriate communication channels around which the above components of the CE strategy will be modified, from their format currently being administered by ReFAATO. The key elements of the citizen engagement strategy for this project will include the following: (i) early disclosure of important project related information by the GoI on its website and at the appropriate local levels and disclosure procedures agreed with the Bank, (ii) framework for consultation with the key stakeholders ensuring all targeted beneficiaries are informed, through relevant stakeholders and their representatives to obtaining broad community support as a part of preparation of specific subprojects relevant to that area; (iii) ensure the continuity in existing and establishment and implementation of GRMs within new PMTs and at the PCU; and (iv) promote community based initiatives with the participation of and networking with relevant stakeholders including women, school children, youth, IDPs/Returnees, host communities, civil society organizations, and local bodies.

15. This component, in coordination with other international supporters, will also develop a data visualization, analysis and information sharing (digital) platform. . This platform will enable the GoI, WB, partners and other stakeholders to compile and utilize real-time-data to support implementation, supervision and monitoring of geo-referenced projects and planning of future recovery and peacebuilding planning initiatives. This platform will therefore contribute towards improving coordination among various stakeholders, and minimizing gaps and overlaps in the

coverage of recovery interventions. The interactive nature of the platform will allow communities to interact through text and visuals and to provide positive feedback or relay complaints regarding project implementation which would be uploaded in real time into the portal. Various data sources, analytical work and information would be aggregated in an integrated and phased manner. The platform's key features will include:

- a) Geo-referencing of facilities across various sectors
- b) Availability of geo-coded data layers for various types of analysis (damage, quality of service delivery, recovery needs, social analysis, institutional analysis, forced displacement patterns, conflict analysis, economic assessments)
- c) Ability to read both geo-coded Excel spreadsheets and GIS Shape files for easy aggregation of additional geo-data and analysis
- d) Coverage of both rural areas (district-level) and urban centers (neighborhood level)
- e) Concurrent visualization of multiple layers of data
- f) Availability of real-time updates.

## 2.3 NEW COMPONENTS

### Component 7: Restoring Agriculture Productivity (US\$30 million)

16. Widespread unavailability of traditional agricultural inputs and service supplies in newly liberated zones, combined with inflated farm gate prices for agricultural inputs<sup>11</sup> represent significant constraints to productivity growth, and employment and enterprise development in Iraq's rural sector. In addition, emergency assistance is essential for returning farm households, communities hosting IDPs, producer groups and farmer associations to gain some measure of food security and to establish the foundation of a more measured approach to agriculture sector recovery.

17. The key focus of this component is to revive agricultural and related activities in the conflict-affected regions across the country. Project activities will utilize a combination of emergency and short-term measures to improve the capacity of the Ministry of Agriculture to support farmers with critical agricultural services, technologies and investments.

18. The four sub-components are as follows:

a. **Subcomponent 1:** *Emergency implementation of local area development plans* will finance procurement and distribution of 5,000 farm household starter packages consisting of different combinations of farm tools, livestock, materials and service vouchers. This sub-component will also support the formation and functioning of groups of poor rural households at the community level to help them improve their food security and nutrition. This program will be implemented with the involvement of local non-governmental organizations (NGOs), who will help identify eligible group members, assist in the formation of such groups, provide basic training, and help monitor program implementation and impact. These local NGOs will take the lead in community and group information and mobilization and in facilitating the formal constitution of the community production groups (CPGs). The CPGs will have simple, locally appropriate, governance arrangements to ensure transparency, probity, inclusion, and accountability. Three

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<sup>11</sup> (relative to international levels)

major categories of CPGs are envisaged: (i) crop CPGs (wheat, fodder crops, oilseeds), (ii) vegetable and fruit CPGs (potatoes, vegetables, spices, soft fruits), and (iii) small livestock CPGs (poultry).

b. **Sub-component 2:** *Restoration of critical agriculture support infrastructure and services* will finance restoration and modernization of key agriculture knowledge and service centers, including warehouses, veterinary centers and certified seed multiplication and processing facilities to revive the agriculture service and agribusiness industry.

c. **Sub-component 3:** *Emergency agriculture credit facilitation* will include measures to improve accessibility of farmers and farmer groups to technical knowledge, services and technologies. This sub-component will support technical assistance and capacity building for institutional strengthening of the local input supply industry and provide working capital to local agribusinesses. This sub component will also support development of a private network of agro-input dealers who would supply farmers with quality inputs at affordable prices and technical knowledge that would increase farm incomes and reverse the low-input, low-output spiral. This component will finance the following set of activities: (i) improvement of farmers' purchasing power through distribution of input vouchers; and (ii) help agriculture input dealers to find supplies and credit and expand business. The project would also demonstrate to farmers the profitable return from investing in improved inputs and farming techniques. Given better access to inputs afforded by vouchers distributed by the project, farmers would seek competitive suppliers to obtain better input prices and more reliable delivery. The resultant increase in demand would strengthen the competition in the private input supply market and create a more level playing field, to the benefit of farmers and overall sector output. The project will also support organized input dealers' groups through training, better equipment, and technology to enhance their services to farmers.

d. **Sub-component 4:** *Project Management* will include the costs of consultants, limited purchases of office equipment and furniture, and recurrent costs of the Project Management Team. This component will be managed by a new PMT under the auspices of the Ministry of Agriculture (MoA).

#### **Component 8: Emergency Repair of Water Control Infrastructure and Irrigation Schemes (US\$30 million)**

19. The reconstruction of the irrigation and drainage system is crucial to the success of the agricultural sector in most parts of the country. Strategic barrages, link canals, major irrigation headworks and pumping stations were severely damaged. In addition, necessary maintenance was not carried out on the irrigation and drainage water distribution network, leaving the irrigation and drainage systems in a state of disrepair. All the offices of the Operation and Maintenance Directorates at the Governorates have been burned and/or looted. The total area under irrigation decreased by 50 percent and crop productivity has fallen below 30 percent of pre-war levels.

20. Iraq has an extensive water hydraulic infrastructure that comprises a series of dams and barrages that are located on the Euphrates and Tigris rivers and their tributaries. The big dams are multi-purpose (hydroelectric, irrigation, flood control). Smaller dams have been built to supply water to cities and irrigation schemes. Much of this needs urgent repairs as it is crucial to ensure rapid increases in agricultural crop yields in order to increase food security for all and re-generate rural livelihood and employment.

21. There are three subcomponents to the rehabilitation of the irrigation infrastructure.

a. *Sub-component 1 Emergency repair of water control hydraulic infrastructure and irrigation schemes (US\$27 million).* This sub-component supports emergency repair of the Falluja barrage and emergency repair of six irrigation schemes covering 72,000 ha. Typical emergency works would include repair of headworks, main canal water control structures, groundwater wells, small canal bridges and culverts. This sub-component would also include rebuilding of damaged Ministry of Water Resources (MoWR) offices and O&M offices including procurement of machinery and equipment for operations and maintenance.

b. *Sub-component 2: Management, engineering studies and M&E (US\$3 million)*  
This sub-component will support the operation of the PMT in the MoWR. The PMT has been established. It will coordinate the overall planning, coordination, implementation and supervision of component activities including central procurement and management of funds.

This sub-component will also provide funding for consulting services: engineering support, construction supervision and quality control; environmental and social management plans; monitoring and evaluation (M&E), including carrying out technical and safety assessment of Falluja barrage, technical assessment of Thathar link canal, and a water management study. Finally, this sub-component will finance training and capacity building activities targeted to staff in MoWR and O&M staff in the governorates.

### **Component 9: Restoring Education Services (MoEd) (US\$35 million)**

22. This component aims to support the restoration of education services in conflict-affected and recently liberated areas of Iraq, while laying the foundation for further development in the education sector. It places an emphasis on vocational education for youth and the economic empowerment of women. The three sub-components are as described below:

*Sub-component 1: Rehabilitation, Reconstruction, Upgrading and Equipping of Education Infrastructure (US\$31 million).* This subcomponent is intended to provide urgent support for swift restoration of education services, thus incentivizing the return of IDPs and return to normalcy in liberated and conflict-affected areas, particularly Mosul. The project will finance activities related to reconstruction, rehabilitation, upgrading and equipping of existing schools on state-owned land in six governorates (Ninawa, Al Anbar, Diyala, Salah Ad-Din and the outskirts of Baghdad<sup>12</sup>). The project will focus its efforts on a total of 136 schools (of which 32 in Mosul), namely, 93 primary schools serving about 40,000 students, 41 secondary schools serving about 25,000 students, and two technical vocational and educational training schools (TVET). This subcomponent may finance additional urgent repairs of schools as necessary.

23. An international consultant will review existing technical specifications (norms) of school equipment to ensure compliance with international standards. These revised technical specifications will be adopted for all project related infrastructure. In addition, access ramps and fixed bars will also be installed to facilitate access by students and teachers with disabilities. The

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<sup>12</sup> Other governorates such as Kirkuk may also benefit from the financing under this subcomponent.

MoEd directorate responsible for school infrastructure will implement, monitor and report on activities related to rehabilitation and reconstruction.

