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**INTERNATIONAL FINANCE CORPORATION**

**MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR THE**

**REPUBLIC OF IRAQ**

**FOR THE PERIOD FY2022 - FY2026**

**July 12, 2021**

**Iraq Country Management Unit  
Middle East and North Africa Region  
International Finance Corporation  
Middle East and North Africa Region  
Multilateral Investment Guarantee Agency**

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**The date of the last Country Partnership Strategy was December 18, 2012,  
and Performance and Learning Review was July 7, 2015.**

### CURRENCY EQUIVALENTS

(Exchange Rate Effective June 25, 2021)

Unit of Currency = Iraqi Dinar (IQD)

US\$1 = IQD 1,460.50

### FISCAL YEAR

January 1 – December 31

### ABBREVIATIONS AND ACRONYMS

AML	Anti-Money Laundering
CAFEF	Conflict-Affected and Fragile Economies Facility
CBI	Central Bank of Iraq
CE	Citizen Engagement
CCDR	Country Climate and Development Report
CEM	Country Economic Memorandum
CLR	Completion and Learning Review
CMAW	Creating Markets Advisory Window
COVAX	COVID-19 Vaccines Global Access
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSOs	Civil Society Organizations
DNA	Damage and Needs Assessment
EITI	Extractive Industries Transparency Initiative
EODP	Emergency Operation for Development
FBSA	Federal Board of Supreme Audit
FCV	Fragility, Conflict, and Violence
FDI	Foreign Direct Investments
FSAP	Financial Sector Assessment Program
GBV	Gender-Based Violence
GDP	Gross Domestic Product
Gol	Government of Iraq
GRID	Green, Resilient, and Inclusive Development
HCI	Human Capital Index
I3RF	Iraq Reform, Recovery and Reconstruction Fund
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology

IDPs	Internally Displaced Persons
IFC	International Finance Corporation
IMF	International Monetary Fund
InfraSap	Infrastructure Sector Assessment Program
ISIS	Islamic State of Iraq and Syria
LFPR	Labor Force Participation Rate
KRG	Kurdistan Regional Government
MIGA	Multilateral Investment Guarantee Agency
MOE	Ministry of Education
MSME	Micro, Small, and Medium Enterprise
iNDC	Intended Nationally Determined Contribution
OPEC	Organization of the Petroleum Exporting Countries
NCD	Non-communicable Diseases
PDS	Public Distribution System
PFM	Public Financial Management
PLR	Performance and Learning Review
PPP	Public-Private Partnership
SCD	Systematic Country Diagnostic
SFD	Social Fund for Development
SMEs	Small and Medium Enterprises
SOBs	State-owned Banks
SOE	State-Owned Enterprise
SSN	Social Safety Net
TA	Technical Assistance
TCP	Transport Corridors Project
TVET	Technical and Vocational Education and Training
UMIC	Upper Middle-Income Country
UN	United Nations
WBG	World Bank Group

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**FY2022 – FY2026 COUNTRY PARTNERSHIP FRAMEWORK FOR THE  
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**FY2022 - FY2026 COUNTRY PARTNERSHIP FRAMEWORK FOR THE  
REPUBLIC OF IRAQ**

**I. INTRODUCTION**

1. **Iraq is at a crossroads.** Almost two decades after the Iraq war began, the country remains caught in a fragility trap. It faces increasing political instability and fragmentation, geopolitical risks, weak fiscal position, legacy state-driven economy, weak private sector, growing social unrest, and a deepening divide between the state and its citizens. The impact of the COVID-19 crisis and the volatility in oil prices compound Iraq's preexisting fragilities. Growing climate risks could further exacerbate Iraq's precarious situation, if not mitigated. The confluence of these challenges could lead to an economic crisis and a new cycle of violence and conflict—or, if proactively managed, they could provide an opportunity to fundamentally realign the Government's priorities, advance much needed reforms, and tackle the deep structural issues that hold back progress in Iraq.

2. **Iraq's challenges are deep-rooted and multi-faceted.** The country's economic and fiscal challenges co-exist with endemic corruption and poor service delivery. This has crowded out private sector engagement, both local and foreign investment. Public sector employment, the main source of employment in Iraq for the past decades, now faces fiscal constraints and a weak private sector cannot create enough jobs fast enough for a young and rapidly growing population. The deterioration of human capital outcomes is alarming. At 0.41, the World Bank Human Capital Index (HCI) for Iraq ranks second to last in the Middle East and North Africa (MENA) region, slightly above that of Yemen, an IDA country in conflict. The plight of displaced people is an added challenge. Pressures of climate change are increasingly evident with rapidly depleting water resources and increasing desertification. These realities have impeded Iraq's ability to reach its high growth potential and have reduced its capability to respond to shocks. Failure to address such challenges fueled mass protests in October 2019 and intermittent unrest continues to date. Despite some progress, notably with the adoption of the 2021 budget and the Government's white paper on fiscal and economic reforms (the "White Paper"), these challenges remain largely unresolved.

3. **Despite lost opportunities, Iraq has untapped potential.** Iraq's gross domestic product (GDP) per capita could be up to 60 percent higher if it had similar levels of private sector participation, investment, human capital, and productivity as upper-middle-income countries (UMICs) in a comparable income bracket. Raising Iraq's labor force participation rate to the UMIC average would alone increase the GDP per capita by 31 percent. Raising the investment rate and the skills of the labor force would each raise GDP by 13 percent. Historically, Iraq had more diverse exports. Under the right conditions, including a return of domestic security, those exports could return.

4. **However, Iraq's journey towards reaching its untapped potential remains long and challenging.** The volatility of oil prices, unstable and fast changing political scene, continued dominance of the state over the economy, and the expansion of the public sector wage bill in 2020 have considerably reduced the fiscal space and reversed the surpluses accumulated since 2018. The COVID-19 pandemic and the lockdown measures needed to contain it have dealt a severe blow to the economy. Service sectors, which constitute more than half of the non-oil economy, are reeling. Iraqi small and medium-size enterprises and private businesses have borne the blunt of the pandemic economic hit. The pandemic exposed vulnerabilities across many economic sectors, including the agriculture sector which resulted in Iraq becoming more dependent on imports and will impact the country's food security. Iraq's twin deficits (current account and budget) are estimated at almost 13 and 6.4 percent of GDP in 2020, respectively.

5. **The Iraqi government struggles to navigate internal as well as regional security challenges.** The geopolitical rivalry between external actors is an underlying point of tension that manifests across security, political, economic, and social lines in Iraq. The ongoing internal political dynamics also present a complicated landscape. This was demonstrated by lengthy negotiations in the Parliament around the 2021 budget law partly between the different factions, but most importantly in trying to reach an agreement with Kurdistan Regional Government (KRG) on its fair share of the nation's oil revenues. Security threats and attacks on embassies and other high-value targets are not uncommon and reveal deep political divides at a time of an alarming recurrence of ISIS attacks in the liberated regions. Given the current local and regional context, and the uncertainties that remain, it is not clear if parliamentary elections will take place as scheduled in October 2021.

6. **Despite the current uncertain circumstances, the Country Partnership Framework (CPF) provides a suitable country engagement instrument to support Iraq's progress and builds off of longstanding World Bank Group (WBG) engagement and partnership with Iraq, including in the period since the last CPF and Performance Learning Review (PLR).** The CPF, with its embedded implementation flexibility, will serve as a cohesive platform and will allow the WBG to help, in light of the policy uncertainty and the operational challenges, address immediate needs while simultaneously working on the root causes and drivers of Iraq's fragility and crises.

7. **The overarching goal of this CPF is to help improve the lives of the Iraqi people.** The CPF seeks to achieve this goal by contributing to more effective public sector governance and enabling increased private sector participation in the economy. The CPF is also in line with the WBG's Strategy for Fragile, Conflict and Violence (FCV) – 2020-2025, which calls for continued engagement during conflict and crisis situations and helping countries transition out of fragility by promoting a renewed social contract between citizens and the state, fostering a healthy local private sector, and strengthening the legitimacy and capacity of core institutions.

8. **This CPF is organized under two pillars and supported by foundational elements** – (i) improved governance, public service delivery, and private sector participation, and (ii) strengthened human capital. Across these two pillars corporate priorities of citizen engagement, gender equality, and climate change are mainstreamed. The CPF will also apply a governance and peacebuilding lens and a private sector development lens as the two **foundational elements** to support the achievement of the CPF objectives. In doing so, the engagements will address the drivers of fragility and integrate conflict sensitive approaches and opportunities for peacebuilding with critical private sector development to address challenges across all CPF themes, and lead to inclusive and sustainable economic growth in Iraq.

9. **The CPF will be implemented in phases to allow for flexibility and adaptability in light of the uncertain context.** Implementation of the CPF will be in two phases over a five-year period, allowing for an agile and adaptive framework in Iraq's fragile context. The first phase will broadly cover the period until a new Iraqi government is in place. Given past experience, this could take as long as the first 24 months of the CPF implementation period. The second phase would cover the remainder of the CPF period. During Phase 1, the focus will be on protecting the poor and vulnerable people from crisis impacts and supporting initial priority reforms identified under the White Paper<sup>1</sup> implementation plan. Phase 1 will also be used to lay the foundation for deeper reforms during the term of the next government. During Phase 2, WBG will support medium-term reforms to support a more diversified Iraqi economy, by helping create an enabling environment for the private sector, including SMEs, and develop human capital. To ensure an appropriate

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<sup>1</sup> A WBG white paper became the basis for the Government's White Paper on Economic Reforms (2020) with detailed list of priorities for the short-, medium-, and long-term reforms.

framework for Phase 2, a Performance and Learning Review (PLR) is planned as a precursor to Phase 2 of CPF implementation.

10. **This CPF was based on WBG experience in Iraq and benefited from the WBG’s analytical work as well as consultations with external stakeholders.** During the turmoil of the last 20 years, and under very tight security restrictions on movement and access to the country, WBG staff persevered to support the Iraqi people. Despite a challenging political economy, a harrowing conflict, and some setbacks, WBG staff have delivered transformational operations and highly relevant knowledge products. The knowledge base and analytic support to Iraq is constantly updated and underpins WBG country engagement. For instance, recent analytical work has updated the Systematic Country Diagnostic (SCD) of 2017. The Country Economic Memorandum (CEM) which was published in September 2020 included a comprehensive fragility assessment as a basis for developing a new growth strategy that is FCV-sensitive. The Rapid Country Social Assessment (2019) and the WBG white paper<sup>2</sup> on critical policy reforms (2020) underpin the CPF program. The WBG white paper was an input into the Government’s White Paper published in October 2020. The latest Iraq Economic Monitor (Spring 2021) and staff assessments fed into the macroeconomic framework discussion that is crucial for maintaining stability in the country. The recently completed Public Expenditure Review for Human Development Sectors in Iraq provided a deep dive into the adequacy, efficiency, effectiveness, and equity of public spending on education, health, and pension systems. Finally, consultations with partners and a wide range of stakeholders, including the private sector, civil society organizations, and think tanks informed this CPF (see Annex 13).

11. **The WBG is well respected for its technical expertise and commitment to development. Having maintained uninterrupted engagement and strong field presence since 2003 (see Box 2), the WBG has built a strategic partnership with the Government of Iraq (GoI) and a strong active portfolio.** This partnership has resulted in an important set of initiatives, notably in multi-sector emergency reconstruction programs in areas liberated from ISIS occupation, reforms of the public financial management (PFM) and social protection system among others. The level of respect is evident in the GoI’s decision to invite the WBG as an observer in the High Council of Reforms in February 2021. The Prime Minister heads the Council, which is tasked with overseeing the national reform agenda as outlined in the GoI’s White Paper. The CPF program will build on this trust to support Iraq’s efforts in addressing its challenges towards a more stable and prosperous country.

## II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

### A. Social and Political Context

12. **Recent conflicts have had significant economic and social costs** – Iraq’s per capita GDP was 13 percent lower in 2019 as a result of the conflict in 2014.<sup>3</sup> Growth of the oil sector GDP during the conflict masked the adverse impact of the conflict on the overall economy. The level of non-oil GDP was around 33 percent lower in 2018 than it would have been without the conflict. The national poverty headcount in 2018 was almost 7 percentage points higher compared to what it would have been in absence of the conflict. According to the latest Country Economic Memorandum, part of the post-2014 weakness is due to losses in productivity and competitiveness in the non-oil economy which has put non-oil GDP growth on

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<sup>2</sup> The WBG white paper helped inform the Government’s own White Paper. For the purposes of this document “White Paper” refers to the Government’s reform document.

<sup>3</sup> Source: World Development Indicators. World Bank.

a declining trend.<sup>4</sup> Agriculture, one of the main non-oil sectors, was severely impacted by the destruction of key infrastructure and deterioration of services, impacting the country's food security possibilities.

13. **Iraq's politics rests on rent and political power-sharing.** This has led to elite capture, widespread clientelism, patronage and political paralysis<sup>5</sup>. It has undermined Government effectiveness and hampered public service delivery, fueling growing public discontent. The current model of providing public sector jobs as a form of patronage and the expansion of the wage bill is approaching its limit with lower oil revenues and a higher share of young people. Almost all Iraqi youth believe that personal connections, or *wasta*<sup>6</sup>, shape one's employment opportunities.<sup>7</sup> The most recent Transparency International Corruption Perceptions Index shows that Iraq is among the worst performers—ranking 160<sup>th</sup> among 179 countries.<sup>8</sup> Complicating matters, young Iraqis still look to the already bloated public sector for lifetime employment and benefits rather than seeking job opportunities in the private sector. Subnational governments, which are responsible for delivering many services, are highly centralized and are hampered by weak institutional capacity.