24. Below is a breakdown of schools, classrooms, teachers, and students per governorate:

Governorates	Schools	Classrooms	Teachers	Students
Salah Ad-Din	20	200	218	4,910
Al Anbar	20	258	421	6,675
Diyala	10	120	209	2,483
Kirkuk	21	308	631	13,341
Baghdad	33	404	871	19,171
Ninawa	30	384	851	16,942
TVET Mosul	2	30	-	-
<b>Total</b>	<b>136</b>	<b>1,704</b>	<b>3,201</b>	<b>63,522</b>

25. *Subcomponent 2: Support to Teachers, School and Community Leaders, and Out-Of-School Youth Training and Support Programs (US\$2.2 million).* This sub component will focus on providing specialized support for a smaller percentage of the population, including vulnerable groups such as children and adolescents who display significant psychological distress or mental disorders as a result of the traumas that they have witnessed or endured during the conflict. The project will rely on assessments conducted by other agencies (led by the Ministry of Labor and Social Affairs with support from the ESSRP World Bank’s social protection operation) that are already delivering support at the community level to inform the design of classroom interventions and specialized teacher training programs, and to identify channels for children and adolescents in need of specialized psychological support.

26. Although there are counselors in schools to support students who are contending with psychological distress, there is need for additional training as well as additional service providers to work with such youth and to serve as liaisons between schools and communities on a sustainable basis. This effort will be coordinated jointly with the planned SFD and ESSRP.

27. With 48 percent of the one million youth and child IDPs out of school, equipping young people with the skills and qualifications that are required to gain relatively quick access to the job market is essential to ease the strain on youth to reduce the risk of further splintering within communities and between ethnic and religious groups, and degeneration into further conflict, and to avoid falling prey to another wave of conflict unleashed by violent extremism. In addition to the rehabilitation of two TVET schools, the project will support the design and implementation of short-term (6-9 months) courses geared towards youth who are either out of school or above school age, and who have difficulty in pursuing a higher level of education. These courses will be based on assessments conducted by the Ministry of Labor and Social Affairs to ensure that they respond appropriately to the demands of the job market and complement existing job placement mechanisms. The Bank will also collaborate with UNICEF and other UN agencies that are already providing life skills training and capacity building.

28. This subcomponent will support the following activities:

a. Training of 5,000 teachers and school administrators (45 trainers of trainees of which 12 will be from the central directorate and inspectorate, 18 from Baghdad, and three from each of the five targeted governorates). Two high-level training sessions will be provided on pedagogical skills

and/or psychosocial and emotional support to upgrade their knowledge and skills in order to be able to provide effective psychosocial and emotional support to children.

b. Recruitment and training of women (2-3 per school or 300 women in total) from each community to serve as school-community liaisons and to provide schooling and psychosocial support to students as well as other youth in the community. The project will finance service fees for up to 18 months at the rate of US\$ 30 per month for each counselor. The project will also finance support for more inclusive participation of community members in recreational and cultural school activities.

c. Providing short-term support to identify and train 300 female graduates from communities targeted by the project as teachers' aides. Upon completion of training within 6-9 months, at least 200 candidates will be certified for teaching and will acquire employment at newly rehabilitated schools for one school year. The project will provide support for identification/shortlisting of appropriate candidates, training and capacity building as well as financing monthly service fees of teachers' aides for a period of ten months at the rate of US\$ 400 per aide.

d. Design of courses and the provision of training for 300 out-of-school youth to help them to be ready to enter the job market.

29. Subcomponent 3: *Institutional Strengthening, Sector Development Support and Project Management (US\$1.8 million)*. This sub component will support the following activities:

30. Increasing the engagement of private schools: Given the limited concentration of private schools, the project will support, through consultancy services, the development and institutionalization of rules and regulations for the private sector's involvement in education, including the strengthening of MoEd's oversight and quality control system.

31. Developing governorate level education strategies: The project will support a pilot initiative to develop education sector plans in 3-4 governorates to help operationalize the national education strategy. These education plans will cover a period of five years, with yearly targets for improving the accessibility and quality of education, while strengthening the capacity of governorates to manage and implement education sector reforms effectively.

32. Data System: In order to establish a unified and cohesive data management system that can support better analysis for policy formulation and planning, the project will provide support for strengthening governorate level data collection systems by linking them with the central system and enabling them to correspond with the data systems of other technical entities such as the MoEd's directorates in charge of teacher training and school construction. The project will support analysis and technical support aimed at developing the knowledge base for policy making.

33. The Directorate of Planning and Statistics at MoEd will be responsible for the overall implementation and monitoring of these activities.

**Component 10. Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets (US\$60 million)**

34. This component will support the restoration of basic urban infrastructure and services in the selected municipalities in Al Anbar, Salah Ad-Din, Diyala and Ninawa governorates, paving the way for the return of displaced residents and laying the ground work for extensive housing repair and reconstruction in the future.

35. The implementation of this component will be based on a framework approach for subproject selection, preparation and implementation. This will be composed of core elements including i) a set of selection and evaluation criteria, ii) a cap for individual subprojects cost, and iii) clear requirements for environmental and social safeguards.

36. Subprojects will be identified based on a clear rationale, prioritization criteria and an integrated area-based approach. Revitalization of economic activities will be a key priority in subproject identification, and, subprojects will therefore focus on neighborhoods where i) there is promise of rejuvenating commerce and trade, and ii) the majority of housing has withstood partial damage. Eligible sub-projects will also have to be economically viable, avoid the possibility of major or irreversible environmental and social impacts, and have financing, procurement, and implementation plans that are satisfactory as per Bank standards. Eligible subprojects may include, inter alia, facilities for youth and sports activities, community centers, parks, cultural heritage sites, public markets, internal roads (streets) and urban water systems and waste water networks.

37. This component will be implemented by the four beneficiary governorates with technical support from consulting firms. Hence, given the ongoing devolution process, the governorates are expected to have increased responsibilities and autonomy in the provision of urban services. This will contribute towards strengthening the administrative and technical capacities of the governorates, and potentially pave the way for future actions and programs.

38. This component will also finance a pilot for the conservation, rehabilitation and/or restoration of selected cultural heritage in Mosul’s historical center. The works part of the pilot will enable the creation of job opportunities through employment intensive methods (EI) for the restoration of historical buildings and historic urban landscape. This pilot will be coordinated closely between the UNESCO, Ministry of Tourism, Culture, and Heritage, the Governorate of Ninawa and the Mosul municipal council.

Based on the Broad Strategy for the Sustainable Management of PCRs developed under the Component 5 (Technical Assistance), the local government will work with UNESCO to develop a conservation plan of selected cultural heritage in Mosul’s historical center. Once the conservation plan is completed, the project will finance selected cultural heritage properties on a pilot basis with limited amount of funding

Table below presents Project Financing under the current EODP and proposed one under AF.

Table 1: Project Cost Estimates

	<b>EODP ALLOCATION (US\$M)</b>	<b>EODPAF ALLOCATION (US\$M)</b>	<b>PARENT + AF ALLOCATION (US\$M)</b>



Electricity	70	45	115
Roads & Bridges	137	105	242
Health	41	0	41
Water & Sanitation	62	40	102
Technical Assistance	9	0	9
Education	0	35	35
Agriculture	0	30	30
Irrigation	0	30	30
Subnational @ Governorates	0	60	60
Transport	0	5	5
Unallocated	31	50	81
<b>TOTAL</b>	<b>350</b>	<b>400</b>	<b>750</b>

## **ANNEX 3: REVISED IMPLEMENTATION ARRANGEMENTS**

### **A3.1 IMPLEMENTATION ARRANGEMENTS**

1. Institutional and implementation arrangements continue to emphasize the GoI ownership of the project while maintaining an appropriate balance between ensuring rapid delivery and effective execution of the project. The overall responsibility for project coordination will remain with the Iraqi Council of Ministers through a Project Coordination Unit (PCU) as part of the ReFAATO. In turn, Project Management Teams (PMTs) that have been established within counterpart ministries will be responsible for sectoral project implementation in specific sectors. At the national level, Ministries of Agriculture, Education, Transport and Water Resources will be included to implement activities in those sectors.

2. Four PMTs have been established under EODP, two of which at the Ministry of Construction, Housing, Municipalities and Public Works for the Directorate of Roads and Bridges and the Directorate of Water and Municipalities, a third PMT at the Ministry of Electricity and a fourth at the Ministry of Health (a new PMT will be established under MOCHMPW at the Public Buildings Directorate to implement part of Ministry of Health's activities related to rehabilitating damaged health services under EODP). Four additional PMTs will be established by October 31, 2017 at the Ministries of Agriculture, Education, Transport and Water Resources and Irrigation. The AF will provide technical assistance and capacity building to support successful and quick implementation of the related activities.

3. To accelerate project implementation and rapidly restore urban services, implementation is also being extended to include four governorates (subnational governments). Four additional PMTs at Al Anbar, Diyala, Sala Ad-Din and Ninawa governorates will be established by October 31, 2017 and will be responsible for the implementation of project activities to enhance urban services within their jurisdictions. It is likely that there will be both institutional and capacity constraints within these governorates and a capacity building program will be financed by the AF to assist with project, financial, procurement and safeguards management. These PMTs will also collaborate with civil society organizations that can provide support for specific activities. Technical staff from the Ministries' regional offices will also provide support to the new PMTs in each governorate as necessary.

4. Under the ReFAATO, the PCU will be responsible for overall strategic guidance and monitoring of the project. It will be headed by the Chief Secretary who will be assisted by a team of technical experts. The PCU will formally approve project investments, coordinate the activities of PMTs and line departments and provide such guidance as it may deem necessary for effective project implementation. It will review budgets and progress reports as well as the findings of audit and evaluation reports and convene review meetings on a semi-annual basis.

5. The AF will continue to rely on the Third-Party Monitoring Agent (TPMA) instituted in the parent project to offset difficulties in access and supervision by Bank staff. The TPMA's services have been procured by the Bank and will carry out visits to project sites to verify implementation in accordance with the project objectives and the signed contracts. The EODP has partnered with a local foundation – the Iraqi Research Foundation for Analysis and Development (IRFAD) to launch an effective communication campaign targeted towards beneficiary communities to

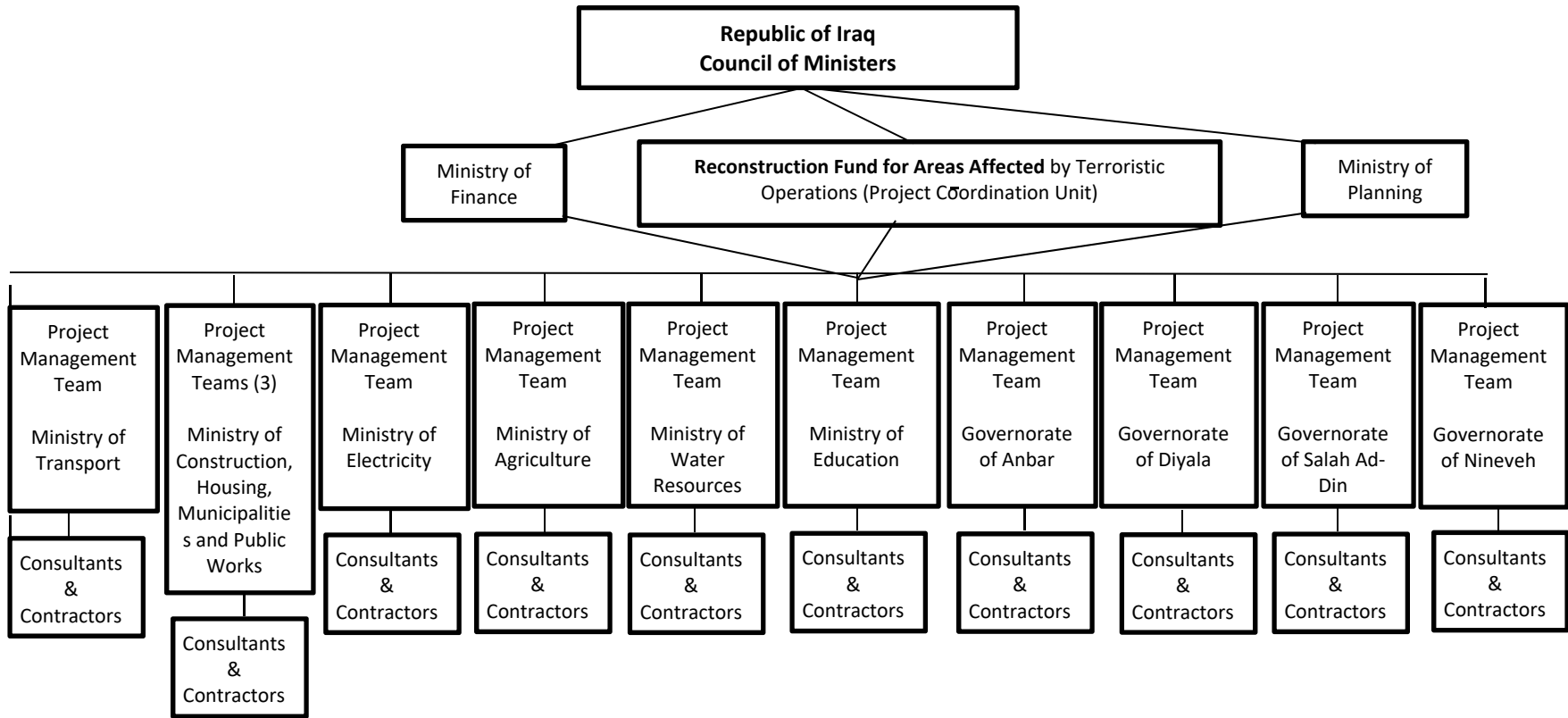
promote ownership of project interventions, and to facilitate and solicit feedback (including grievances) from citizens and beneficiaries on project implementation and impact. In order to compile the required data IRFAD relies on a large network of field enumerators (primarily students and youth from the project area) who have already participated in various similar monitoring activities with USAID and CIDA funded projects, and who are utilizing ‘smart-phone’ based surveys for real time data gathering in target communities. They received training from the World Bank team on the project objectives and expected results, the approach to communication and engagement with citizens and beneficiaries, including administration of questionnaires. A “network manager” based in Baghdad is responsible for coordinating timely data collection and analysis and reporting to the client and the Project team.

6. The TPMA has carried out several visits to sites of on-going roads and bridges projects since its mobilization in fall 2016. Their reports recorded sub-projects factsheet, implementation progress, and reported good practices as well as any deviations from the signed contracts. The reports also cover implementation issues, such as quality of supervision and technical issues related to subcontracting, works schedules and contractors’ organization of input activities.

7. The management structure for implementation of activities under respective project components are based on lessons learned during implementation of the parent project, as well as consideration of difficult security conditions and the weak implementation capacity of local institutions. In order to facilitate momentum for implementation and improve the speed of response, several activities have been specified for each project component with a short-term (6-10 months) implementation time-frame and which are possible to implement more expeditiously in low capacity and fragile situations. Moreover, the project will emphasize and facilitate to the extent possible hiring of experts and full-time staff for the PMTs, particularly the eight new PMTs that will be established for this AF.

Figure 1 below outlines the proposed implementation arrangements for the project:

**Figure 1: Institutional Arrangements**



NOTE: Ministry of Health PMT remains active under the parent EODP only.

8. The PCU will continue to monitor the overall implementation progress and consolidate and present sectoral reports to the World Bank. It will maintain the Management Information System and utilize it to track project-related grievances and prepare quarterly reporting<sup>13</sup>. The PCU will also put into place a monitoring mechanism that will use IT to enable both photo identification as well as a geo-referenced tracking system to monitor public works. The PMTs will be responsible for incorporating the required information into the system. The PCU will also undertake communication and sensitization activities with assistance from PMTs and other technical assistance as needed.

9. Eight additional Project Management Teams will be set up no later than October 31, 2017 (please see Figure 1: Institutional Arrangements). The identification and prioritization of subprojects will be undertaken by respective ministries, with the PMTs being tasked with the responsibility for overall project management, planning and implementation of activities pertaining to their jurisdiction, and the day-to-day follow up on procurement and administration of project funds; quality control, management of social and environmental safeguards and risks; and project supervision and reporting. Making payments to suppliers, consultants and contractors, and ensuring that funds are disbursed per Bank guidelines and procedures will also be the responsibility of the PMTs.

10. In accordance with Bank guidelines and procedures, exiting PMTs will maintain their staff while new ones will be staffed with qualified and experienced specialists including engineers, environmental and social safeguards specialists and financial management and procurement specialists who will serve as the focal points for communication, in addition to their technical functions. PMTs will be responsible for preparing terms of reference (ToRs) for tenders, bid evaluations, contract awards, contract management, and giving technical assistance to consultancies and implementing firms, financed under the IBRD Loan; providing contractors and consultants with support, guidance and training during project implementation; and supervising the compliance of contractors and suppliers with their contractual obligations and World Bank safeguards requirements.

### **A3.2 PROCUREMENT**

11. Given the resounding impact of the conflict on Iraq and the need for urgent implementation of several activities, procurement protocols will continue to be governed as in EODP by OP 10.00 on the “Situations of Urgent Need of Assistance or Capacity Constraints” (para 12), and in accordance with the negotiated loan agreement for the AF.

12. Public Procurement in Iraq was governed by the 2004 order # 87 of the Coalition Provisional Authority (CPA) and implementing regulations # 1 promulgated by the Council of Ministers in 2008 that were in effect until 2011. The Council of Ministers issued a Resolution dated May 16, 2011 to abolish the existing procurement framework, but a legal void emerged since an alternative framework was not put into place immediately and draft legislation for this purpose was not ratified. Consequently, and in the absence of a new legal framework, the Ministry of Planning has issued Public Procurement Regulation #2 in 2014 that is based on CPA order #87 of 2004<sup>14</sup>. More recently in July 2016, MOP circulated Arabic versions of Standard Bidding Documents (SBDs) to

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<sup>13</sup> Grievance redress mechanisms will be located both within the PCU and PMTs (see paragraph 5 below). It has been structured as such to ensure that aggrieved parties, who might not be satisfied with their response from a PMT, would have the opportunity to appeal at the PCU.

<sup>14</sup> published in the national Gazette ref. 4325 on June 16, 2014

all ministries. GoI staff are undergoing training in utilizing these SBDs and are successfully being used under EODP.

13. Centralized procurement under the parent project entailed processing by five implementation units, including the Reconstruction Fund's PCU, and four PMTs for project components being implemented by the Ministry of Electricity, the Ministry of Health and the Ministry of Construction, Housing, Municipalities and Public Works (three PMTs for Directorates of: i) Roads and Bridges, ii) Water and Municipalities, and iii) Public Buildings).

14. As part of the AF, four new centralized PMTs will be established in the Ministry of Agriculture, the Ministry of Education, the Ministry of Transport, the Ministry of Water Resources and Irrigation. Four governorate PMTs (GPMTs) will be established in four governorates (Al Anbar, Diyala, Ninawa, Salah Ad-Din) for localized contracts to be managed and implemented at the governorate level and to increase inclusiveness by involving local stakeholders (municipal authorities, contractors, NGOs, etc.). These four GPMTs are expected to oversee and manage simpler and small value contract to be awarded to firms and established organizations for works, consultancy and non-consulting services at the municipal level. The AF will support capacity building and TA to these PMTs to ensure proper compliance with the procurement guidelines.