14. **The outbreak of the 2019 mass protests illustrates the breakdown of the social contract over grievances on poor governance, lack of employment opportunities, and inadequate service delivery.** State-society relations have become the predominant fault line in Iraq. The protests were the largest and most violent popular demonstrations since the fall of Saddam Hussein's regime in 2003. Consisting predominantly of youth, the protestors expressed discontent over lack of job opportunities, inadequate service provision and substandard living conditions. These sentiments are broadly reflected in opinion polls that show that people cite issues related to lack of employment, corruption, and misuse of Government funds to be the most important grievances among Iraqis.<sup>9</sup> Grievances related to service delivery are visible among a large variation of service areas, in particular education, electricity, water services, and public infrastructure.<sup>10</sup> Despite some progress, voice, inclusion, and accountability is limited due to the lack of effective mechanisms for citizens and civil society to express their views or hold the government accountable.

15. **Iraq's post-2003 political economy has been shaped in part by the political elevation of center-periphery relations and the role of external players.** Relations between Erbil and Baghdad vacillate based on longstanding disputes over oil revenue sharing and territory control. These disagreements have fed instability and uncertainty and threatened the unity and sovereignty of Iraq. Iraq's oil wealth and location have traditionally made it prone to foreign interference. In domestic politics, this creates fault lines among the ruling elite and aggravates public distrust by spurring people's resentment of foreign interference.<sup>11</sup> All of these factors contribute to undermine Iraq's long-term stability which requires enduring peace amongst

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<sup>4</sup> Source: Breaking Out of Fragility: A Country Economic Memorandum for Diversification and Growth in Iraq. September 30, 2020. World Bank. <https://www.worldbank.org/en/country/iraq/publication/breaking-out-of-fragility-a-country-economic-memorandum-for-diversification-and-growth-in-iraq>

<sup>5</sup> Ibid (p.5).

<sup>6</sup> *Wasta* is a form of patron-client relationship by which less-powerful citizens seek to exercise influence with more-powerful government officials.

<sup>7</sup> Arab Barometer Wave V - 2018-2019. Arab Barometer. <https://www.arabbarometer.org/surveys/arab-barometer-wave-v/>

<sup>8</sup> Corruption Perceptions Index 2020. Transparency International. <https://www.transparency.org/en/cpi/2020/index/nzl>

<sup>9</sup> <https://www.chathamhouse.org/events/all/members-event/voices-people-public-opinion-iraq-and-syria> .

<sup>10</sup> NDI (National Democratic Institute). 2019. "Iraq Post Daesh: Improved Social Cohesion, but Iraqis Remain Dissatisfied with Government: National Survey Findings." National Democratic Institute, Washington, DC.

<sup>11</sup> Source: Breaking Out of Fragility: A Country Economic Memorandum for Diversification and Growth in Iraq (p.21-23). September 30, 2020. World Bank. <https://www.worldbank.org/en/country/iraq/publication/breaking-out-of-fragility-a-country-economic-memorandum-for-diversification-and-growth-in-iraq>



its domestic social constituents and regional neighbors.

**16. Regional and ethno-religious disparities in Iraq increase structural risks of conflict and instability.** National averages mask regional disparities both in terms of poverty and service delivery indicators. Issues of cohesion and social trust are particularly salient in areas liberated from ISIS and where internal displacement remains high. Poverty distribution is now polarized between the historically poor Shia-South and the newly poor Sunni-North on the one hand and the relatively less poor Shia-Centre and Sunni-Kurdish areas on the other.<sup>12</sup> As a result of terrorism and military operations in four Western and Northern governorates (Anbar, Salahuddin, Diyala and Ninewa), poverty rates increased among Internally Displaced People (IDPs) from 23 percent to 38 percent in 2014.<sup>13</sup> Increasing desertification and water scarcity is expected to drive further migration if climate risks remain unabated. An increasing number of Iraqis are living in substandard settlements in cities. Given the scale of ethnic enclaves and that returnees, IDPs, and host communities live close to each other, improved social cohesion measures are necessary. Perception data highlights that satisfaction with basic services is significantly lower in southern Shia areas than elsewhere. This growing frustration has contributed to the frequent outbreak of protests in the South since 2018.

**17. Climate change has already contributed to the country's rapidly drying south and declining agricultural and livestock productivity.** Rainfall rates have declined by 25-65 percent below normal levels, prolonging drought periods.<sup>14</sup> This is compounded by increased salinity of water sources. Increased water pollution is likely to intensify epidemics, such as cholera, while health is further impacted by increasing frequency and intensity of dust storms due to growing desertification and drying of land, combined with strong winds. Simultaneously, Iraq continues to be impacted by flooding due to fluctuations in annual river discharge, with flood intensity expected to increase. Climate change is a key risk to delivering on the WBG's twin goals of eliminating extreme poverty and boosting prosperity in a sustainable manner, and post-COVID-19 green recovery. In a country where oil remains a big part of the economy, climate change also represents a key economic risk in terms of access to jobs and the 'just transition' of workers while the global trend moves towards decarbonization.

## **B. Recent Economic Developments**

**18. Oil price volatility and the COVID-19 pandemic have placed unprecedented strain on Iraq's economy.** Iraq is one of the most dependent countries in the world on oil (96 percent of exports, 92 percent of budget revenues, and 63 percent of real GDP in 2019). Capped by the OPEC production agreement, oil GDP contracted by almost 18 percent while non-oil-GDP contracted by 9 percent in 2020. As a result, Iraq's overall growth contracted by 10.4 percent in 2020 (and per capita GDP declined by 15 percent in real terms), the worst annual performance since 2003. Moreover, the COVID-19 pandemic response measures are deeply affecting service sectors, especially religious tourism. Budget rigidities and the absence of an approved 2020 budget law have constrained the Gol's ability to offer a stimulus package to restart the economy. Box 1 discusses the importance of the oil sector to Iraq's macroeconomic framework.

**19. Cuts in oil production and prices have seen budgetary revenues drop by 41 percent in 2020.** Gol's response was to stop discretionary spending and public investment, including growth-critical human capital

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<sup>12</sup> Ibid.

<sup>13</sup> Strategy for the Reduction of Poverty in Iraq – 2018-2022. January 2018. Ministry of Planning. Government of Iraq: [https://planipolis.iiep.unesco.org/sites/planipolis/files/ressources/iraq\\_prs\\_summary\\_en\\_2018.pdf](https://planipolis.iiep.unesco.org/sites/planipolis/files/ressources/iraq_prs_summary_en_2018.pdf)

<sup>14</sup> World Bank, 2021 (Climate Change Knowledge Portal), <https://climateknowledgeportal.worldbank.org/country/iraq/vulnerability>

and service delivery programs. Nevertheless, given the wage bill and pension rigidities, both account for a staggering average of 62 percent of total public spending, the budget surplus in 2019 turned into a 6.4 percent of GDP deficit in 2020 on cash basis. Arrears on wages, electricity and gas imports could add 7.5 percent of GDP to this deficit.<sup>15</sup> With no access to international markets, the deficit is being primarily monetized and secured through the Central Bank of Iraq (CBI), adding pressure on the Iraqi Dinar which was devalued by 22 percent in late 2020.

#### **Box 1: Role of Oil in the Macroeconomic Framework of Iraq**

The macroeconomic framework in Iraq is very volatile given the high dependency of the country on the oil sector. With 90 percent of budgetary revenues coming from sale of oil, developments in the oil markets will determine the fiscal outcome. The situation is exacerbated by budget rigidities that have been built over time. Indeed, non-discretionary expenditures now account for 77 percent of total government spending (92 percent of total revenues in 2020) with public wages and pensions accounting for the largest share. The latter have reached approximately 27 percent of GDP in 2020, one of the largest public wage bills in the world. World Bank simulations suggest that Iraq would require an oil price of US\$37 per barrel<sup>1</sup> for the country to breakeven if it is to cover its non-discretionary spending excluding debt repayments. If the oil prices drop back to levels seen during 2020 (an average of US\$38.4 per barrel), the fiscal deficit for the outlook years (2021-2023) would deteriorate substantially and would average 20 percent of GDP, with financing needs increasing to an average of 41 billion dollars (25.6 percent of GDP).

The external accounts are also dependent on the developments in the oil sector. Ninety-nine percent of Iraq's exports are oil. Hence, any reduction in oil production quotas (like the OPEC+ agreement) and/or price shocks will have detrimental effects on the current account balance (CAB). With limited external financing sources – FDI averaged only 2.6 percent of GDP in the last 5 years – those deficits can potentially put strains on central bank reserves. A scenario in which oil prices decline to US\$38.4 will turn the CAB into a deficit of 4.6 percent of GDP on average during the outlook period and central bank foreign reserves to drop below 3 months of imports by 2023.

The World Bank and the IMF have been both engaged with the GoI to tackle macroeconomic policy issues especially those that could reduce this volatility. Previous support included DPLs, SBA programs and technical assistance. All those operations focused on areas linked to wage bill management, introducing a new pension law, public financial management, electricity sector reforms, reforms to social safety nets to improve targeting and domestic revenue mobilization such as in customs and tax administrations. Results have been mixed given the political economy context and capacity issues at ministries. The World Bank has also been engaged on diversification linked policies and support for private sector development. Reducing reliance on the oil sector will not only have positive impact on growth and job creation, it will also have indirect implications on improving the macroeconomic framework especially through boosting non-oil exports and non-oil budget revenues.

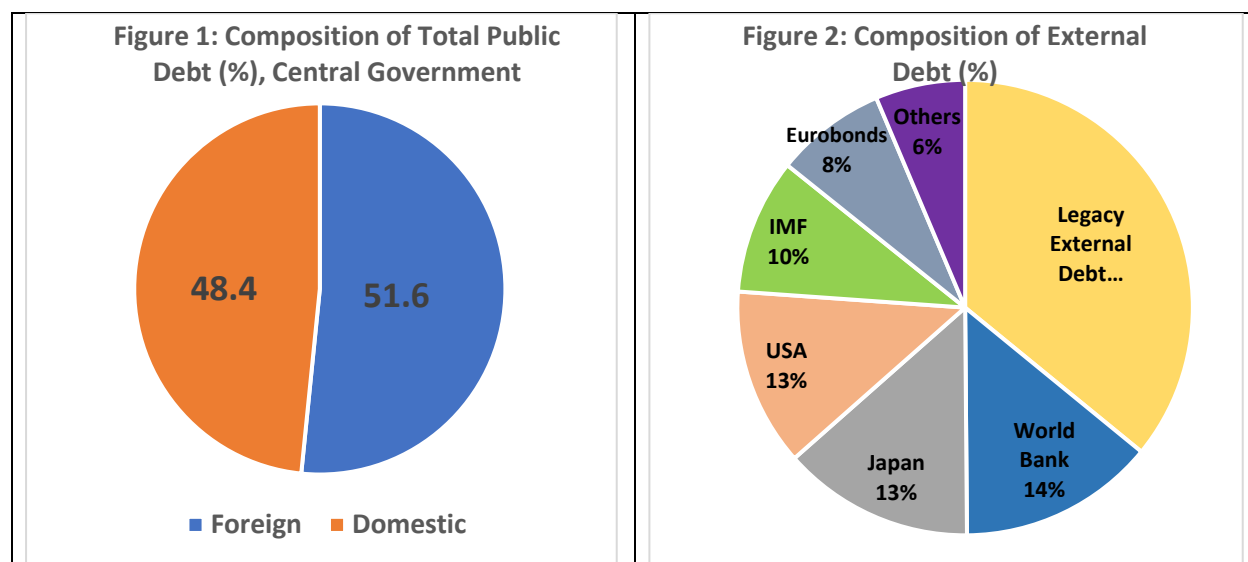
20. **The fiscal position in Iraq is dictated by development in oil markets and its ability to outweigh growing budget rigidities.** The 2021 budget law includes one of the largest public spending envelopes on record in Iraq (US\$84 billion or 52 percent of GDP). The law estimates the fiscal deficit at 8.4 percent of GDP and envisages arrears and debt repayment amounting to US\$6 billion, bringing gross budgetary financing needs to US\$20 billion (12 percent of GDP). The wage bill continues to expand and remains one of the largest in the region, and security and energy sectors still dominate the budgetary allocations at the expense of education and health. Nevertheless, the recent surge in oil prices and its expected positive outlook coupled with the devaluation effects on oil receipts, the introduction of certain consumption taxes and improved customs collection as part of the White Paper reforms, as well as under-execution trends in

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<sup>15</sup> Iraq Economic Monitor: Seizing the Opportunity for Reform and Managing Volatility, World Bank, May 2021.

public spending, are all projected to narrow the fiscal deficit to an average of 2.3 percent of GDP in 2021-2023. The fiscal outlook would have improved further had it not been for Parliament removing structural reforms related to income tax and public employment hiring that would have helped in creating the needed fiscal space going forward. Fifty-five percent of the financing is expected to come from domestic sources, increasing the exposure of CBI and State-Owned Banks (SOBs).

21. **Economic contraction, fiscal deficit, and the devaluation are spurring a higher public debt ratio, with rising liquidity risks linked to increased reliance on domestic financing.** Negative growth, large financing needs, and the higher value of foreign debt following the devaluation of the Iraq Dinar in December 2020 have increased the Government debt-to-GDP ratio by 24 percentage points in 2020 to reach 71.4 percent of GDP.<sup>16</sup> In the absence of fiscal consolidation, it is projected to remain above 54 percent of GDP albeit at a declining trend as oil prices continue to improve (Table 1). Even though two-thirds of the debt stock is long term and only 8 percent of external debt is on commercial terms (Figure 2), Iraq faces liquidity risks from rising gross financing needs. As access to international financial markets remained uncertain, the Gol is constrained with financing the deficit by borrowing locally. Increased reliance on typically expensive short-term (less than 1 year) domestic debt entails rollover risks on a yearly basis, accentuating liquidity needs over time and crowds out much needed private sector credit. This has materialized in the Ministry of Finance successive restructuring agreement of debt owed to CBI and SOBs. Additional risks arise from service guarantees related to the electricity sector (estimated over 17 percent of GDP in 2017 (IMF 2020) and contingent liabilities related to the restructuring of the two largest SOBs. Debt coverage and management remain problematic as little information exists on general government debt, guarantees, and arrears.



Note: Legacy external debt refers to debt pre-2003. Source: Ministry of Finance of Iraq.

22. **Iraq faces a persistent current account deficit.** However, the projected recovery in global oil markets will boost Iraq’s exports while the devaluation is expected to contain imports demand. These developments will contribute to narrowing the current account deficit from 12.9 percent in 2020 to 1.6 percent of GDP by 2023. Reforms are needed to encourage new foreign direct investments (FDI) which could help the country meet its external financing needs and reduce pressures on the Central Bank’s

<sup>16</sup> Stock of arrears are excluded from the stock of debt.

foreign exchange reserves. As a result, reserves are projected to cover around seven months of imports over the outlook period.

23. **Iraq's economic outlook hinges on global oil markets prospects, the implementation of the White Paper reforms, and the evolution of COVID-19.** With oil prices trending above US\$60/barrel and rising OPEC+ production, the economy is forecast to gradually recover over the outlook period. GDP is projected to grow by 1.9 percent in 2021 and 6.3 percent on average over the subsequent two years (Table 1). Non-oil GDP is forecast to rebound in 2021 from a low base, growing by 5.5 percent before converging to a historically low potential growth trend in 2022-2023. The currency devaluation is estimated to push inflation to 8.5 percent in 2021 due to limited capacity for import substitution. This will present an additional pressure on Iraqi households' wellbeing.

24. **Iraq is currently in talks with the IMF over a program.** After an initial request for support in the form of a rapid financing instrument to help with its fight against COVID-19, the recent rise in oil prices and consequent reduction in external financing pressure has led to the GoI to shift its request towards an Extended Fund Facility instead. Discussions are currently underway, and the Fund is collaborating extensively with the Bank discussing potential reforms in areas of the WBG's expertise (electricity, social protection, public financial management, financial sector, and others).

25. **Sizeable downside risks cloud Iraq's fragile economic recovery prospects over the medium term, but reform implementation could bring positive dividends.** These include: Oil price down cycles and failure to implement fiscal reforms in an election year threatens macroeconomic sustainability, delays in vaccine rollout and additional lockdowns with negative knock-on effects on services sectors' activities, continued public and private underinvestment hampering pro-growth programs and service delivery, and deteriorating security conditions amidst high regional geopolitical tensions – including increasingly scarce water sources. Nevertheless, there is a markable dividend from implementing reforms and maintaining fiscal prudence as fiscal simulations show. Pro-growth policies in non-oil sectors and tackling budget rigidities, as outlined in the GoI White Paper, can improve the fiscal balance outlook by 5.5 percentage points annually (or annual fiscal gains of US\$11 billion).<sup>17</sup> Moreover, accelerating the vaccination program could help speed up the recovery process and gradually reverse the surge in the national poverty rate that occurred during the summer of 2020. However, in the absence of sustained fiscal reforms, the budget deficit could be considerably worse and follow an unsustainable trajectory in the outlook period.

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<sup>17</sup>“Seizing the opportunity for reforms and managing volatility” Iraq Economic Monitor, Spring 2021.

**Table 1: Iraq - Selected Macroeconomic Indicators (2018-2023)**

	2018	2019	2020e	2021p	2022p	2023p
<b>Economic growth and prices</b>						
Real GDP (percentage change)	-1.2	4.4	-10.4	1.9	8.4	4.2
Non-oil real GDP (percentage change)	-1.0	5.6	-9.1	5.5	3.2	3.2
Oil production (mbpd)	4.61	4.84	4.00	3.98	4.44	4.65
Oil exports (mbpd)	3.50	3.54	2.99	3.25	3.34	3.51
Iraq oil export prices (US\$ pb)	65.5	61.1	38.4	56.0	60.0	61.0
Consumer price inflation (percentage change; average)	0.4	-0.2	0.6	8.5	3.8	3.3
<b>In percent of GDP</b>						
<b>Public Finance</b>						
Government revenue and grants	42.4	40.9	31.7	40.1	42.0	42.0
Government oil revenue	38.1	37.7	28.7	36.0	38.3	38.4
Expenditures	30.7	39.6	38.1	45.5	43.0	42.6
Wages and salaries	14.3	15.5	20.1	21.7	20.0	19.3
Investment Expenditure	5.5	9.3	1.6	6.0	6.2	6.6
Oil investment	4.2	7.2	0.2	4.3	4.3	4.5
Non-oil investment	1.3	2.1	1.5	1.7	1.9	2.1
Budget balance	11.8	1.4	-6.4	-5.4	-1.0	-0.6
<b>In percent of GDP, unless otherwise indicated</b>						
<b>Public Debt</b>						
Total government debt (percent of GDP)	52.1	46.9	71.4	62.8	57.1	54.2
External government debt (percent of GDP)	27.8	24.3	36.9	32.5	33.0	28.0
<b>Monetary indicators</b>						
Policy interest rate (end of period)	4.0	4.0	4.0	4.0	4.0	4.0
<b>In percent of GDP, unless otherwise indicated</b>						
<b>External sector</b>						
Current account	10.5	5.9	-12.9	-8.2	-2.7	-1.6
Gross reserves (US\$ billion)	64.3	67.6	54.0	46.9	49.0	53.4
Exchange rate (dinar per US\$; period average)	1,183	1,182	1,192	1,450	n.a	n.a

Source: Iraqi authorities, World Bank staff estimates and projections.

### C. Poverty Profile

26. **Social and humanitarian conditions are grave in many parts of Iraq.** Iraq ranks poorly at 120<sup>th</sup> out of 189 countries in the 2019 Human Development Index. The national poverty rate stood at 20 percent in 2017, while the unemployment rate, which was falling before the ISIS crisis, has increased beyond the 2012 level to 9.9 percent. This high unemployment rate comes on the back of a very low LFPR, especially for women. The humanitarian situation is still precarious with 1.4 million IDPs, 4.5 million returnees and over 286,000 refugees<sup>18</sup> susceptible to food insecurity and limited access to public services and livelihood opportunities.

27. **COVID-19 will exacerbate this situation.** As of July 1, 2021, there were over 1,353,458 confirmed cases with over 17,216 fatalities. The number of new cases and deaths are well above the global average Iraq's population size, while the testing rate is well below the global average. The pandemic will have a disproportionate impact on the most vulnerable segments of the population especially IDPs, women, and those in informal employment. Projections, even under low-medium economic impacts, suggest that

<sup>18</sup> Data from unhcr.org, 2020.

poverty would increase by 7 to 14 percentage points; climate change will further exacerbate the risks to the most vulnerable.

28. **The urban-rural poverty gap closed significantly over the decade from 2007 to 2017 but regional/ethno-religious disparities remain.**<sup>19</sup> In 2007, rural poverty was 39 percent, 23 percentage points higher than urban poverty. By 2017, this gap had shrunk to 13 percentage points, with urban poverty stagnant at 14.6 percent (partly due to the 2014 conflict) and rural poverty down to 27.5 percent.

29. **Pre-existing conditions of rising unemployment and underemployment particularly among youth and IDPs are likely to worsen with the current crises.** An additional 2.7 to 5.5 million Iraqis could become poor due to the COVID-19 crisis. This is in addition to the 6.9 million Iraqis already living in poverty. A large vaccination campaign is the only available path for future recovery from the health and economic impact of the COVID-19 pandemic. The GoI has allocated financing from the budget, requested World Bank financing support, and additionally is accessing the COVAX platform to purchase vaccines.

#### D. Main Development Challenges

30. **The main development challenges facing Iraq comprise:** (i) political instability and high levels of insecurity and violence, (ii) lack of fiscal sustainability and good economic governance, (iii) lack of effective, transparent, and accountable public sector institutions, (iv) constraints to private and financial sector development, (v) untapped human capital, (vi) lack of resilient infrastructure for inclusive public services, and (vii) inadequate environment and natural resources management for rebuilding Iraq.<sup>20</sup>

31. **Political Instability and High Levels of Insecurity and Violence:** The fragmented nature of Iraq's power-sharing agreement and uncertainty over the stability of the Government hinder the country's prospects for growth. The constant (re-)negotiation of the distribution of resources (primarily derived from oil wealth) shifts political party and elite incentives to privilege short-term rent distribution over complex economic reform, public service delivery, and long-term productive investment. Centre-periphery relations and notably relations between the Federal Government and the KRG remain highly contentious. Iraq's institutional and legal framework for decentralization remains incomplete, and the Federal Government continues to resist devolving power and resources to lower tiers of Government. While security in Iraq has steadily improved since 2003, Iraq's state authority is undermined by the proliferation of armed groups, including the Popular Mobilization Forces, with strong ties to local and external political actors. Moreover, ISIS and similar Salafi-jihadi groups have not been eliminated and continue to mount underground insurgencies against the state.

32. **Lack of Fiscal Sustainability and Good Economic Governance:** Short-termism dominates economic management in Iraq. For example, the expansion of the wage bill in response to the October 2019 protests was short-term expediency taking precedence over difficult choices. High non-discretionary expenditures leave little for much needed public investment in infrastructure and human capital programs.<sup>21</sup> There is a

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<sup>19</sup> Nationally, poverty in Iraq slowly fell after violence gradually declined from its peak in 2006. However, the ISIS and oil price crises of 2014 mean poverty was estimated to have reached 22.5 percent in 2014, before falling again slightly to 20 percent by 2017 as recovery began (World Bank 2019).

<sup>20</sup> The analysis and information presented in the SCD identified three factors that underlie the continued instability, conflict, and violence in Iraq today – weak governance, oil dependence, and sectarianism. Tackling these underlying constraints will be a long-term undertaking. In the short term, policymakers will need to design reforms that take into account Iraq's insecurity, weak institutions, and divided political and social reality and that provide incentives to stakeholders to uphold them. Both the long-term and short-term types of reforms are essential.

<sup>21</sup> Iraq Economic Monitor: Navigating the Perfect Storm (Redux) Spring 2020, World Bank, May 2020.

persistent under-execution of the investment budget with most of capital spending going towards oil fields. Investment spending has dropped from 9.3 percent of GDP in 2019 to a mere 1.6 percent in 2020 as oil revenues collapsed. This has raised concerns over service delivery, the rising infrastructure gap, uneven decentralization, and a stalled reconstruction program. The Iraqi budget remains largely dependent on oil related receipts which constitute 92 percent of total budget revenues. At 3 percent of GDP, non-oil tax revenues are among the lowest in the world.

**33. Lack of Effective, Transparent, and Accountable Public Sector Institutions:** Despite some improvements, Iraq's public sector institutions and administration remain weak and corrupt. This, along with the public sector's dominance over the economy, is a major obstacle to Iraq economic growth. Corruption is endemic and has reached alarming levels and public money has been siphoned abroad in the form of stolen assets. Distribution of positions according to sectarian lines inhibits meritocratic job allocation. Governorate Councils are slow, burdened by bureaucratic procedures, lack of regulatory frameworks, and relatively inexperienced personnel. Measured as a ratio of public spending to GDP, at 40 percent of GDP in 2019, Iraq's public sector expenditure is one of the largest in the region. The civil service remains a de facto safety net for many Iraqis, its growth driven by unchecked recruitment and fraudulent payroll practices.<sup>22</sup> Despite recent reforms, including the use of biometrics, public institutions remain plagued by a weak civil service, poor accountability, and inefficient financial management systems. Central control persists over subnational governance units, which have limited capacity to tailor services to meet local expectations. Justice institutions are not an exception to the state's weak administrative capacity. The court system is characterized by delay, lack of enforcement of judgments, political interference, and little transparency in how cases are assigned at the courts. Judges further lack protection when adjudicating corruption cases. Access to justice can be very costly, favoring litigants with deeper pockets. As a result, Iraq's courts are often avoided, especially when other means of settling disputes (e.g., tribal, religious, or by force) promise more predictable outcomes.

**34. Constraints to Private and Financial Sector Development:** Iraq's private sector is extremely weak. The country ranks 172<sup>nd</sup> out of 190 economies on the 2020 WBG Doing Business report.<sup>23</sup> Decades of direct state control over the economy, directly and through state-owned enterprises (SOEs) and state-owned banks, is primarily responsible for this situation. Poor governance, elite capture, knowledge gap, limited access to finance, shortages of skilled labor and a difficult regulatory environment have limited the capacity of the private sector, mainly micro, small, and medium enterprises (MSMEs) and businesses to operate and expand. Under-capitalized and under-provisioned SOBs dominate the Iraqi banking and financial sector. Private banks need further institutional capacity and lack access to de-risking tools and programs. The non-banking financial sector and capital market are at early stages of development. An unclear and incomplete regulatory framework constrains microfinance development as well as other financial services including leasing and factoring. With one of the youngest populations in the world—approximately one-third of Iraqi citizens are between 15 and 29-years old<sup>24</sup>—creating quality long-term jobs for Iraqi youth is something that the private sector in general and MSMEs in particular, should lead going forward. This concerns in

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<sup>22</sup> World Bank. 2021. Addressing the Human Capital Crisis : A Public Expenditure Review for Human Development Sectors in Iraq (p.28) <https://documents1.worldbank.org/curated/en/568141622306648034/pdf/Addressing-the-Human-Capital-Crisis-A-Public-Expenditure-Review-for-Human-Development-Sectors-in-Iraq.pdf>

<sup>23</sup> Iraqi private sector comprises mainly of individuals, micro and small companies in addition to a number family owned business groups mainly operating in construction, transportation, trade, and services, as well as light industry. Most of private businesses are owned by sole proprietors and family partnerships, while there are few large, multi-industry conglomerates. However, large private businesses are emerging in ICT, particularly mobile communications, in technical services for the oil and gas sector, and in manufacturing.

<sup>24</sup> World Bank (2015). Performance and Learning Review of the Country Partnership Strategy for the Republic of Iraq.



particular the agribusiness sector, which employs 20 percent of the labor force (of which 50 percent are women), and where increased private sector and MSMEs participation could make a significant difference, should the enabling environment improve.<sup>25</sup> Without well-developed private and financial sectors and a conducive regulatory and operating environment support, opportunities for leveraging the potential in private and financial sectors and their contribution to the sustainable and shared growth particularly for youth, will not materialize.