15. The capacity of the current PMTs and the PCU has gradually increased during implementation of EODP. Although there is scope for additional capacity building, particularly for contract management, their current level of capacity is moderately satisfactory. The new PMTs will need to acquire technical capacity to ensure smooth progress, as currently they are not familiar with Bank procurement, and in general, except for the PMT at the Ministry of Education there is very little experience with procurement under Bank-financed projects. Based on experience with the ongoing project, a recurring issue for PMTs has been the initial lack of familiarity with World Bank requirements for procurement and best practices in this area. This has in turn delayed finalization of procurement packages, decisions on procurement methods and contract awards and clearance/approval of invoices and payments.

16. Additionally, differences in requirements and disagreements between the civil servants in governorates and the Center, along with strict application of detailed requirements has caused difficulties and delays in the preparation of procurement evaluations. Agreements were reached in regards with the most common goods that are required mainly for electricity and municipalities components, the procurements for which are now underway. However, such differences for procurement of new items could be avoided by delegating their procurement to GPMTs. Another pending issue that needs to be resolved under additional financing is the inconsistent access of PMT staff to high speed internet which creates difficulties in executing their day to day functions.

17. The following risk mitigation measures have been considered for the AF to allay some of the difficulties with procurement.

a) International procurement consultants were hired in the original project, and this support will continue under AF.

b) To ensure satisfactory national bidding, implementing agencies will continue to make use of the procurement procedures described in the Iraq "Master Implementation Manual" (MIM) which includes step by step instructions and templates of standard bidding and proposal documents, evaluation forms, and contract forms.

- c) The new PMTs and GPMTs should mitigate the risks of delay created by limited knowledge of procurement methods and procedures by employing staff with prior experience in public sector procurement. Therefore, all implementing agencies (PMTs & GPMTs) will designate experienced and dedicated procurement managers (officers) with experience in managing procurement under Bank financed projects. Procurement managers will be supported with staff as needed to strengthen the capacity in packaging, planning, preparing and processing procurement of activities to be financed by the project following Bank procurement procedures in the shortest possible time to accommodate the emergency nature of the project. Additionally, these procurement officers will require the active support of technical and financial management staff when preparing bidding documents, evaluation of bids and proposals and contract management. Dedicated PMT procurement officers will be equipped with necessary IT equipment and software, and be fluent in English to simplify communication.
- d) To establish qualified PMTs, the ReFAATO requires that the new ministries and governorates nominate up to three candidates for the position openings in each PMT, and to take measures to ensure that selected candidates are equipped with the required technical knowledge and skills.
- e) **Monitoring and Records Keeping:** The PMTs will establish recording and monitoring tools and data bases for contracts that are being executed and activities that are under implementation.
- f) To mitigate delays in implementing the procurement plan, close supervision by the World Bank team as well as technical support and training will continue to be provided.
- g) In addition to capacity building at these PMTs, Hands-on Expanded Implementation Support (HEIS) by the Bank will help mitigate the lack of familiarity of the PMTs with the Bank Procurement Regulations. These activities will include working closely with PMTs and providing support in: i) drafting procurement documents to speed up preparation, ii) identifying strengths and weaknesses of bids and proposals to facilitate evaluation, iii) observing dialogues and negotiations with bidders/consultants to ensure integrity, iv) drafting procurement reports and contract award documents to ensure accuracy and faster clearance.
- h) The Bank team would continue to use a TPMA to monitor the project on behalf of the Bank as needed, and make use of photos, videos and geo-tagging during monitoring missions.
- i) Additionally, a technical audit firm will be charged with verifying works and non-consulting services on a random basis, both prior to implementation and after completion of about 20 percent of contracts for the first year (this will include geo-tagging as well). The percentage of random selection will be revised as needed for subsequent audits. Technical audit reports will be prepared on a quarterly basis for the first year of implementation.
- j) The implementing agencies need to ensure that PMTs have access to high speed internet to utilize systems such as Client Connection and STEP that are essential for procurement, FM and disbursements but also for exchanges with vendors and contractors/consultants, partners and beneficiaries/communities.

18. **Procurement Arrangements** are envisaged as follows:

- a) **Applicable Procurement Regulations.** Procurement will continue to be carried out in accordance with the “Guidelines on Preventing and Combating Fraud and Corruption in Projects

Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006 and revised in January 2011 (Anti-Corruption Guidelines). The parent Project followed the Bank’s previous procurement Guidelines, however the additional financing will be governed by “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) provided for under Section IV of the Procurement Regulations will apply, as the same may be updated from time to time in agreement with the World Bank.

b) **Methods of Procurement.** Given the emergency nature of the project simple and fast procurement approaches by PMTs are expected to dominate and will follow the new Bank Procurement Regulations. The selection methods and arrangements are expected, as much as possible, to be similar to the arrangements of the original project but under the provisions of the New Procurement Regulations as:

a. Goods, works and non-consulting services: Considering the large variety of small contracts under the project, the methods expected to be used are: (i) Request for Bids (RFB) for both international (replacing International Competitive Bidding, ICB) and national markets (replacing National Competitive Bidding, NCB), (ii) Request for quotations (or Shopping); and (iii) Direct selection (replacing Direct contracting). Considering the need to use the local capacity as much as possible, the subcontracting will be allowed, however is limited to 50 percent of each contract values to ensure the liability of main contractors.

b. Consulting Services: the project is expected to use request for proposals with the following methods (i) Quality Cost-Based Selection (QCBS), (ii) Fixed Budget-based Selection (FBS); (iii) Least Cost-based Selection (LCS); (iv) Consultants’ Qualification-based Selection (CQS); (v) Direct Selection (old single sourcing); and (vi) Selection of Individual Consultants.

c. Using Force Account, UN Agencies and NGOs (As per paragraphs 6.47, 6.48, 6.54, 6.55, 7.27, 7.28 and 7.29 of Procurement Regulations).

d. Use of other possible procurement methods and arrangements is subject to result of Project Procurement Strategy for Development (PPSD).

19. The parent project benefited from simplified Bank Procurement Procedures which is expected to continue under AF, including:

a. **Request for Bids (RFB):** Simplified documentation for request for bid, and accelerated bid time allowing as little as 10 days for bid submission for national (former NCB), and 21 days for international (former ICB) bidding.

b. For National RFB (former NCB), the implementing agencies will continue to make use of the procurement procedures included in the Iraq MIM on the condition of being updated to include a provision requiring the bidders to permit and cause their agents (whether declared or not), sub-contractors, sub-consultants, service providers, or suppliers and any personnel thereof to permit the Bank to inspect all accounts, records and other documents relating to any prequalification process, bid submission, and contract performance (in the case of award), and to have them audited by auditors appointed by the Bank.. These standard bidding documents will be updated case by



case as needed. Use of newly distributed national SBDs are subject to adherence to and incorporation of requirements of clause 5.3 through 5.6 of the Procurement Regulations (National Procurement Procedures).

c. **Bid and Performance Security Requirements.** For small contracts for goods, works or non-consulting services, the preparation of bids by small and medium-size suppliers or contractors can be accelerated by taking the option, of not requiring a bid security. Similarly, in the case of small contracts for works or supply of goods and non-consultancy services, the borrower may decide not to require a performance security. However, in works contracts, retention money may be retained during the liability period, and for goods contracts, manufacture warranties will be requested. (Note: As a general rule, consulting services do not require bid nor performance securities).

d. **RFQ:** RFQ (Shopping) in accordance with paragraph 6.7 of the Procurement Regulations may continue to be used with or without advertisement for procuring readily available off-the-shelf goods of values less than US\$500,000, or simple civil works or non-consulting services of values less than US\$1 million. The Procurement Plan should determine the cost estimate of each contract, and the aggregate total amount. The borrower PMTs should solicit at least three price quotations for the purchase of goods, materials, small works, or non-consulting services, to formulate a simple cost comparison report.

e. **Direct Selection.** Direct contracting for the procurement of civil works, goods, Consultant and non-consultant services is allowed to extend an existing contract or award new contracts in response to the emergency situation. The direct selection may be from the private sector, UN agencies/projects (for goods and services), or contractors or NGOs that are already mobilized and working in the liberated areas.

f. **Advance Payment.** In cases where it is challenging for contractors and suppliers to obtain lines of credit from banks, the borrower may consider increasing the amount of advance payment under works and supply contracts up to 40 percent of the contract value, provided that the contractor/supplier provides a bank guarantee for the same amount.

g. **Simplification of Pre- and Post-Qualification criteria.** The pre- and post-qualification criteria requirements of the Bank's SBDs for both 'Large works and Small Works' can be amended in order to optimize the participation of available local or regional contractors. In particular, this could involve adaptation of qualification requirements to match the competencies of available and competent local and regional contractors.

h. **Prequalified Suppliers and Contractors.** Using lists of prequalified suppliers and contractors to whom periodic invitations are issued may also help accelerate procurement processes. Prequalification documents may use a simplified format that is acceptable to the Bank. Suppliers and contractors will be asked to provide quotations for simple unit prices for commodities. Contracts will be awarded on a competitive basis with the preferable option of packaging in small contracts for short durations of less than 18 months at fixed prices, or the alternative of contracting for longer durations with a price escalation clause and the possibility of extension upon mutual agreement between the client and the supplier.

i. **Prior review thresholds:** Based on the procurement assessment risk rating the project shall be subject to thresholds as defined under Bank's New Procurement Framework as: Works at US\$ 5 million; Goods at US\$ 1.5 million; Consultant Firms at US\$ 500,000 and Individual Consultants at US\$ 200,000 for all methods of procurement.

j. **Project Procurement and Development Strategy (PPSD) and Procurement Plan:** The Bank requires the Borrower to develop a high level and simplified PPSD. The PPSD shall address how procurement activities will support the development objectives of the Project and deliver the best Value for Money (VfM) under a risk-based approach. It shall provide adequate justification for the selection methods in the Procurement Plan. The level of detail and analysis in the PPSD shall be proportional to the risk, value and complexity of the Project procurement. The initial Procurement Plan shall normally cover at least the first eighteen (18) months of the Project implementation. (see paragraph 4.1, 4.2 & 4.3 of Section IV of Procurement Regulations).