35. **Untapped Human Capital:** As measured by the World Bank's Human Capital Index (HCI), the future productivity of the labor force is at risk.<sup>26</sup> A child who starts school at age four can expect to only complete 6.9 years of schooling by her 18<sup>th</sup> birthday (and this is further reduced when looked at quality-adjusted years). Key priorities include improving basic skills and service delivery, addressing glaring school infrastructure deficiencies, and aligning learning with labor market requirements through skills development and technical vocational education and training (TVET) programs to enhance employability.<sup>27</sup> Specifically, there is a need for market-driven TVET programs to tackle youth unemployment enhancing employability skills and school-to-work transition for many young people in Iraq.

36. Other concerns include a relatively high under-5 stunting rate (13 percent), which has severe implications for human capital development. Moreover, Iraq has had some of the worst health outcomes among its peers. Under-5 mortality is twice as high as the average for UMICs and far higher than in MENA peers. Life expectancy at birth at 70 years is below the MENA average of 72 years, and non-communicable diseases (NCD) have become the most significant cause of mortality and morbidity. Despite recent increases, Iraq spends considerably less (4 percent of GDP) on health than peer countries. Health sector governance is weak and fragmented. Decentralization has led to governorates assuming the responsibility of delivering health services. But there has been no corresponding increase in capacity or mechanisms for effective coordination. To make matters worse, the lack of effective and efficient social protection programs compound vulnerability and deterioration of human capital. Universal subsidies divert resources away from the poor. Non-subsidy social safety nets (SSN) are inefficient in coverage of the poor and are characterized by high levels of leakages. Iraq's pension system is unsustainable and creates perverse incentives through generous conditions for early retirement.

37. **Lack of Resilient Infrastructure for Inclusive Public Services:** Iraq faces significant reconstruction and rehabilitation needs, as documented in the Iraq Damage and Needs Assessment (DNA), which assessed damages, losses, and needs across 19 sectors in all governorates affected by the ISIS conflict.<sup>28</sup> Delays in implementation, weak governance and regulatory framework, and lack of funding are the primary challenges. Investment needs include the rehabilitation of existing and conflict-impacted roads and bridges, ports and airports, water and sanitation facilities, electricity generation and distribution assets, health and education facilities, municipal services, and housing and accommodation. These priorities are

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<sup>25</sup> Iraq ranks 99th out of 101 economies in Enabling the Business of Agriculture (source: World Bank).

<sup>26</sup> The Human Capital Index measures the amount of human capital that a child born today can expect to attain by age 18 is based on five indicators: (i) the probability of survival to age five; (ii) a child's expected years of schooling; (iii) harmonized test scores as a measure of quality of learning; (iv) adult survival rate (fraction of 15-year-olds that will survive to age 60); and (v) the proportion of children who are not stunted. According to the HCI, a child born in Iraq today will be 40 percent as productive when she grows up as she could be if she enjoyed complete education and full health.

<sup>27</sup> In addition, around 50 percent (6,961 school buildings) of the currently operating 14,032 school buildings need rehabilitation and resources. This includes resource needs to meet basic safety and hygiene standards, such as sewer systems, etc.

<sup>28</sup> World Bank Group. 2018. Iraq Reconstruction and Investment: Damage and Needs Assessment of Affected Governorates. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/29438> License: CC BY 3.0 IGO.



ted to public works and cash-for-work programs, which generate employment.<sup>29</sup> Iraq's fragmented transport infrastructure is an obstacle to national and regional development. Despite the country's vast oil and gas reserves, Iraqis do not have access to adequate electricity for basic needs, which imposes significant costs on the economy and increases the risks of social unrest. There is a need for structural reform, improved governance, and transparency in the sector. The quality of water and sanitation services is also low, unequal, and inconsistent. Inadequate irrigation management has had severe consequences on Iraq's agriculture and riverine environment. On sanitation services, only 28 percent of the population has access to a piped sewerage network. An inefficient and unreliable land administration system is responsible for low rates of formal housing construction. Significant capacity gaps exist in municipal infrastructure and service delivery across all sectors. In all priority infrastructure and services delivery sectors, the role of the private sector remains limited in depth and coverage. Aside from challenging operating conditions, the lack of an enabling regulatory environment and state control further limits the potential for expanding the private sector's role in these priority sectors.

**38. Inadequate Environment and Natural Resources Management for Rebuilding Iraq:** Conflict, pollution and forced displacement have significantly impacted the environment and natural resources in Iraq. Pollution management is important to provide safe living conditions for the Iraqi population. Iraq is also the world's second largest gas flaring nation and a major carbon dioxide and methane emitter. Gas flaring and uncontrolled industrial pollution are posing major environmental challenges across Iraq. Baghdad today is the world's third most polluted megacity.<sup>30</sup> The oil industry's infrastructure is obsolete. However, it is difficult to attract private sector investors due to a weak regulatory system, the industry's weak capacity to deal with oil spills and pollution control, and inadequate emergency response systems.

**39. Climate Change is a Key Risk to Iraq's Future Prospects:** Iraq faces significant economic transition risks in a fast-decarbonizing world. Fifty-nine countries representing 54 percent of global greenhouse gas emissions have already committed to net-zero carbon targets, and many others are expected to follow suit.<sup>31</sup> The European Green Deal is expected to sharply reduce Europe's fossil fuel consumption between 2030 to 2050. This will reduce the demand for fossil fuel exports that Iraq's economy largely depends on. Beyond the expected global decline in fossil fuel demand, mechanisms such as carbon border adjustment taxes in Europe and other developed countries will have significant impacts on trade flows favoring countries that will adopt low carbon industrial and renewable/energy efficient practices. Many corporates including shipping companies have come forward with net-zero targets and called for steep carbon taxes pointing to increasing transition risks for many more industries.<sup>32</sup>

**40. Climate change will also impact the water and agriculture sectors.** These two sectors are critical for Iraq's economic growth and post COVID-19 recovery with agriculture being the largest non-oil contributor to Iraq's GDP and wholly dependent on the water sector. Without an adaptive response, Iraq will be hit hard by the predicted climate change effects, threatening food security, inducing higher volatility of prices, and making the prospect of economic diversification even more challenging. The CPF will help the GoI to start putting in place policies in water and agriculture sectors through current projects and advisory and analytical services in the first Phase. These policies will allow the GoI to improve domestic water usage and increase agricultural yields and lay the groundwork for possible investments in the water and agriculture sectors in Phase 2.

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<sup>29</sup> United Nations Policy for Post-Conflict Employment Creation, Income Generation, and Reintegration, 2009.

<sup>30</sup> In terms of PM<sub>10</sub> concentration.

<sup>31</sup> <https://www.wri.org/events/2021/6/net-zero-targets-which-countries-have-them-and-how-they-stack>

<sup>32</sup> [https://www.rigzone.com/news/wire/maersk\\_wants\\_150\\_a\\_ton\\_carbon\\_tax\\_on\\_shipping\\_fuel-03-jun-2021-165587-article/](https://www.rigzone.com/news/wire/maersk_wants_150_a_ton_carbon_tax_on_shipping_fuel-03-jun-2021-165587-article/)

### III. WORLD BANK GROUP PARTNERSHIP

#### A. Government Program and Medium-term Strategy

41. **The Gol’s strategic and policy documents guide the WBG’s work in Iraq.** These include the National Development Plan 2018-2022, the Poverty Reduction Strategy 2018-2022, and Iraq Vision 2030. In October 2020, Iraq’s Council of Ministers approved the Gol’s White Paper on economic reforms.<sup>33</sup> The White Paper establishes the following reform pillars:

<b>Pillar One</b>	<b>Achievement of sustainable fiscal stability.</b> This includes reducing public spending, developing an effective system for increasing revenues and strengthening cash flow and PFM systems.
<b>Pillar Two</b>	<b>Achievement of reforms emphasizing productive sectors and green job creation.</b> This includes reforming the financial sector, supporting key economic sectors, including climate-smart agriculture and food security, and developing the private sector.
<b>Pillar Three</b>	<b>Upgrading infrastructure to serve the development of future industries.</b> This includes reforming and decarbonizing of the electricity sector, developing a flexible and comprehensive digital economy, creating an effective transport sector, delivering climate-resilient infrastructure, and creating free zones and industrial zones to attract investment.
<b>Pillar Four</b>	<b>Provide essential services, directing social care with priority given to poor segments and protection during and after reform.</b> This includes climate-resilient drinking and irrigation water and sewage systems, social protection nets and unified subsidy programs, retirement systems, and schools.
<b>Pillar Five</b>	<b>Develop governance, legal and administrative environment to empower institutions and individuals to implement reform.</b> This includes transparency and effectiveness in public procurement, an effective public administration, and governance and business environment reforms

#### B. Stakeholder Consultations

42. **The WBG conducted a series of virtual consultation sessions as an input for this CPF.** Participants included government officials, members of civil society, unions, the Development Partners Forum, among others. Gol representatives recommended that the CPF draw on lessons from previous engagements to help speed up implementation of WBG-financed projects. Private sector participants and civil society groups – as well as the Development Partners Forum – noted that corruption and poor governance are key obstacles to economic development and to efficient public expenditure and service delivery. Other

<sup>33</sup> Iraq’s Parliament approves government programme. Government of Iraq. May 7, 2020: <https://gds.gov.iq/iraqs-parliament-approves-government-programme/> The Bank’s upstream advisory support helped inform the Government’s White Paper.

suggestions touched on the need to focus on youth, improve access to credit, support businesses and create/improve access to livelihood/employment opportunities. The consultations indicated support for the CPF's focus on human capital development and measures to prevent depletion of physical capital. The consultations also highlighted that vulnerable groups find it hard to access resources. The CPF reflects these priorities in its two pillars as well as the foundational elements that focus on public sector governance and peace building, as well as enabling the private sector.

### C. Proposed WBG Country Engagement Strategy

43. **CPF implementation will incorporate the principles of selectivity.** To promote selectivity, the WBG is focusing on interventions based on the priorities set by the GoI White Paper Implementation Plan as well as priority areas identified in the latest Country Economic Memorandum and other analytical work. The programs will be screened based on the impact, implementation capacity of the concerned agencies, as well as the political economy dynamics. To promote a risk-based selectivity lens, interventions will also include a governance and peacebuilding screening to ensure a deeper understanding of the political economy both in designing interventions and in undertaking those that are most likely to be sustained given the country's own reform focus. Interventions will focus on urgent needs and prioritize activities that provide direct support to poor and vulnerable communities. The CPF will also provide a framework for selecting engagements based on implementation readiness while maintaining flexibility. In this context, the WBG will focus on sectors with good portfolio performance such as urban and transport sectors. Early interventions in Phase 1 will try to establish inroads into deepening reforms and building institutions, capacity, and building systems for sustainability during Phase 2. The CPF will emphasize sustained coordination and complementarity with activities of other development partners active in Iraq and encourage regional investments into Iraq.

### D. Lessons Learned from Previous CPS/PLR 2013-2017 and Stakeholder Feedback

44. **Almost two decades of sustained engagement in Iraq have resulted in an accumulation of a wealth of experience on the country's economic and political context.** Key lessons include the importance of national ownership, building the capacity of public institutions for sustainable development, working in partnership with international partners to drive governmental reforms, adopting flexible and adaptable approaches in mobilizing resources, and adopting innovative approaches to progress in the implementation of the portfolio in the field under challenging political and security situations.

45. **The CPF draws lessons from the Completion and Learning Review (CLR).** The CLR concluded that the development outcome of the FY2013-2016 Country Partnership Strategy (CPS) was Moderately Satisfactory and that the WBG performance was Good. The key lessons of the CLR, which helped develop this CPF, are presented below. In particular, the CPF focuses on renewing the social contract, leveraging partnerships for delivering the WBG program, and using innovative and flexible implementation modalities.

- **Flexibility, response speed, and a multi-sectoral approach are critical to ensure that WBG programs respond to FCV dynamics.** The adaptation of the WBG program in response to the oil price decline and ISIS insurgency and the launch of the Emergency Operation for Development (EODP) charted new ways of WBG engagement in FCV contexts. Adapting to fluctuating conditions on the ground and adjusting the program based on new developments is critical. As such, the CPF has adopted a phased approach to build in flexibilities to course correct based on changing conditions on the ground.

- **Deploy innovative solutions to support the design and implementation of Bank-financed operations.** The Bank has taken advantage of cutting-edge technology and tools like satellite imagery, remote sensing, dynamic needs assessment and social media analysis, to ensure efficient design and implementation of its operations. Expanding third-party monitoring mechanisms would permit adequate implementation oversight, given that security concerns limit access to project sites. The CPF will continue to utilize these mechanisms and technologies and explore new and agile ways to implement the program.
- **Despite conflict and uncertainty, it is possible to support investments that have an immediate impact on citizens' quality of life.** This is critical for renewing the social contract between citizens and the state. This was a key lesson from water supply and irrigation projects implemented in Iraq. As such, the CPF will focus on transparency and accountability in an effort to forge a new social contract.
- **Even in situations of conflict, there is significant scope for WBG collaboration.** The Independent Evaluation Group notes that in Iraq, IFC and MIGA “helped mobilize private resources to achieve critical objectives in infrastructure.”<sup>34</sup> With a wide spectrum of risks posed by Iraq’s FCV status, de-risking instruments can alleviate impediments to private sector investments. As such, the new CPF, which is a joint Bank-IFC-MIGA Strategy, will continue to rely on and enhance this collaboration, which is particularly important in the context of the private sector foundational element to the CPF Pillars.

46. In addition, the CPF draws on lessons learned over the last nearly two decades of WBG engagement in Iraq (see Box 2). There have been periods of intense engagement and momentum for reforms, but the country has also seen reversal of some of these reforms in political transitions. There have also been periods of more limited financial support in Iraq, for instance over the last three years, where the WBG has persisted in supporting difficult but important reforms (like PFM) through the ongoing portfolio, rebuilding infrastructure and restoring service delivery in liberated areas (e.g. through EODP), in undertaking analytics that can provide the evidence base for shifting the development trajectory (e.g. through the Public Expenditure Review for Human Development Sectors and the importance of a human capital focus), and in stimulating public discourse (e.g. through the Economic Monitors) to increase the social pressure for change in areas such as budget transparency. In other words, the authorizing environment for the level and type of reforms in Iraq may change, but the consistency of WBG engagement remains.

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<sup>34</sup> CLR Review. December 6, 2017. Independent Evaluation Group. World Bank.

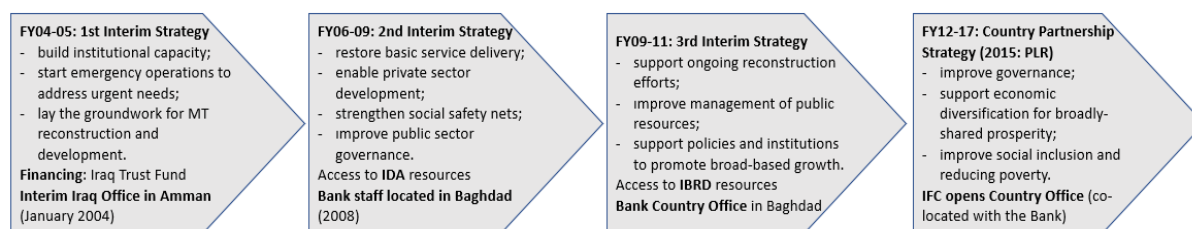
## Box 2: Evolution of WBG Engagement in Iraq

**WBG engagement in Iraq has evolved since 2004, the year that the Saddam Hussain regime was overthrown, followed by an abrupt transformation to a new, federal structure.** In an uncertain economic and political environment, the WBG's early engagement followed a series of interim strategies built on a Needs Assessment, which identified the reconstruction and development challenges of a country that had been ravaged by wars and conflict. WBG support has consistently centered around a vision for priority areas of intervention including the restoration of basic services, strengthening social safety nets, improving public sector governance, and enabling the private sector. The WBG's engagement was further underpinned by accumulated implementation experience as well as informative political and economic analyses, which eventually led to engagements that were of a medium-term nature. Annex 7 presents a summary of WBG engagement in Iraq from 2004 onwards.

Over the past two decades, the country witnessed significant challenges, including interim governments, ethnic violence and civil unrest in 2005-07, the National Assembly Elections in 2010, withdrawal of U.S. military troops in 2011-13, the twin shocks of ISIS and drop of oil prices in 2014, demonstrations and a caretaker government in 2019, and a sharp decline in oil prices in 2020. The WBG remained engaged throughout and leaned heavily on flexibility and adaptability in program planning as a means to support the program in Iraq.

The WBG also focused on both immediate and urgent responses at the time of hardship, complemented by medium/long-term institutional and policy level reforms at times of revenue surplus and relative political stability. Such flexibility to respond to a dynamic ground situation has been reflected in the variety of financial instruments utilized in Iraq, including over US\$2.6 billion of budget support through development policy loans in 2015-17, as well as emergency IPF's including the US\$750 million Emergency Operation for Development for the reconstruction of damaged infrastructure and restoration of public services in areas liberated from ISIS.

### WBG Engagement in Iraq: Summary of Previous Strategies



### Structure of the CPF

47. **This CPF is organized under two pillars that align with Government priorities – (i) improved governance, service delivery and private sector economic participation, and (ii) strengthened human capital.** These pillars are designed to make inroads into addressing Iraq's main development challenges.

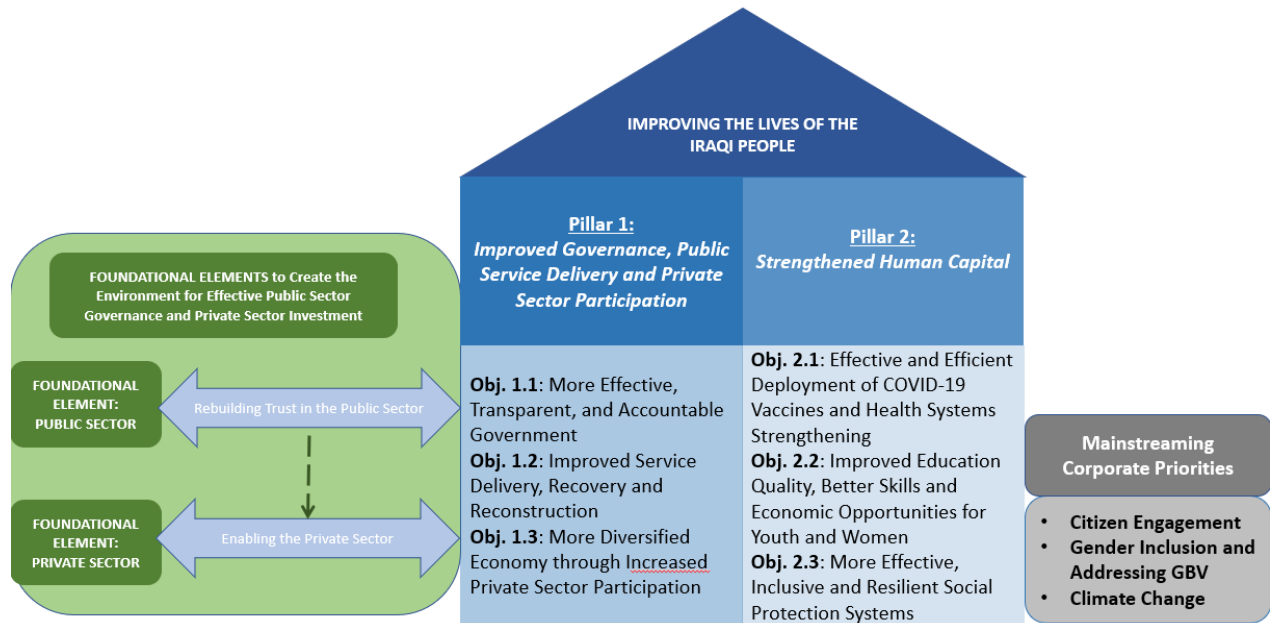


**Table 2: Alignment of CPF with Main Development Challenges and Government Priorities**

Main Development Challenges	Government Priorities	WBG CPF Pillars
Political instability and high levels of insecurity and violence	<b>Pillar 1:</b> Achievement of sustainable fiscal stability	<b>Pillar 1:</b> Improved governance and public service delivery and private sector participation
Lack of fiscal sustainability and good economic governance		
Lack of effective, transparent, and accountable public sector institutions	<b>Pillar 2:</b> Achievement of macroeconomic reform that emphasizes productive sectors and job creation	
Constraints to private and financial sector development	<b>Pillar 3:</b> Upgrading infrastructure to serve the development of future industries	
Inadequate environment and natural resources management for rebuilding Iraq		
Untapped human capital	<b>Pillar 4:</b> Provide essential services, directing social care with priority given to poor segments and protection during and after reform	<b>Pillar 2:</b> Strengthened human capital
Lack of resilient infrastructure for inclusive public services	<b>Pillar 5:</b> Develop governance, legal and administrative environment to empower institutions and individuals to implement reform	

48. **The two foundational elements that need to be bolstered to reinforce the success of the CPF and its objectives focus on the path to greater effectiveness of the public and private sectors.** As illustrated in Figure 3 below, while objectives in Pillar 1 relate to both **governance** (Objective 1.1: More effective, transparent, accountable government) and **private sector development** (Objective 1.3: More diversified economy through increased private sector participation), with specific targets in both, it is important to recognize that effective investments from both the public and private sector are needed in order to deliver on the CPF objective through activities outlined under both pillars. This journey to effectiveness includes rebuilding trust between the citizens and the state and enabling the private sector. Progress will be attained by applying a governance and peacebuilding lens (see paragraph 64) to identify opportunities for better, more inclusive, and more conflict-sensitive design and implementation of interventions across the CPF program; and to identify opportunities for the private sector to enter, grow, and compete on a level playing field across the sectors. The needs in Iraq for service delivery, recovery and reconstruction, as well as embarking on the next phase of the human capital agenda, are immense and the public sector alone cannot meet these needs. At the same time, progress in Iraq will require all public sector interventions to help rebuild trust, promote accountability and inclusion, and mitigate fragility drivers. Rebuilding trust will entail engaging civil society and private sector actors and building coalitions for change. In such a way the CPF foundational elements will create a virtuous cycle of entry points for reforms under Objectives 1.1 and 1.3, but with a broader lens to be applied to all interventions under the CPF to infuse an understanding of both the good governance required to rebuild trust and levers for crowding-in the private sector to improve the design and success of implementation. It will also bolster the foundational elements themselves.

**Figure 3: CPF Objectives Delivered through Two Pillars, Reinforced by Foundational Elements**



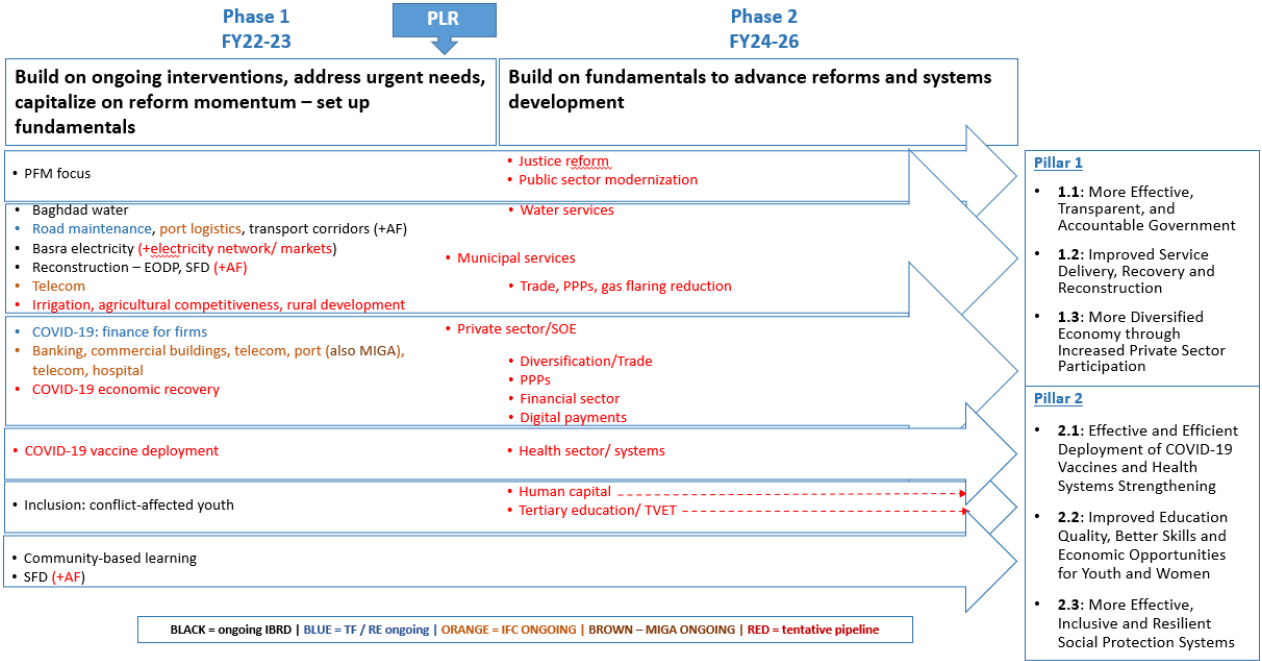
49. **The Iraq program will continue to look for opportunities to mainstream important corporate priorities.** The CPF program supports three corporate priorities – citizen engagement, gender equality, and climate change – and has been designed to address these key drivers of fragility. The CPF supports a Green, Resilient, and Inclusive Development (GRID) approach, which is especially relevant for climate-stressed Iraq. The long conflict has left deep economic scars that have likely worsened due to the COVID-19 pandemic. The poor and vulnerable will suffer disproportionately. The country’s climate risks are also high – and the Government is committed to its nationally determined contributions – and environmental degradation is a serious concern. A GRID approach would help address such issues while also unlocking opportunities that would not otherwise be possible. For instance, identifying greener paths for service delivery will not only open up new sources of financing for Iraq but also improve its longer-term physical and economic resilience to climate shocks.

### Two-Phased Process for Adaptability

50. **The CPF will adopt a phased and adaptive approach.** Phase 1 will broadly cover the first 24 months, the time period anticipated for the election and formation of the new government. The CPF program in Phase 1 will primarily support crisis response interventions focusing on high-priority and attainable interventions such as fair and equitable vaccine deployment, social safety nets for poor and vulnerable, and improved service delivery through community public works. This Phase will have a dual goal of rebuilding trust and improving livelihoods in the context of COVID-19, as well as supporting the establishment of the foundation for increased private sector participation in priority sectors. During Phase 1, technical support will also be provided to line agencies to prepare the foundations for deeper reforms that a new government would be best placed to own and implement. In Phase 2, which would be preceded by a PLR, the WBG will provide an enhanced level of support to implement medium-term reforms to modernize the public sector, diversify the economy, boost the private sector – especially toward a greener and more inclusive growth path, invest in human capital – especially through systems strengthening and increasing the relevance of the education system to a successful job market transition, and develop a

modern unified national registry and social protection system. Figure 4 presents a summary of the phased approach, highlighting ongoing and potential interventions in each phase. Annex 4 provides details of the active portfolio as well as a preliminary pipeline of interventions that will be finetuned in collaboration with Government during the CPF period.

**Figure 4: CPF Phases, Ongoing and Potential Interventions**



**E. Objectives Supported by the WBG Program**

**Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation**

51. **Improving governance, effectively delivering services, reducing the role of the state in the economy, and expanding the role of the private sector remain central to Iraq’s progress.** Political and macroeconomic instability, an extended role of the state in the economy, corruption, poor service delivery and lack of jobs are key risks to the country’s long-term development. To address these challenges, Iraq urgently needs to focus on fundamental reforms that promote transparency, accountability, and economic efficiency, in public sector governance, public finances, public service delivery and in restructuring the economy. In this context, several fundamental reforms are necessary. Existing accountability mechanisms and institutions (fiscal transparency, including for oil revenue collection and management, access to information, disclosure of income, external auditing, assets and financial interest by public officials, regulatory governance and the rule of law, financial integrity, including with regard to capital outflows, etc.) need to be further mobilized and strengthened to help rebuild public trust in Government. A review of public investment management under the ongoing Infrastructure Sector Assessment Program (InfraSap) will help improve the effectiveness of capital expenditure at both central and governorate levels.