20. **Procurement Plan:** The preliminary procurement plan for each component of the Additional Financing is under preparation. The initial simple procurement plan will be attached to the legal agreement.

21. **Use of Positive Lists:** Considering the urgency of the Project (paragraph 20 of OP 11 "*Procurement under Situations of Urgent Need of Assistance or Capacity Constraints*"), procurement of urgent goods, equipment, simple works and non-consultancy services may be undertaken using the agreed upon Positive List of Goods.

22. The documents to be recorded and submitted to the Bank after procurement is complete include: (i) proof of advertisement, or request for quotation as applicable, (ii) proof of purchase (Purchase Order), and (iii) proof of payment to suppliers.

23. **Force Account**, where justified, this will continue to be used under Additional Financing due to emergency context of the Project (see paragraph 6.54 and 6.55 of Section VI of Procurement Regulations).

24. **Use of UN Agencies.** The Borrower may select UN agencies directly, when they are uniquely or exceptionally qualified to provide technical assistance, advisory or technical services in their area of expertise, particularly in circumstances of urgent need for assistance or capacity constraints. These will be agreed with the Bank on case by case basis (see paragraph 7.27 of Section VII of Procurement Regulations). When entering into a contract with a UN agency, the Borrower shall use a standard form of agreement between the Borrower and the UN agency or a case-specific template approved by the Bank.

25. **STEP:** Systematic Tracking of Exchanges in Procurement (STEP) is a Bank online procurement planning and tracking tool to prepare, clear and update its procurement plans and conduct procurement transactions as referred to in the Procurement Regulations Section V, article 5.9. The procurement plan for the life of the project will gradually be developed by the implementing agencies and uploaded through STEP.

26. **Frequency of Supervision.** The frequency of supervision mission and post procurement review is foreseen respectively twice and once yearly. In post procurement review, a sample of ten percent (10 percent) of contracts eligible for post review shall be covered.

### A3.3 FINANCIAL MANAGEMENT

27. The overall Project implementation of this additional financing will be overseen by the PCU established at the “Reconstruction Fund for Areas Affected by Terroristic Operations”, while day-to-day implementation, including procurement and financial management (FM) will be the responsibility of the PMTs.

28. The capacity of the current PMTs and the PCU has gradually improved during implementation of the EODP and is considered to be moderately satisfactory despite scope for additional capacity building. An FM assessment was conducted for the three new implementing ministries under this AF. Due to security constraints in the three selected Governorates, a simple FM self-assessment was conducted based on remote interviews. The assessment concluded that, with the implementation of agreed-upon actions, the proposed FM arrangements will satisfy the minimum requirements under OP/BP 10.00 for Projects in situations of urgent need of assistance or capacity constraints.

29. **Project FM risk.** Project FM risk continues to be rated as “High”. With mitigation measures in place, the Project will have acceptable project FM arrangements and its FM risk rating will be “Substantial”. The FM risk is assessed as “High” mainly due to:

- a. Limited capacity at the ministries and governorates to meet the project’s financial management requirements;
- b. Security conditions do not allow visits by the Bank team to perform physical verification;
- c. Overall weaknesses and shortcomings in the control environment;
- d. The possibility of breakdown of the electronic voucher system, misuse of the vouchers or failure to keep the appropriate records, given that the process will be new to PMT staff;
- e. Twelve implementation agencies with difficulty of managing technically and geographically wide-scope components and maintaining proper communication and coordination with the different stakeholders;
- f. Limited accounting and reporting systems in providing timely and comprehensive information;
- g. Limited physical presence of Bank staff in Baghdad and limited independent verification function.

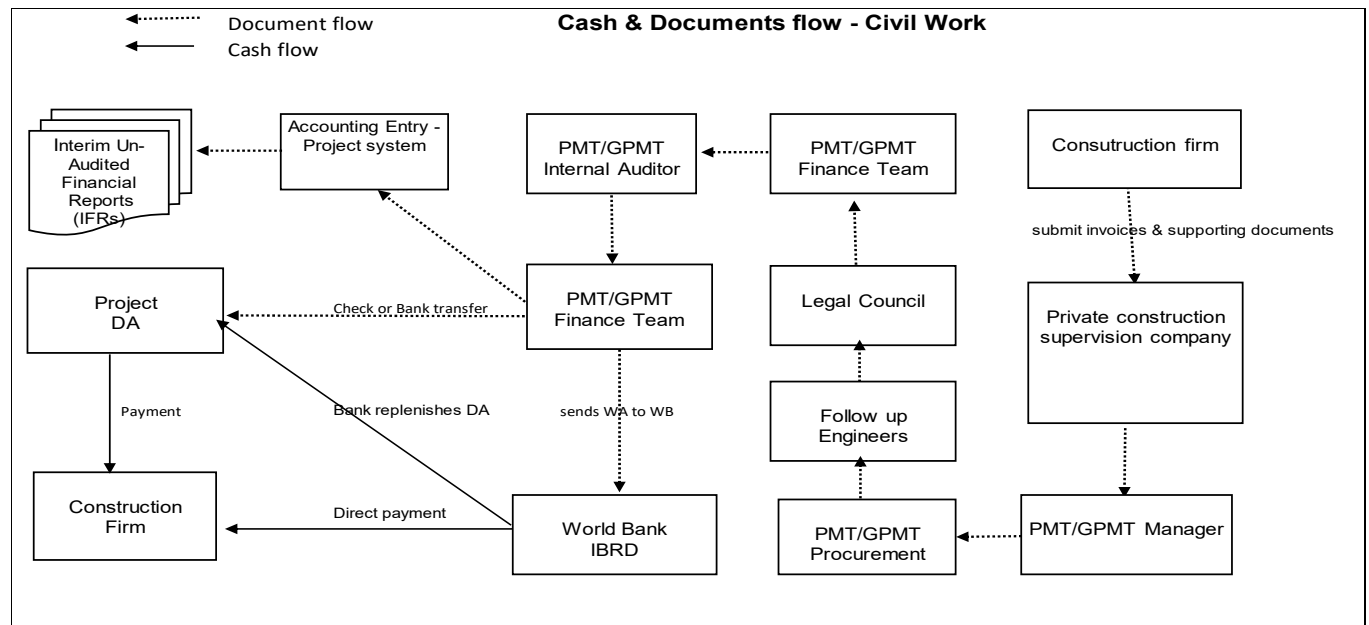
30. The following measures are proposed to mitigate FM-related risks:

- a. Centralized FM function within the PCU, PMTs and GPMTs with FM team consisting of a Financial Officer, Accountant, and an internal controller seconded from its own staff;
- b. A qualified Financial Coordinator will be hired at the Reconstruction Fund to oversee the overall FM and disbursement arrangements and provide hands-on- support to PMTs and GPMTs;
- c. Simplified accounting and reporting arrangements to give timely information on the project financial performance and status; excel spread sheets will be used to record project financial transactions and generate simplified Interim Unaudited Financial Reports (IFRs);
- d. Financing 100 percent of activities to avoid delays that arise from counterpart financing;

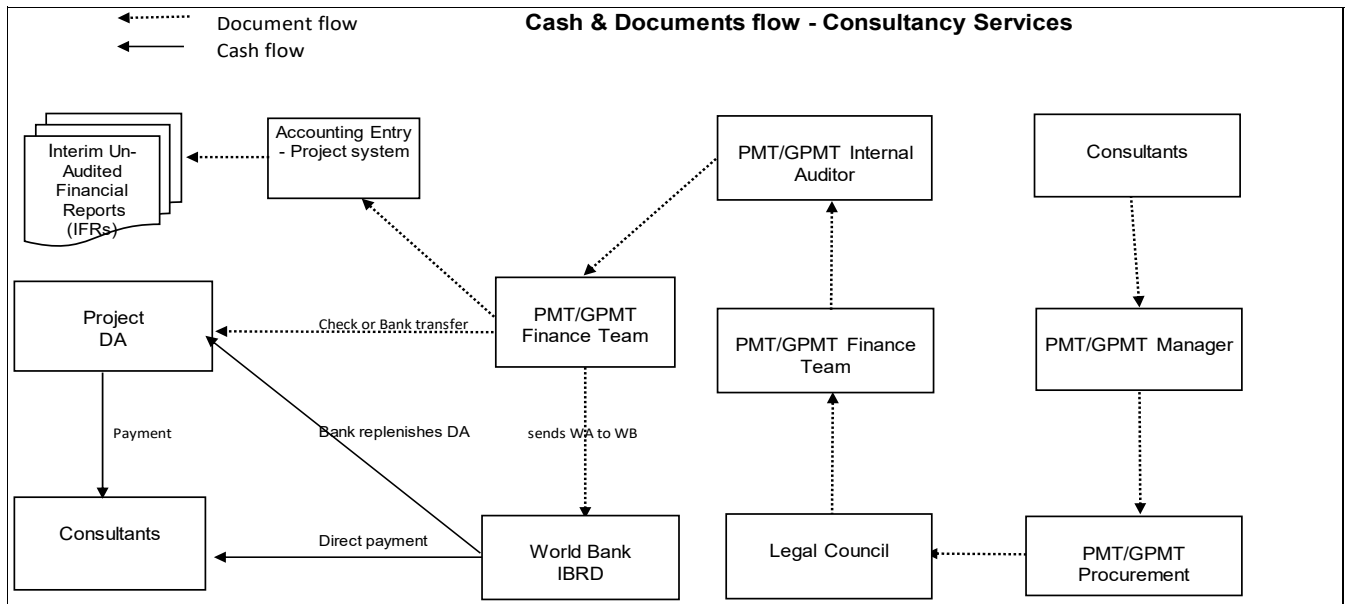
- e. Opening a Designated Account (DAs) for each implementing agency with sufficient advances,
- f. A supervision firm will be hired to monitor the physical progress of each construction contract;
- g. Hiring a TPMA that will regularly monitor and verify the project's physical progress on the ground;
- h. Hiring an independent external auditor acceptable to the Bank to provide an independent opinion of the Project financial statements.
- i. Technical audit will be required along with an annual financial audit;
- j. The existing FM manuals will be updated for this project documenting the procedures, inter alia, on internal controls, financial reporting and auditing, responsibilities' and duties, flow of information, and other based on the MIM;
- k. A consultancy firm will be recruited by the Reconstruction Fund to provide fiduciary support to the GPMTs;
- l. Electronic vouchers using mobile phones will be used to distribute goods to eligible farmers under component eight with establishment of a number of controls within the Voucher Program, which will enable the distribution of funds to identified beneficiaries whose subsequent purchases will be fully traceable;
- m. Geotagging/Geo-mapping will be introduced to monitor physical implementation.