52. **To improve service delivery and accountability, sustained efforts to facilitate citizen feedback and improve their satisfaction are necessary.** This can be achieved by, for example, leveraging e-government tools such as mobile-based citizen feedback platforms or repeat surveys of public services end-users. To ensure greater social inclusion, activities under this pillar will promote women’s participation and create opportunities for them to take on leadership roles and be involved in decision-making. An



enabling framework for Public-Private Partnerships (PPP) and private sector participation is needed to enhance the ability of the private sector to coordinate and partner with public institutions on infrastructure development and delivery of other services. A focus on MSMEs as well as sector-specific enabling reforms in the digital, agricultural, construction, services and tourism sectors will be important as these sectors will drive growth and diversification in the economy (see Annex 10) and support delivery of basic services. There is also an urgent need to address priority reforms in the financial sector, especially to restructure state-owned banks and to increase access to finance for MSMEs.

### **CPF Objective 1.1: More Effective, Transparent, and Accountable Government**

**The WBG program will support economic governance reforms aimed at promoting growth enhancing policies and improving government effectiveness and strengthening accountability.** The proposed interventions will balance top-down reforms (fiscal reforms, business environment reforms, integrated financial management and information system and civil service reform) with bottom-up institutional changes to ensure greater ownership by citizens and long-term sustainability of the reforms. Public-private-citizen centric dialogue is key to business environment reforms for growing the private sector. In support of government accountability, the Bank will also support fiscal transparency, including with respect to collection and management of oil revenue, anti-corruption risk mitigation, including through the enforcement of mandatory disclosure of income, asset and financial interests by public officials, the fight against illicit financial outflows and forensic auditing, the strengthening of SOEs oversight and public procurement, integrity, and citizen engagement in reconstruction programs. To support justice and the rule of law, the Bank will carry out, among others, a Judicial Needs and Institutional Performance Review to establish a knowledge base and provide a sound basis for future Government reform plans. Data transparency remains a critical input for increased accountability and rebuilding trust, improved service delivery for Iraqis, and creating a more credible and predictable environment for private sector activity. For priority business environment reforms, a joint World Bank-IFC technical assistance (TA) is under discussion. MIGA will seek to support private sector development through its ongoing political risk guarantee program. These reforms will not only contribute to a more transparent governance structure, but that structure itself will create an enabling environment for private sector development.

### **CPF Objective 1.2: Improved Service Delivery, Recovery and Reconstruction**

53. **The WBG will support this objective through several activities.** This includes support for government and private investment in climate-resilient and decarbonized infrastructure for public service delivery and connectivity. This would include support through trade policies and trade facilitation, continued efforts along the security-development nexus, improved municipal services, and improved access for households to basic public services. Through the Iraq Social Fund for Development Additional Financing (AF), the WBG will support community public works to generate livelihood support and improve public service delivery. These activities will help deliver critical services and help include marginalized groups such as women and IDPs. To further support national and regional connectivity, and along the regional economic corridors supported by the Transport Corridor Project, the WBG will support the GoI in developing a roadmap towards green, resilient, inclusive and integrated connectivity infrastructure through private sector partnerships that would catalyze growth, investments, and private sector job creation. Additional financing will consolidate progress made under existing, well-performing transport and electricity projects. Regional markets for energy as well as regional infrastructure for connectivity and trade are both important in this regard. Regional dialogue and cooperation with its neighbors will also be important on managing climate change, water resources, and agricultural value chains. An agriculture competitiveness project would boost the sector as well as rural employment. IFC support includes

investments in sectors such as agribusiness, logistics, health, banking and financial services, power, and manufacturing. There is also a variety of activities in the pipeline to support progress in water supply and sanitation, agriculture, housing, and land administration, among others.

54. **Reconstruction needs remain immense even a decade after the Iraq War.** Despite the success of the ongoing EODP and substantial support to reconstruction in liberated areas, these interventions are of limited scale compared to the needs. Going forward, while we will build on the successes of EODP, the Bank will look at country-wide needs through improvements in municipal service delivery as well as housing. The role of land and property rights is critical for the success of these activities, and a modern and transparent land administration system will be supported. MIGA will work closely with the World Bank and IFC to identify opportunities to support FDI toward post-conflict reconstruction and improvements in service delivery, especially in the energy, transport, and financial sectors.

### **CPF Objective 1.3: More Diversified Economy through increased Private Sector Participation**

55. **The WBG program will support economic diversification reforms and promote increased private sector engagement in the economy.** There are two main focus areas that the WBG will pursue. First, the WBG will support investment and business climate reforms including those measured by the Doing Business, as well as improving the regulatory environment for private sector development. Second, given limited fiscal space, there is a need to continue mobilizing private sector participation, be it through direct and joint public-private investments, or through PPP structures across all priority sectors. IFC investments and advisory support will focus on priority sectors such as renewable energy, gas flaring, electricity transmission, agribusiness value chains, conventional and digital banking, trade finance, financial services, aviation, and port terminals. MIGA's political risk guarantees will be critical to facilitate foreign private investment into Iraq's economy in light of the country's challenging operating environment and high-risk perceptions among investors. MIGA will continue to identify opportunities to mobilize FDI towards diversifying Iraq's economy, especially from intra-regional investors that have shown resilient appetite to invest in Iraq, which could provide needed investment in light of the large financing needs for the reconstruction of Iraq. Improvement of the investment climate and development and introduction of risk mitigation products and programs, will be critical to mitigate implementation risks for IFC and MIGA during the CPF period, given weak investor confidence, a potential constraint to demand for both capital and investment guarantees.

56. **The WBG will support the GoI in key areas of financial sector reforms and in developing digital payments systems.** With a combination of sector and firm-level interventions, the WBG, in partnership with the Central Bank of Iraq and other designated Government authorities, will expand its engagements to reform the legislative and operating environment for banks and the overall financial sector. The immediate focus will be on digital financial services and transformation, and Phase 2 support will focus on reforming and restructuring state-owned banks. Specifically, IFC will provide dedicated technical assistance and capacity building in areas of investment climate reform including those measured by the Doing Business index such as access to finance, insolvency, construction permits and company registration, among others. IFC also intends to strengthen the entrepreneurship ecosystem in Iraq to spur job creation, including through conducting a Local Ecosystem Diagnostic and studies for entrepreneurship and SMEs. The CPF program will also help implement recommendations of the Financial Sector Assessment Program and support the enactment of laws to facilitate electronic payment systems. There will also be support for the rollout of national identification, strengthening the bank licensing regime, operationalization of the Deposit Insurance Scheme, and implementing recommendations of the National Risk Assessment of Money

Laundering and Terrorist Financing Risk. In addition to ongoing TA to support this objective, there is a possibility of providing lending support during Phase 2 of the CPF.

## **Pillar 2: Strengthened Human Capital**

57. **Iraq's Human Development indicators have drastically deteriorated over the past two decades.** The COVID-19 pandemic will worsen this situation. Addressing the pandemic and its social impact is now a top GoI priority. More entrenched human capital challenges facing Iraq are driven by inefficiencies and inequity in the quality and delivery of services in both health and education. The labor force is deficient in employable skills. Iraq also suffers from inadequate health spending, high out-of-pocket expenditures, and a relatively high burden of NCDs. Iraq must urgently scale up its efforts to strengthen its health and education systems, particularly in the context of COVID-19. Iraq also needs to strengthen its social protection system to support the high share of people who fell into poverty and help build resilience to current and future shocks. To support this pillar, the CPF will target three objectives in human capital development, vaccines and health, education and social protection. The private sector has an important role to play in support of objectives under this pillar.

### **CPF Objective 2.1: Effective and Efficient Deployment of COVID-19 Vaccines and Health Systems Strengthening**

58. **The WBG is committed to supporting the GoI in alleviating the immediate impact of the COVID-19 pandemic and strengthening the country's capacity and preparedness to address COVID-19 and future disease outbreaks. The GoI is prioritizing the procurement and deployment of COVID-19 vaccines.** Iraq has already fully paid for 16 million doses of vaccines from the COVAX Facility and has signed an agreement with Pfizer to procure 3 million doses of the vaccine. In total, this will cover 24 percent of the population. As of July 1, 2021, about 805,000 doses have already been administered with about 257,000 people fully vaccinated. Under the Iraq Reform, Recovery and Reconstruction Fund (I3RF), the WBG has been providing technical assistance to support Iraq's health system to scale up its emergency response, strengthen epidemiological surveillance and improve COVID-19 testing and clinical care, as well as just-in-time support in vaccination. To further support the GoI's vaccination objectives, the Ministry of Finance has formally requested US\$100 million for vaccine procurement and deployment, including relevant health systems strengthening investments and activities.

59. **The WBG will also help ensure equitable access to quality primary healthcare services, including development and costing of a primary healthcare package of services including NCDs.** The GoI has expressed interest in WBG financial support for health systems strengthening. A new health project would be developed in fiscal year 2022 to support this objective. The project would support investment in health infrastructure and equipment, as well as activities to improve access to and quality of health services. Since primary health care providers are often the first formal point of contact for Gender Based Violence (GBV) survivors, it could entail a component to improve access to health services for survivors, including medical treatment as well as a functioning case management and referral system. To establish a base for improving public investment in health, the WBG will build on the recently completed public expenditure review which focused on human capital and develop policy proposals using World Bank TA. The Bank will continue to provide TA under I3RF to support the GoI's efforts to improve the coverage and quality of health services, among which is the implementation of the recently approved Social Health Insurance Law. Key results in the first two years of the CPF would include the development of a primary healthcare package of services including NCDs and higher utilization of primary healthcare services.

## CPF Objective 2.2: Improved Education Quality, Better Skills and Economic Opportunities for Youth and Women

60. **Iraqi children are facing a “lost year of learning” due to COVID-19 related school closures, when learning outcomes were already among the lowest in MENA.** Recent World Bank estimates suggest that up to 0.9 learning-adjusted years of schooling may be lost, on average, as a result of these school closures, from an already low baseline of a total of only four years, the lowest in MENA. While the Ministry of Education (MoE) has provided learning through an online platform and television, its focus has mostly been on students in higher grades sitting final exams. The Bank will help the MoE, through its ongoing operations and TA, in expanding these remote learning opportunities to all grades and students to ensure equitable learning.

61. **Beyond immediate crisis response, the WBG will focus on helping Iraq overcome the learning crisis and expanding access to skills and economic opportunities for youth and women.** In the short term, the WBG will use I3RF resources to support innovative education service delivery, especially through a localized community approach to mitigate learning loss and prevent further dropout due to the recent crises, and to develop institutional capacity for improving employability of university graduates in national development priority areas. Building on the I3RF interventions, the WBG intends to support, through a planned Human Capital Recovery Project, the improvement of foundational skills including basic literacy and numeracy. This entails building the technical capacity of the MOE, improving quality inputs to learning, including early grade materials and teacher competencies and skills set, improving the education infrastructure and creating efficiencies within the system. The WBG will also support the GoI in monitoring and assessing the education system and student progress including Iraq’s first ever participation in an international learning assessment. Furthermore, the WBG will help Iraq address skills mismatches and expand economic opportunities and entrepreneurship programs especially for youth, women and vulnerable communities that are essential to rebuilding Iraq’s human capital. Livelihood, vocational trainings, and life skills trainings specifically targeting adolescents show promising impacts on GBV reduction and could be used to support GBV survivors and those at risk. The WBG will also support a set of surveys to understand the formal enterprises and informal business activities and identify skills gaps.

## CPF Objective 2.3: More Effective, Inclusive and Resilient Social Protection Systems

62. **The WBG will support the Government to build effective and inclusive social protection systems.** The WBG will continue to support the GoI to protect the poor and vulnerable through well targeted and inclusive SSN and the provision of community-driven quality social services; as well as interventions that provide emergency support and increased access to job opportunities for the poor and vulnerable. To avoid unintended negative impacts of short-term social welfare support, such as increased household tensions through changing gender roles, these types of programs will be combined with behavioral components, e.g., in “social protection/ economic empowerment plus” programs. The WBG will help strengthen the building blocks of the GoI’s main social safety net program, including through non-financed matrix which could be used to leverage financing from development partners. These reforms could include: (i) improving the coverage, effectiveness and efficiency of the GoI’s main SSN, the Ministry of Labor and Social Affairs Cash Transfer Program, and the Public Distribution System (PDS) managed by the Ministry of Trade; (ii) establishing the Single Social Registry for Iraq; (iii) supporting the integration of the public and private pensions schemes through the adoption of a integrated social insurance law that respects the principles of a well-designed pension system; and (iv) supporting independent worker status through the adoption of a law that creates a special status for independent workers, which include self-employment, freelancers, gig

workers and others, thus allowing them to formally perform their livelihoods activities and reduce informal employment in Iraq.

## Foundational Elements to the Two Pillars: Creating the Conditions for Effective Public and Private Sectors

### Rebuilding Trust in the Public Sector

63. **A governance and peacebuilding lens will be applied across the WBG engagement under this CPF.** Its purpose is to improve the development effectiveness and implementation of ongoing operations as well as the design of forthcoming ones by helping factor into project design political economy dimensions and helping unlock bottlenecks to successful implementation of the country program. Such a lens has been successfully applied in several countries and will build on practical experience, including the Governance Facility in the Maghreb. The governance and peace building lens will rest on a core multi-disciplinary team of seasoned operational staff from three Global Practices (Governance, FCV, and Social Development), which will provide operational support to project preparation and implementation as well as non-lending technical assistance engagements by helping address political economy, governance and conflict challenges across the two pillars of the CPF as well as crosscutting themes. This core team will build a community of practice within the country team to mobilize its experience and expertise on those dimensions as well as local knowledge and expertise which is critical to effectively understand the country context and dynamics in all its complexity, nuances and regional variations.