31. The following charts show Civil Works and Consultancy – Cash and document Flow:

**Figure 2: Cash and Documents Flow – Civil Works**



**Figure 3: Cash and Documents Flow – Consultants Services**



32. **Budgeting and Flow of Funds.** Each PMT/GPMT will maintain a detailed disbursement plan per quarter. This plan will be developed based on the initial procurement plan, or based on the schedule of outputs as defined in the implementation schedule and estimated payments cycles, and revised upon need. It will be used as a monitoring tool to analyze budget variances and manage cash, and will feed into the quarterly IFRs.

33. **Vouchers.** The electronic voucher system will both reduce transaction processing effort at MoA and provide more information for audit and monitoring purposes than a manual, paper-based system. The following controls will be implemented at a minimum:

- a) MoA-PMT will create and maintain the primary database of beneficiaries, formal identity details, phone and/or other contact information, voucher amounts issued and used, and types of goods purchased.
- b) Payment to beneficiaries will be based on lists of suppliers from the MoA-PMT.
- c) Suppliers will record purchases based on the same data. The reconciliation of periodic statements will ensure that errors in allocation of benefits are easily identified.
- d) A similar process will identify any misuse - i.e., purchase of unapproved goods – as goods sold will be listed in supplier statements. Additional mitigating measures include: provision of a list of eligible items that can be purchased to both suppliers and beneficiaries, who will be required to confirm that they understand their obligations (suppliers will sign an MOU and beneficiaries will sign an acknowledgement at the time of registration); and the Finance Officer/PMT will review the transaction listing provided for purchases from the voucher system. There will also be a regular audit, based on random sample reviews, by the Financial Officer, and World Bank Financial Management Specialist.

e) Funds disbursed under the project for vouchers will be deposited in a trust account or special purpose account until beneficiaries draw down on their allocation. There will be separate reporting on the activities of the trust/special purpose account. Expenditure from the trust/special purpose account will initially be reconciled to the transaction lists provided by the suppliers to ensure that no unforeseen errors have occurred in the automatic recording of the payments.

f) The e-vouchers to beneficiaries may only be used to make purchases at approved suppliers. The system will prevent them either from being cashed or used for other purchases, including for example, phone call.

g) Electronic vouchers will have an expiry date at least 3 months prior to the closing of the project.

34. To minimize the risk of failure of the various electronic systems and processes, a small pilot will be conducted prior to the launch of implementation to identify and rectify errors. The FM Manual will outline the obligations/responsibilities/procedures of the Voucher Program. This manual would include sections for the beneficiary, for suppliers, and for the project staff. No disbursements will take place for the Voucher Program.

35. **Geo-Tagging:** Geo-tagging will be used to improve efficiency and transparency. The use of the geo-tagging technology will help to facilitate regular monitoring and supervision of subprojects, even in hard to reach areas, and will serve as an adjunct for procurement processes. Specific benefits of geo-tagging include; i) improved monitoring based on publicly accessible information and images of progress on contract execution for infrastructure, ii) enhanced quality control with contractors being required to submit geo-tagged photos to verify that the required works were completed, and (iii) monitored through the M&E and citizen engagement programs. They would be required to take actual photos that commensurate to their Statement of Work Accomplished (SWA).

36. **Accounting and Financial Reporting.** The project will follow the cash basis of accounting and key accounting policies and procedures described in the financial procedures section of the PIM. The ministries use very basic accounting software to capture their daily financial transactions that is not capable of generating quarterly IFRs for the Project in accordance with Bank FM guidance and record commitments. Due to the emergency nature of this Project and the urgency to respond quickly, simplified accounting and reporting arrangements will be used to provide timely information on the Project's financial performance and status. Manual accounting and Excel spread sheets will be used to record financial transactions for the Project and to generate the quarterly IFRs.

37. Each PMT/GPMT will be responsible for preparing the following reports. The Reconstruction Fund's Financial Coordinator will be responsible for consolidating the reports before submitting them to the World Bank:

a) **Simplified IFRs** will be submitted to the World Bank within 45 days from the end of the quarter during the calendar year. The format of these reports was agreed during negotiations, and they will accordingly consist of: (i) Statement of Cash Receipts and Payments by each category, (ii) "the list of all signed Contracts per category" showing Contract amounts committed, paid, and unpaid under each contract, and physical progress against financial progress of each contract, (iii)

Reconciliation Statement for the balance of the Designated Accounts, and (iv) list of assets (good and equipment). Each PMT/GPMT will be required to submit its IFRs to the PCU at the Reconstruction Fund within 30 days from the end of each quarter.

b) **Annual Project Financial Statements (PFS)** which will be audited by an independent external auditor. The audit report should be submitted to the Bank not later than six months after the end of each fiscal year. The PFS include: Statement of Cash Receipts and Payments by category and accounting policies and explanatory notes, including a footnote disclosure on schedules: (i) “the list of all signed Contracts per category” showing Contract amounts committed, paid, and unpaid under each contract, (ii) Reconciliation Statement for the balance of the Designated Accounts, and (iii) list of assets (good and equipment).

38. **Internal controls:** The project will be implemented through centralized management and disbursement functions within each PMT authority with specific controls and procedures documented in the financial management manual. Each PMT will be using the same financial management manual developed earlier for the ongoing operations with some necessary updates. The financial management manual would document the Project’s implementation of internal control functions and processes and describe the responsibilities of each PMT/GPMT staff which are summarized in terms of authorization and execution processes. The expenditure cycle will specify the following steps: (i) technical approvals for civil work and deliverables by consultants, (ii) administrative approval by each PMT/GPMT Manager, (iii) issuance of payments will be made upon receipt of supportive documentation and written requests signed by authorized officials, and (iv) verification by the financial officer of the accuracy and compliance of the payment requests with the loan agreement. Figure 2: Cash and Documents Flow – Civil Works and Figure 3: Cash and Documents Flow – Consultants Services above demonstrate the flow of funds and documentation. The FM manual will include a detailed chapter on inventory management of good/equipment purchased and delivered to the warehouses of the implementing ministries, describing the inventory management arrangements with controls to safeguarding those goods, including the role of the TPMA in performing verification of received goods and their delivery and installation in the sites.

39. The bulk of the project’s expenditures will finance civil work contracts and goods/equipment with some consultancy service contracts and incremental operating costs. Civil work contracts will be financed and payments can be made through direct payments. Independent private consulting firms, financed from the Loan, will be contracted to perform construction supervision on the ground. All claims will be verified (technically) by the consultancy firm before being processed further for payment by the PMT/GPMT. Goods/equipment will be purchased based on supply and installation, while some will be supplied to the implementing ministries warehouses. The TPMA will be involved in verifying the goods/equipment received and their delivery and installation in the respective sites.

40. Each PMT Financial Officer will reconcile the project account bank statement with the account book balance on a monthly basis. Reconciliations will be prepared by each PMT Financial Officer and verified by the PMT Manager. All reconciling items (if any) should be listed, explained and followed up on. Copies of the reconciliation together with the account bank statement should be kept in the project files and should be attached to the IFRs.

41. **Financial and Technical Audit:** The project's financial statements will be audited annually by an independent auditor acceptable to the Bank, in accordance with internationally accepted auditing standards and terms of reference cleared by the Bank. Reconstruction Fund will be responsible for preparing the TORs for the auditor and will submit them to the Bank for clearance. The audit report will be sent to the Bank no later than six months following the end of the project's fiscal year. The report shall include an opinion on the project's financial statement. The auditor will also be requested to provide an opinion on the project's effectiveness of internal control system (ICS). Finally, a management letter identifying any deficiencies in the ICS the auditor finds pertinent shall accompany the audit report including recommendations for their improvement.

42. **Technical Audit.** The project will be subject to technical audit of construction work performed under signed civil construction contracts. This can be part of/or separate to the financial audit mentioned above. The main purpose of the technical audit is to express opinions on whether: i) works were carried out in accordance with the specifications as per the signed contracts, and ii) works undertaken were part of an approved expenditure project.