### Enabling the Private Sector

64. **Supporting an empowered private sector will play an important role in renewing the social contract in Iraq through improved service delivery and economic opportunities.** In line with WBG's mobilizing finance for development approach, the Iraq CPF recognizes that increasing private sector participation is the basis for a sustainable solution to leverage scarce public resources in addressing Iraq's developmental challenges while advancing corporate priorities. Creating the enabling environment for an expanded role for the private sector in Iraq at all levels (corporate and MSMEs) will have a sustainable impact across all CPF pillars and objectives, and that would go beyond creating jobs, as it would improve the service quality. Reforming SOEs and creating a level playing field, addressing weaknesses in the business environment, and building capacity of Iraqi MSMEs to operate and expand will result in a more vibrant private sector, which will open up the space for entry into new markets and gradually help move Iraq toward a more diversified economy. In addition, leveraging the private sector in meeting Iraq's human capital potential, both in terms of education and skills as well as health, will be instrumental in contributing to achieving the human development objectives in this CPF. Meeting the expectations of the Iraqi citizens will give them a stake in the country's civil institutions and the underlying peace that is needed for them to function, which over time would build Government credibility with its citizens.

65. **Supporting Iraq's development requires sustained WBG-wide collaboration to facilitate increased private sector participation in Iraq's economy.** Given the high-risk environment of Iraq, a WBG-wide approach is needed. The World Bank will apply a private sector lens to its future operations to identify if enabling conditions can be created for the private sector to improve implementation outcomes. For its part, IFC will work to utilize traditional instruments, mobilize co-financiers as well as integrate more innovative instruments such as blended finance, de-risking tools, and partial risk guarantees to help support commercially viable and sustainable projects. IFC upstream along with the World Bank and MIGA will pursue opportunities to co-develop and collaborate with private sector sponsors and the Government to design projects that are bankable and scalable. The existing Creating Markets Advisory Window (CMAW)

will work to: (i) support capacity building of potential private sector clients; (ii) undertake scoping and analytical work; (iii) provide TA to the government in areas related to private sector development, including PPPs, business regulatory environment reforms, and (iv) facilitate entrepreneurship opportunities for vulnerable communities in Iraq. MIGA's political risk guarantees will similarly be helpful to facilitate foreign private investment into Iraq's economy in light of the country's challenging operating environment. Over the CPF period, MIGA will work together with the World Bank and IFC to identify eligible cross-border investment projects in support of post-conflict reconstruction and economic diversification. MIGA will seek to deploy its Conflict-Affected and Fragile Economies Facility (CAFEF) to enable greater support for projects in Iraq, while also exploring opportunities to collaborate with other political risk insurance providers from the region, such as the Islamic Corporation for the Insurance of Investments (ICIEC) and Export Credit and The Arab Investment and Export Credit Guarantee Corporation (Dhaman).

### Mainstreaming Corporate Priorities

66. The CPF will mainstream three corporate and regional priorities – citizen engagement, gender equality as well as gender-based violence, and climate change. All three are especially important for Iraq and its future prospects.

#### Citizen Engagement

67. Although increasing voice, inclusion and accountability are key aspects of renewing the social contract and legitimacy of the Iraqi State, Iraq's performance in these areas is limited. This is due to the lack of effective mechanisms for citizens and civil society to express their views or hold the Government accountable for the provision of public services and security. Its score of 1.5 (on a scale of 1 to 5) on the World Bank's regulatory governance indicators attests to limited transparency of rulemaking and almost no scope for public consultations.

68. **Citizen Engagement (CE) is a key part of Pillar 1 and mainstreamed in Pillar 2 as well.** In 2019, Iraq's transparency score in the biennial Open Budget Survey was 9 out of 100.<sup>35</sup> Improving this score by publishing key budget documents will be a key CPF result. A second key result is enhancing the use of e-Government tools for efficiency, CE, and social inclusion. A CE training program on utility provision would provide the necessary skillset for Government officials to enable them to meet objectives under Pillar 1 and Pillar 2. Citizen satisfaction surveys would help enhance results under objective 1.2. Citizen satisfaction measured through an ICT-based Grievance Redress Mechanism (GRM) system would provide insights on progress of utility reforms. This GRM system would address inquiries and grievances and provides feedback in a timely manner and would be integral to achieving Pillar 1 and Pillar 2 objectives. Under Pillar 2, expanding coverage of a cash transfer program is a key result for CPF Objective 2.3: More Effective, Inclusive and Resilient Social Protection Systems. Initiating an ICT-based GRM, which through various channels, addresses inquiries and complaints and provides feedback timeously, would help achieve the said objective. Citizen satisfaction surveys and scorecards would help enhance social accountability and results under objectives 1.2, 2.1, 2.2 and 2.3, by providing channels for citizens to provide feedback on the performance of the health, education and social protection sectors. At the policy level, the adoption and dissemination of service delivery charters in these sectors will establish performance benchmarks, and measure progress vis-à-vis these benchmarks, measured in part based on feedback from beneficiaries.

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<sup>35</sup> Open Budget Survey, Country Results: <https://www.internationalbudget.org/open-budget-survey/country-results>, dd: 10.11.2020.



## **Gender Inclusion and Addressing Gender-Based Violence (GBV)**

69. **Gender inequalities, exacerbated by conflict and fragility and the COVID-19 pandemic, also undermine Iraq’s social cohesion, produce gender-based vulnerabilities and risk of GBV and reduce economic opportunity.** In line with the requirements of OP/BP 4.20 on gender assessment, this CPF addresses gender inequality in multiple dimensions – economic opportunities, voice, and agency as well as a focus on GBV. Gender equality will be supported through both CPF pillars. Under Pillar 1, the CPF program will help improve women’s participation, representation, and leadership by promoting and facilitating women in decision-making and technical positions and by ensuring that gender-differentiated constraints and needs are considered in developing and implementing activities under this Pillar. Under Pillar 2, ensuring equal access to social protection programs between women and men will contribute to promotion of women’s employment and entrepreneurship and their asset ownership and control, and improving social inclusion and reducing poverty.

70. **In line with the forthcoming Regional GBV Action Plan for MENA, the CPF will contribute to reducing GBV risks and improving access to services for GBV survivors and those at risk.** Providing high quality health services for GBV survivors is a key recommended entry point for World Bank programming in Iraq under CPF Objective 2.1. Health services for GBV survivors will be accompanied by developing functioning case management and referral systems and integrating them into health systems, where possible, rather than being provided as stand-alone services. Reducing financial strain and poverty as GBV risk factors through livelihood support and empowerment under CPF Objective 2.2 are important from a long-term GBV prevention perspective. Short-term social protection support under CPF Objective 2.3 will be combined with behavioral components, e.g., in “social protection/ economic empowerment plus” programs.

71. **Several activities on women’s economic empowerment have been launched in Iraq under the WBG Mashreq Gender Facility.** Under this Facility, over the last year and a half, a women’s economic empowerment action plan has been adopted by the Government of Iraq. The activities focus on strengthening institutional, social, and legal environment and increasing economic opportunities for women. Progress to date includes: (i) providing recommendations to the draft law on domestic violence which was approved by the Council of Ministers; (ii) drafting regulations that give women preferential treatment in access to public contracts; (iii) supporting the launch of a loan initiative for women in collaboration with the Commercial Bank’s League; and (iv) agreeing with the Chamber of Commerce on training sessions to private sector companies in order to introduce family-friendly policies. Also, through its “Women’s Economic Participation Project”, IFC aims to improve firm-level practices and policies aimed at increasing the share and retention of women in payroll employment and/or improving the quality of women’s pay-roll jobs in the private sector in Iraq. The IFC project also aims to support the creation and growth of women-led early-stage start-ups.

## **Climate Change**

72. **Climate change threatens Iraq’s water and food security and natural ecosystems.** This has severe implications for public health and welfare and Iraq’s economic growth and development objectives. In addition, over-reliance on oil and gas revenues presents complex challenges for low carbon economic growth. Integrating climate risks into WBG policy dialogue and programs would support shifting the growth and development path of Iraq on a trajectory that decouples economic growth from greenhouse gas emissions, in line with its intended nationally determined contribution (NDC) and maximizes the resilience of infrastructure, ecosystems and communities to the impacts of climate change. Adopting a Green,

Resilient, and Inclusive Development (GRID) approach, mitigation and adaptation measures will be integrated through sustainable water resource management (including identifying opportunities at the transboundary level under the Mashreq Water Initiative), climate efficient and resilient transport, energy efficiency and renewable energy. The WBG will also help integrating climate change resilience measures with the health, education, and social protection systems, as well as supporting the Ministry of Health's Department of Environment to implement the national Climate Action Plan.

73. **The CPF identifies priority areas in line with the World Bank's global and regional Climate Change Action Plans (CCAP).** These are summarized in Annex 11 and include mainstreaming climate considerations into operations with a focus on economic diversification and growth through green jobs multipliers, the water-agriculture-environment nexus, resilient and energy efficient reconstruction, building adaptive capacity through human capital and climate-smart macro-economic reforms. New areas of focus include climate-smart food systems in the context of water scarcity, pollution prevention and management, reduced gas flaring and fossil fuel dependence, unlocking investments in renewables and a continued and deepened focus on the Mashreq Water Initiative. Given the projected impacts of climate change on water, improved efficiency and designing water valuation and conservation policies and reforms are essential to control the water demand and ensure adequate water allocation within sectors and across sectors. The approach also includes mobilizing the private sector and civil society, whilst engaging in technical dialogue to improve access to green finance across Mashreq. A Country Climate and Development Report (CCDR) will be prepared by the World Bank in 2022 to further analyze key economy wide risks, vulnerabilities, and opportunities in a decarbonizing world, as well as alignment of the country's strategies and investments with the goals of the Paris Agreement. A CCDR concept note will be submitted in September 2021.

74. **Climate change mitigation and adaptation measures are relevant to both CPF pillars.** Under Pillar 1, it is essential to ensure the long-term sustainability and resilience to climate change of the reconstruction effort. Climate change mitigation and adaptation measures are integrated through efficient wastewater treatment and delivery, flood and disaster risk management, climate efficient and resilient transport, energy efficiency, renewable energy and reduced gas flaring. In addition, many pollution management and integrated solid waste management activities will reduce greenhouse gas emissions; as well as integrating climate change consideration in sector policy reforms for their long-term resilience and sustainability. In the context of the crucial oil and gas sector, the WBG has supported the GoI through a reimbursable advisory service program and in developing a five-year Gas-to-Power Action Plan. The WBG will make efforts to take this forward under the CPF. Under Pillar 2, access to quality health and education services would benefit from integrating climate change resilience measures into the health and education systems focusing on issues and populations that are vulnerable to climate change and integrating climate change considerations into epidemiological surveillance. Similarly, green skills present economic opportunities and jobs for youth and women while supporting increased adaptive capacity. Consideration of climate vulnerabilities would protect the most vulnerable segments of the population, taking account of the potential impacts of climate change on their jobs and livelihoods.

## F. Implementing the CPF

### Principles of Engagement

75. **The CPF envisages an indicative IBRD financing pipeline of about US\$1.3 billion over Phase 1 of the CPF.** This provides for flexibility over the CPF's timeframe to adapt to changing conditions (Annex 4). Actual IBRD lending volumes will depend on country demand, performance over the course of the CPF period, and global economic developments. Considerations for project selection within the CPF framework



include: (i) demand-driven and nationally owned projects; (ii) alignment with the WBG's comparative advantage and the WBG MENA Strategy; (iii) implementation readiness and capacity; (iv) opportunities for decentralization of service provision; and (v) direct contribution to inclusion of and social cohesion within vulnerable groups. The ASA portfolio provides critical technical support in a number of areas that will help lay the foundations for future reforms that will be an integral part of phase 2 of the CPF.

## **Portfolio Management**

76. **IBRD maintains an active portfolio in Iraq.** As of June 25, 2021, the World Bank portfolio in Iraq comprises six active IBRD investment projects with total commitments of US\$1.86 billion and total disbursements of US\$675 million. This active engagement is maintained despite Iraq's challenging context and through proactive management, including the restructuring of multiple projects, utilizing third party monitoring agencies, building the fiduciary and financial management capacities of the implementing agencies, leveraging development partner collaboration, increasing staff presence on the ground, fielding reverse missions, and using technology for geo-monitoring as part of supervision. Reflecting the difficult operating environment, the annualized disbursement ratio stands at 8.4 percent. However, the Bank is continuously seeking ways to overcome implementation challenges and to increase disbursement and client capacity. Through continuously monitoring the implementation and progress of projects, the country management unit supports and suggests appropriate solutions to accelerate progress through open dialogue with government counterparts. These include proactive restructuring of problem projects and even cancellation to release unused funds to other priorities (e.g., most recently the Emergency Social Stabilization Emergency Project was canceled and a new operation to support COVID-19 vaccine procurement and deployment is under preparation). Structural impediments to higher disbursements and measures to alleviate the situation are outlined in the section on risks. Out of two projects evaluated during the period FY17-FY19 by the Independent Evaluation Group, both were rated 'satisfactory'. Annex 4 presents a summary of key ongoing and proposed new activities as part of this CPF.

77. **IFC's engagements have expanded over the past few years despite challenges.** Though Iraq has struggled with years of violent conflict, including the 2006-08 sectarian civil war and the ISIS crisis from 2014-18, IFC has played a strong counter-cyclical role over the last decade in Iraq, with its committed portfolio increasing from US\$10 million in 2005 to US\$334 million in 2019 before dropping in 2020 following the repayment of some outstanding funding transactions and inability to close transaction leads due to challenging environment. Given the country's development and reconstruction needs, IFC investments have focused on enabling sectors such as infrastructure, financial sector, power, health, and telecoms. IFC upstream brings additional resources and co-development models to originate new business and develop and design bankable projects in partnership with governments and private sector. On the advisory front, IFC's program spans from building capacity of Iraqi banks (including SME banking, risk management, digitization), to corporate governance, and PPP advisory support to Iraqi Ministry of Planning. IFC advisory support includes a proposed investment climate project aimed at providing support to implementing key business environment reforms in the country and an entrepreneurship program for vulnerable communities that are affected by rising unemployment.