### **Disbursements**

43. **Designated Accounts (DAs).** To ensure that funds are readily available for project implementation, DAs will be opened for each PMT/GPMT in US Dollars as follows: 3 at MoCHMPW, and 1 DA at each of the following: Ministries of Agriculture, Education, Electricity, Transport, Water Resources and Irrigation, and one DA at each of the Governorates of Al Anbar, Diyala, Salah Ad-Din, and Ninawa, a total of 12 DAs. One DA at the Public Buildings PMT will receive funds only from EODP and not under the Additional Financing. For the new PMTs to be set up under the Additional Financing, initial advances will be paid only upon satisfactory completion of the Fiduciary Assessment of the PMT. Authorized signatories, names and corresponding specimens of signatures for each PMT/GPMT should be submitted to the Bank prior to the receipt of the first Withdrawal Application (WA)".

44. The proceeds of the Loan will be disbursed in accordance with the Bank's disbursements guidelines that will be outlined in the Disbursement and Financial Information Letter and in accordance with the Bank Disbursement Guidelines for Projects. Transaction-based disbursements will be used under this project. Accordingly, requests for payments from the Loan will be initiated through the use of WAs either for direct payments, reimbursements, and replenishments to the DAs. All WAs will include appropriate supporting documentation including detailed Statement of Expenditures (SOE) for reimbursements and replenishments to the DAs. The category of Eligible Expenditures that may be financed out of the proceeds of the Loan and the percentage of expenditures to be financed for Eligible Expenditures has been spelled out in the Loan Agreement.

45. For electronic vouchers, funds will flow from the Designated Account into the Trust/Special Purpose Account(s) and payments to suppliers will be made directly from the Trust/Special Purpose Account(s). As funds are expended from the Trust/Special Purpose Account(s) these amounts can then be submitted in WAs for documentation.

46. **E-Disbursement.** The Bank has introduced e-disbursement for all Bank-financed projects in Iraq. Under e-Disbursement, all transactions will be conducted and associated supporting documents scanned and transmitted online through the Bank's Client Connection system. The use of e-Disbursement functionality will streamline online payment processing to (i) avoid common



mistakes in filling out Was, (ii) reduce the time and the cost of sending WAs to the Bank, and (iii) expedite the Bank’s processing of disbursement requests.

47. **Commitments and Disbursements Monitoring:** The Bank and the Government will conduct a joint review on quarterly basis to assess the implementation of the activities to be financed by the EODP-AF. The review will focus on, among other Project aspects, progress in the commitments and disbursements of the loan proceeds per component. Following is a table that presents the projected quarterly commitments and disbursements:

**Table 2. Commitments and Disbursements projection during year 1 of implementation (World Bank FY)**

Component	Commitment (Q3, FY18) In USD million	Commitment (Q4, FY18) In USD million	Commitment (Q1, FY19) In USD million	Commitment (Q2, FY19) In USD million
1. Electricity	45	-	-	-
2. Municipal	4.7	35	-	-
3 (a) Roads&Bridges	15	40	50	-
3 (b) Transport	0.5	1	1	2.5
4. Health	NA	NA	NA	NA
5. TA	NA	NA	NA	NA
6. ReFAATO	NA	NA	NA	NA
7. Agriculture	1.5	1	0.5	0.5
8. Water	12	12	6	-
9. Education	5	15	15	-
10 (a) Al Anbar	5	5	5	
10 (b) Diyala	1	2	2	5
10 (c) Ninawa	1	2	2	5
10 (d) Salah Ad-Din	1	2	2	5
<b>Total</b>	<b>92</b>	<b>115</b>	<b>83</b>	<b>18</b>

Component	Disbursement (Q3) In USD	Disbursement (Q4) In USD	Disbursement (Q1) In USD	Disbursement (Q2) In USD
1. Electricity	4.5	9	9	9
2. Municipal	0.47	4.5	8	8
3 (a) Roads&Bridges	1.5	11	16	22

3 (b) Transport	0.05	0.2	0.4	0.75
4. Health	NA	NA	NA	NA
5. TA	NA	NA	NA	NA
6. ReFAATO	NA	NA	NA	NA
7. Agriculture	0.15	0.75	0.75	0.65
8. Water	1.2	3.5	6	6
9. Education	0.5	2.5	5	5
10 (a) Al Anbar	0.5	1.5	2	3
10 (b) Diyala	0.1	0.5	1	2
10 (c) Ninawa	0.1	1	2	2
10 (d) Salah Ad-Din	0.1	0.5	1	2
<b>Total</b>	<b>9.2</b>	<b>35</b>	<b>51</b>	<b>60</b>

**Table 2. Categories of Eligible Expenditures and Percentage of Expenditures to be financed by Loan**

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs, Training and Workshops for Part 1 of the Project.	45,000,000	100%
(2) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs, Training and Workshops for Part 2 of the Project.	40,000,000	100%
(3) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs, Training and Workshops for Part 3(a) of the Project.	105,000,000	100%
(4) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs, Training and Workshops for Part 3(b) of the Project.	5,000,000	100%
(5) Goods, Non-Consulting Services, Consulting Services, Operating Costs, Training and Workshops for Part 4 of the Project.	0	100%

(6) Goods, Non-Consulting Services, Consulting Services, and Training and Workshops for Parts 5 and 6 of the Project.	0	100%
(7) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Part 7 of the Project.	30,000,000	100%
(8) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Part 8 of the Project.	30,000,000	100%
(9) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Part 9 of the Project.	35,000,000	100%
(10) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Part 10 (a)(i), 10(c)(i), and 10(d)(i) of the Project.	20,000,000	100%
(11) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Parts 10 (a)(ii), 10(c)(ii), and 10(d)(ii) of the Project.	10,000,000	100%
(12) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Parts 10 (a)(iii), 10(b), 10(c)(iii), and 10(d)(iii) of the Project.	20,000,000	100%
(13) Goods, Works, Non-Consulting Services, Consulting Services, Operating Costs and Training and Workshops for Parts 10 (a)(iv), 10(c)(iv), and 10(d)(iv) of the Project.	10,000,000	100%
(14) Unallocated.	49,000,000	
(15) Front-End Fee.	1,000,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(16) Interest Rate Cap or Interest Rate Collar Premium.	0	Amount due pursuant to Section 4.05(c) of the General Conditions
TOTAL AMOUNT	400,000,000	

### A3.4 SAFEGUARDS

#### **Environmental and Social Management and Framework (ESMF):**

48. **Objectives:** The ESMF, prepared under EODP, aims at outlining mechanisms for analyzing and mitigating potential negative environmental and social impacts, and for monitoring the application and performance of mitigation measures. The ESMF identifies the roles and responsibilities for different stakeholders to implement and monitor compliance with World Bank safeguards policies.

49. The proposed AF is to be implemented mainly in 4 governorates. Since institutional and technical capacities, as well as physical and social environments may vary across the Project area in the four governorates, identical mitigation measures for all governorates may not provide the flexibility required for dealing effectively with some of the negative impacts which require taking the local context into account. Wherever applicable, the ESMF is designed to accommodate alternative context-specific mitigations.

#### **General Mitigation Measures:**

50. Following are general mitigation measures that will need to be tailored according to each subproject and in relation to site-specific baseline conditions.

a. During Construction: In order to reduce the impacts related to emissions of gaseous pollutants from construction equipment, mitigation measures and good practice are to be considered for reducing air emissions, reducing noise and vibrations, protection of soil and land, handling solid and hazardous waste, handling domestic waste from construction sites, protection of water resources, protection of biodiversity and natural habitats, protection of physical cultural resources and application of chance-find procedures, managing health and safety risks, and managing socio-economic risks.

b. During Operation: During operation, each of the EODP and EODP-AF subprojects should follow the requirements of the national environmental legislations and maintain records to ensure continuous environmental compliance. During handling of pesticides adequate storage, application procedures should be applied and handling persons should use adequate PPE. Site specific instruments (ESMPs and PMPs) would detail those procedures.

#### **Implementation arrangements for environmental and social safeguards:**

51. Planning, implementation and supervision of environmental safeguards will continue to take place at three levels:

a) *At PCU Level:* The PCU will be responsible for providing the overall policy direction, technical assistance, screening reports review and endorsement, environmental and social assessment and management plans, capacity building for effective safeguards management to the implementing agencies, monitoring of environmental compliance and progress reporting to the World Bank.

b) *At Project Management Teams (PMTs) level:* PMTs will continue to bear the responsibility of day to day planning, implementation and supervision of environmental/social safeguards specific to subprojects. Each agency will assign focal point(s) for environmental and social

safeguards who will ensure timely and sound application of the ESMPs to the planned investments. The environmental/social focal points will work closely with the PCU environmental/social consultants to ensure harmonization and coordination of activities according to the ESMF requirements. The focal points for environmental and social affairs should have sufficient background to support the implementation of the ESMPs. In case of need for additional capacity, the PMTs may recruit external consultants who have sufficient expertise to support PMTs' focal points. At the field level, it is expected that the PMTs' environmental and social focal points will conduct regular field supervision to ensure compliance of contractors, their workers and practices, to the ESMPs. PMTs will also require the engineering and technical firms to recruit specialized staff in environment, social development and health and safety to conduct daily supervision on field activities and prepare non-compliance reports on which the PMT will investigate and take action accordingly.

c) *At the Contractors level:* Implementation of the ESMPs will largely continue to be the contractors' responsibility and for this, the contractor will have to nominate qualified environmental, health and safety consultant and a social development consultant (if needed) in order to ensure compliance with the ESMPs during construction.

### **Environmental Monitoring**

52. As the majority of the anticipated environmental impacts from the Project are general in nature and related to construction and civil works, site management, worker/public safety, etc., monitoring will continue to be carried out in the form of compliance monitoring through regular site supervision by the responsible officers. A general monitoring checklist and a specific construction safety monitoring checklist to be used and filled during site supervision is provided in Annexes 3 and 4 in the main ESMF document. These lists should be updated and expanded to include impacts which are mostly case-specific and other site-specific environmental impacts based on actions agreed in the EMPs.

53. Monitoring of environmental parameters (such as air, water, salinity, sediment quality, etc.) will continue to be conducted based on the requirements specified in the individual ESMPs. However, given the ambient levels of noise and emissions in the surroundings, pollution in the waterways...etc., no significant impacts on the surroundings' environmental quality are anticipated as a result of Project activities. As such, the need for regular and systematic measuring of air, noise and water quality to monitor contribution to environmental degradation from the Project per se is not considered essential except in few cases.

54. The overall Project impacts will continue to be monitored during project implementation through a number of selected indicators which reflect the positive environmental contribution from the Project to the overall environment. As such, no additional environmental indicators are proposed. Most importantly, the Project will support independent environmental audits on an annual basis throughout project implementation.

### **Social Monitoring**

55. The responsibility for the monitoring of the safeguard instruments and processes will be with the PMTs working under the overall PCU that will be responsible for compliance with domestic environmental regulations, as well as the Banks E&S safeguards policies. The exiting PMTs and the PCU will continue to maintain qualified environmental and social safeguards specialists while

new ones will be staffed with qualified specialists that will follow-up with the preparation and implementation of the safeguards instruments. The Bank task team will continue to be responsible for monitoring and ensuring the timely preparation of the limited ESIA, RAPs/ARAPs, ESMPs and/or Checklists as needed. The task team will ensure that no contracts for works that have a physical impact are signed or that reconstruction or rehabilitation activities start without the required safeguards instruments in place.

56. The Task Team will also review ToRs (if required) for the various applicable safeguards instruments to ensure that their scope and quality are satisfactory to the Bank, will review tender documents and construction contracts regarding due consideration of the safeguards instruments, and the inclusion of effective and enforceable contractual clauses. Finally, the task team will also monitor the implementation of the different prepared instruments through regular supervision missions (which will include an environmental and/or social specialist) during which document reviews, site visits and spot-checks will be conducted. Depending on the circumstances (especially the security situation), TPM will also be used for supervision and monitoring and would thus complement the efforts of the task team.

### **Progress Reporting:**

57. Progress reporting on safeguards compliance will take place as indicated below:

- a) Contractor's environmental compliance reports to the PMTs on a monthly basis;
- b) PMTs environmental/social progress reports to the PCU on a quarterly basis
- c) PCU environmental/social progress reports to the WB, Council of Ministers on a quarterly basis (this will be part of the quarterly project progress report produced by the PCU)

58. Capacity Development Requirements: For effective environmental/social safeguards management, the Project agencies will require implementation support in three main areas; (i) dedicated staff and resources (ii) technical assistance and (ii) training and awareness.

### **Types of Safeguards Instruments**

59. The types of safeguards instruments anticipated for the Project range from abbreviated, checklist type ESMPs for simple, routine repair works, over more elaborate and comprehensive ESMPs to ESIA within clearly defined project boundaries. All project activities involving civil works on any scale will require some type of environmental/social management instrument, which will be determined and defined by the methodology presented in this section.

60. Most typologies within the expected scope of subprojects are expected to involve routine, simple civil works pertaining only to existing structures and footprints, where conflict-related damage was incurred. All of the expected types of interventions and civil works, e.g. repair/reconstruction of roads, transmission lines, municipal infrastructure, health, agriculture and irrigation infrastructure, social services as well as the restoration of public services, will require safeguards instruments in the form of ESMPs (E&S management plans) that would become part of the works contracts, set the E&S standards and compliance mechanisms, and serve as contractual basis for supervision and enforcement of good E&S practice during the works. However, considering the mostly simple nature of such repair and reconstruction works, for these typologies abbreviated, "checklist type" ESMPs will be prepared as appropriate safeguards instrument.

61. For some larger projects, e.g. reconstruction of bridges, barrages or wastewater treatment plants (WWTP), a limited ESIA (meaning within clear project boundaries) may be required (see Annex 5 in the ESMF main document), as the works would be more substantial in scale, and rivers are more sensitive and vulnerable to environmental impacts. Also, the ESMPs produced with input from the ESIA would be more specific on measures to protect water quality, riverine / aquatic ecosystems, and retain the hydrological regime around the bridge. Additional social considerations, such as continued access to the river for fishing and water abstraction, may become relevant. Similar principles would apply to projects that are located close to, or affecting natural habitats, including wetlands or forests.

62. The majority of projects, namely roads repair and reconstruction, water and energy infrastructure, and large buildings in urban and rural settings will continue to only require the “checklist type” of ESMP as an appropriate instrument for due diligence (see Annex 4 in the ESMF main document for template). If only minor repairs are planned for bridges and WWTP, even if in sensitive settings, that same principle applies.

63. The following table depicts the likely type(s) of E&S instruments for each component:

**Table 3: Anticipated E&S Instruments by Component**

Component/Activities	Anticipated E&S Instruments
<p><b>Component 1:</b> acquisition of equipment for the repair and reconstruction of damaged electricity distribution and transmission infrastructure; through technical assistance, supervision of the implementation of Electricity Subprojects, which will include engineering and civil works.</p>	<ul style="list-style-type: none"> <li>• No E&amp;S instruments for sourcing for equipment</li> <li>• Checklist ESMPs and RAP/ARAP (when/where applicable) for most planned repair and reconstruction works will be prepared</li> <li>• Possibly specific ESMPs when encountering sensitive baseline conditions</li> </ul>
<p><b>Component 2:</b> restoration of water, wastewater and solid waste services, repair, reconstruction and rehabilitation of damaged infrastructure; including wastewater treatment plants, and</p>	<ul style="list-style-type: none"> <li>• No E&amp;S instruments for sourcing for equipment</li> <li>• Checklist ESMPs and RAP/ARAP for most planned repair and reconstruction works will be prepared</li> <li>• Site-specific ESMPs and RAP/ARAP (when/where applicable) for larger reconstruction works (WWTP, pumping stations) combined with <i>less sensitive baseline conditions</i> will be prepared.</li> <li>• ESIA including ESMPs and RAP/ARAP (when/where applicable) for larger reconstruction works (e.g. WWTP, pumping</li> </ul>

Component/Activities	Anticipated E&S Instruments
storm water drains, reservoirs and outfalls.	stations) in combination with more sensitive baseline conditions will be prepared <ul style="list-style-type: none"> <li>• E&amp;S assessments and management systems will be mainstreamed into identification of further subprojects, as well as planning / design works and the TOR for supervision.</li> </ul>
<b>Component 3</b> improvement of road assets, repairing and rehabilitating highly damaged segments of primary road network  Repairing and reconstructing critical bridges and major culverts	<ul style="list-style-type: none"> <li>• Checklist ESMPs and RAP/ARAP for most planned road repair and reconstruction works, site-specific ESMPs and RAP/ARAP (when/where applicable) for road works in combination with more sensitive baseline conditions will be prepared</li> <li>• Checklist ESMPs and RAP/ARAP (when/where applicable) for minor bridge repair works, such as repairing the deck and surface will be prepared.</li> <li>• site-specific ESMPs and RAP/ARAP (when/where applicable) for more extensive reconstruction works (e.g. involving abutments and pylons, requiring access to river) combined with <i>less sensitive baseline conditions</i> will be prepared</li> <li>• ESIA including ESMPs and RAP/ARAP (when/where applicable) for more extensive reconstruction works (e.g. involving abutments and pylons, requiring access to river) in combination with <i>more sensitive baseline conditions</i> will be prepared.</li> </ul>
<b>Component 9 and 10:</b> Restoring Social Services (education and social centers)	<ul style="list-style-type: none"> <li>• No E&amp;S instruments for sourcing for equipment</li> <li>• Checklist ESMPs and RAP/ARAP (when/where applicable) for most planned repair and reconstruction works will be prepared</li> <li>• Possibly specific ESMPs and RAP/ARAP (when/where applicable) when encountering sensitive baseline conditions will be prepared.</li> </ul>
<b>Component 7:</b> Restoring Agriculture Infrastructure	<ul style="list-style-type: none"> <li>• No E&amp;S instruments for sourcing for equipment (except pesticides applying equipment)</li> <li>• Checklist ESMPs and RAP/ARAP (when/where applicable) for most planned works of rehabilitation of agriculture support services buildings (such as stores, cold stores, extension buildings ... etc.) and repairing small irrigation canals (secondary canals or smaller) will be prepared.</li> <li>• site-specific ESMPs and RAP/ARAP (when/where applicable) for more extensive reconstruction works of seeds multiplication, processing facilities (which will use pesticides), more extensive reconstruction works of irrigation canals (e.g. primary canals directly fed from a river) combined with <i>less sensitive baseline condition</i> and <i>vet clinics without an incinerator</i></li> </ul>



Component/Activities	Anticipated E&S Instruments
	<ul style="list-style-type: none"> <li>• Pest Management Plan (PMP) for procurement and distribution of pesticides and applying equipment on centers and farmers will be prepared.</li> <li>• ESIA including ESMPs and RAP/ARAP (when/where applicable) for <i>vet clinics with an incinerator</i>, irrigation canals (e.g. primary canals directly fed from the river) in combination with <i>more sensitive baseline conditions and barrages (all barrages need ESIA)</i> will be prepared.</li> </ul>