78. **MIGA's operations in Iraq have historically supported intra-regional investments and post-conflict reconstruction.** MIGA has one active project in Iraq, a US\$8.3 million guarantee of an investment by a Jordanian enterprise in a port logistics project. In FY19, MIGA issued guarantees of up to US\$66.5 million in favor of a Lebanese financial institution to cover expropriation of funds risk relating to its

operations in Iraq comprising branches in Baghdad, Erbil and Sulaymaniyah.<sup>36</sup> In previous years, MIGA also supported projects in Iraq’s water and telecommunications sectors. MIGA continues to work closely with the Bank and IFC to identify opportunities to support FDI toward post-conflict reconstruction and economic diversification, especially in the energy, transport and financial sectors.

79. **Several factors challenge the WBG implementation support of the portfolio in Iraq.** These include high costs and restrictions on the WBG staff’s on-the-ground movements, weak borrower capacity in environment and social, procurement, and financial management, and delays in government approvals of contracts financed through World Bank loans once the projects are under implementation. Staff have remained engaged during conflict and crisis situations to support portfolio implementation. These risks have been compounded by the impact of the Covid-19 pandemic and the government operating well below full capacity.

### Leveraging Knowledge

80. **Knowledge products and services will remain an essential part of the WBG’s strategy to achieve CPF objectives.** During the previous CPF period, ASAs and TA were important for helping maintain engagement in an environment that was less suited to substantial lending. Going forward, core knowledge products will underpin dialogue around issues associated with public finance, poverty dimensions, climate change, and human capital among others. Important areas like GBV, judicial reforms, land, agriculture, and SOE reforms will be part of the CPF’s pipeline. In line with the CPF’s focus on private sector challenges, several knowledge products are planned to include digital readiness assessment, women’s economic participation, reform of state-owned banks, and development of PPP legislation.

81. **The CPF Pillars will contribute to a set of important results.** A summary of the expected results from the CPF are provided in Table 3 below, with a full results framework presented in the annex. As noted, enhancing the role of the private sector, and applying a governance and peacebuilding lens – consistent with the foundational elements of the CPF – could accelerate many of these results.

**Table 3: CPF Pillars, Objectives, Results, and WBG Activities**

CPF Pillar	CPF Objectives	Expected Results	Select Pipeline WBG Activities*
Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation	<b>CPF Objective 1.1:</b> More Effective, Transparent, and Accountable Government	<ul style="list-style-type: none"> <li>• Compliance with EITI standards</li> <li>• Rating under the open budget Index</li> </ul>	<ul style="list-style-type: none"> <li>• Modernization of PFM systems</li> <li>• Strengthening public institutions</li> <li>• Strengthen resilience of firms and provide greater access to finance</li> </ul>
	<b>CPF Objective 1.2:</b> Improved Service Delivery, Recovery and Reconstruction	<ul style="list-style-type: none"> <li>• Increased share of population with access to improved public services</li> <li>• More green and resilient infrastructure</li> <li>• % of HH accessing drinking water services - report for national and by governorate</li> <li>• Increased efficiency of electricity transmission and distribution network</li> </ul>	<ul style="list-style-type: none"> <li>• Private investment in infrastructure for public services*</li> <li>• Improved access to public services</li> <li>• IFC investments in priority projects</li> <li>• MIGA ongoing guarantee for Nafith Logistics (Port sector) Project</li> </ul>

<sup>36</sup> The guarantee was cancelled in FY20.

CPF Pillar	CPF Objectives	Expected Results	Select Pipeline WBG Activities*
		<ul style="list-style-type: none"> <li>• New public access Citizens' Roadway Reporting System established and operational</li> <li>• Share of women represented on Community Development Groups (SFD)</li> <li>• Number of direct beneficiaries with access to improved municipal services</li> <li>• Private sector renewable energy generation capacity contracted (Financial Close)</li> <li>• Energy traded through new regional interconnections (GWh)</li> <li>• Number of (4G) broadband users</li> </ul>	
	<b>CPF Objective 1.3:</b> More Diversified Economy through increased Private Sector Participation	<ul style="list-style-type: none"> <li>• More open and predictable business environment</li> <li>• Adoption of electronic payment systems</li> <li>• Share of businesses using improved company registration and licensing</li> <li>• Share of adult population that made or received a digital payment (%)</li> </ul>	<ul style="list-style-type: none"> <li>• FSAP recommendations implementation*</li> <li>• Facilitate electronic payments*</li> <li>• Investments in and capacity development of Iraqi state-owned and private banks and financial institutions</li> <li>• Adoption of PPP law</li> </ul>
<b>Pillar 2:</b> <b>Strengthened Human Capital</b>	<b>CPF Objective 2.1:</b> Effective and Efficient Deployment of COVID-19 Vaccines and Health Systems Strengthening	<ul style="list-style-type: none"> <li>• Transparent vaccination strategy implemented</li> <li>• Target groups vaccinated, with feedback on access and efficacy of vaccination efforts</li> <li>• Greater access to primary health care benefits package</li> </ul>	<ul style="list-style-type: none"> <li>• Support for vaccine rollout*</li> <li>• Support for defining and costing the primary health care benefits package</li> </ul>
	<b>CPF Objective 2.2:</b> Improved Education Quality, Better Skills and Economic Opportunities for Youth and Women	<ul style="list-style-type: none"> <li>• Young Iraqi jobseekers benefit from skills development programs</li> <li>• Higher proportion of early grade students who can read with comprehension</li> <li>• More vulnerable communities (youth women and IDPs) benefit from entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Support for expansion of remote learning*</li> <li>• Support for basic literacy and numeracy</li> <li>• Monitoring/assessing student progress</li> <li>• Support vocational training and skills building programs / entrepreneurship to address gaps/mismatches*</li> <li>• Support for utilizing citizen surveys and scorecards to measure progress on performance</li> </ul>
	<b>CPF Objective 2.3:</b> More Effective, Inclusive and Resilient Social Protection Systems	<ul style="list-style-type: none"> <li>• Reduced inclusion errors of the Iraq Cash Transfer Program</li> <li>• Increased coverage of informal workers in the Iraq social insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Help protect poor and vulnerable through well targeted and inclusive SSN</li> <li>• Strengthen resilience through pensions and social insurance reforms*</li> </ul>

\*Indicates new activities (as compared to ongoing activities in the active portfolio).

## Collaboration and Partnerships

82. **The CPF envisages sustained and strengthened partnerships with development partners to maximize impact and strengthen the humanitarian/development nexus.** Donor coordination will continue to be prioritized for enhanced complementarity and knowledge sharing. Good examples of such collaboration are the establishment of the I3RF and the Prospects Partnership initiative, which helps stimulate private sector interventions to offer long-term solutions to the challenges facing host and refugee communities (see Annex 12).

83. **More recently, the Iraq Economic Contact Group, a coalition of Development Partners, reflects a shared ambition of the development partners to support the implementation of the GoI's reform agenda.** The reform agenda is based on the White Paper, which analyzes the structural drivers of the economic crisis. The White Paper also presents reform options in public investment and financial management. To promote economic governance, increase productivity, and mitigate crisis impacts, the White Paper envisions improvements to the quality and efficiency of resource allocation, integrated capital investment planning with a focus on value for money, financial sector reforms and reduction in oil revenue dependence, and services to strengthen human capital (health, education, social protection).

84. **The WBG will continue to support mobilization of private finance for development.** Through its advisory and upstream services, IFC will strengthen the capacity of local firms/stakeholders to develop its operations and engagement in the Iraqi economy and rebuilding activities. This will include expanding PPP projects, and opening the door for investing directly and with partner DFIs into priority project. IFC work will include developing Iraqi private sector corporate governance, risk management, MSME finance, and digital financial services. Further, IFC will focus on creating a business-enabling environment by working on key areas from the Doing Business report and facilitating entrepreneurship opportunities for vulnerable host and displaced communities (including IDPs) in Iraq. Given the limitations on private sector development posed by a complex regulatory environment along with variable security conditions in Iraq, MIGA has an important role to play in mitigating political risk concerns of cross-border investors and lenders, thereby mobilizing private capital into the country. In this context, MIGA's suite of PRI products can provide comfort to foreign private investors. Partnerships with the private sector and other stakeholders, including academia, civil society, youth, parliamentarians, women's groups, and political leaders, will be expanded.

## Monitoring and Evaluation

85. **Increased focus on results will guide CPF monitoring and evaluation at the strategy and project level.** The results framework will guide the monitoring of the CPF implementation. Achievement of these results will derive from the ongoing portfolio and pipeline of future Government-requested programs. As the program develops and legacy operations are more thoroughly reviewed or restructured to enhance their link to and impact on the twin goals, the outcomes and indicators may need adjustment. These will be documented and reported in the PLR.

86. **Third party monitoring, partnerships with UN agencies and impact evaluations will be sustained.** The WBG will continue to strengthen security assessments and its management of programs to ensure flexible implementation arrangements that consider access restrictions and quickly adapt to changing circumstances on the ground. Third party monitoring and project implementation through UN agencies will continue to be utilized in areas of limited access to WBG staff. This will enhance the supervision of World Bank-financed operations, reducing the risks of issues with technical quality and comprehensive

compliance. In cases where feasible, and to promote greater inclusion, this may include the engagement of civil society. Utilization of information technology will be enhanced for remote monitoring under the global restrictions of mobility resulted from COVID-19 pandemic. This will include piloting internal ITS innovative tools to enhance supervision over selected operations. Monitoring and evaluation of IFC and MIGA-supported projects will proceed according to their institutional requirements and the prevailing security conditions.

**IV. MANAGING RISKS TO THE CPF PROGRAM**

87. **Achieving the outcomes of this CPF entails the mitigation of significant political, economic, implementation and security risks, all of which are rated “high” (Table 4) and will significantly determine the level of investor confidence and the ability to deliver tangible results to the Iraqi people.** The two principal risks to the program are related to security and political changes, both of which are affected by the regional and geopolitical landscape. Managing these interrelated risks is complex and requires, at both strategic and programmatic levels, flexible responses. This CPF acknowledges these risks and has incorporated risk mitigation measures. However, residual risk to the program remains high.

**Table 4: Systematic Operations Risk-Rating Tool (SORT) for Iraq**

<b>Risk Category</b>	<b>Rating (H, S, M, L)</b>
Political and Governance	H
Macroeconomic	H
Sector Strategies and Policies	M
Technical Design of Project or Program	M
Institutional Capacity for Implementation and Sustainability	H
Fiduciary	H
Environmental and Social	H
Stakeholders	S
Other: Conflict and Violence	H
<b>Overall</b>	<b>H</b>

Key: H = High; S = Significant; M = Moderate; L = Low.

**A. Political and Governance**

88. **Political and governance risks will likely continue in the foreseeable future.** The WBG will continue to engage carefully, building on its role as a trusted interlocutor, both with the public and private sectors. It will also broaden its engagement to include a range of stakeholders on the trade-offs involved in the critical policy choices that lie ahead. Additionally, adequate planning by using the governance and peacebuilding lens will allow for a comprehensive view of the overall as well as operation specific political economy challenges. Corruption is prevalent in Iraq and could affect the ability to achieve CPF objectives. The CPF pillars address this issue through increased transparency and monitoring, focus on identifying a roadmap to governance and justice reform, accountability of service delivery, and opportunities for public participation in policymaking. Improvement of the investment climate will be critical to mitigate implementation risks for IFC and MIGA during the CPF period, given weak investor confidence, a potential constraint to demand for both capital and investment guarantees. Challenges to private sector development may be partly mitigated by WBG efforts to support reform implementation and strengthen political economy analyses, and by a TA program that provides capacity building and implementation

support. The I3RF, supported by several donors active in Iraq, is an important instrument to support the Gol in designing and implementing necessary reforms.

## **B. Macroeconomic**

89. **Iraq will continue to face macroeconomic risks related to external shocks including the volatility of oil prices and high financing needs for reconstruction and investment.** Poverty reduction will require stronger social safety nets to protect the vulnerable. These dynamics will put pressure on government finances. The WBG will mitigate these risks through its program that includes shock resilient safety nets that will be implemented in moments of crisis to prevent the fall of the population at risk into poverty, and improved targeting of social assistance, and improvements in public procurement and investment. The WBG will support the implementation of reforms to reduce the level of subsidies while ensuring that the most disadvantaged are not adversely affected by these reforms.

## **C. Sector Strategies and Policies**

**The sector strategies and policies risks are assessed as moderate.** Improved governance is a foundational element of the CPF's two pillars and is well-integrated in the CPF as high priority. While poor governance and lack of transparency in Iraq are key obstacles to economic reforms and development in all sectors, residual risk of lack of institutional capacity of public institutions remains as potential challenge to implement the WBG's policies to improve governance. To mitigate these risks, the CPF is equipped with a broad program of ongoing and planned set of engagements to support the implementation of adequate governance policies. The program is also aligned with national development plans, including the Gol's White Paper of which improving governance is a key priority, and hence the commitment of policy makers and implementers to the national reform policies is in line with CPF objectives.

## **D. Technical Design of Project or Program**

90. **The risk of technical aspects of the CPF design is moderate.** The CPF is informed by intensive stakeholders' consultations and builds on comprehensive updated analytical work, including the Country Economic Memorandum (CEM) and the white paper on critical policy reforms that has recently been developed by the WBG. The CPF design is formulated around a flexible and adaptable implementation plan to mitigate this risk in a fragile context.

## **E. Institutional Capacity**

91. **Client capacity constraints, unclear decision-making processes and post-conflict political economy issues are likely to continue to challenge the timely implementation of operations.** For new operations, greater attention will be paid during the design phase to the identification of formal and informal stakeholders, political economy implications, and institutional challenges to ensure that solutions are not only technically feasible but also politically and institutionally viable. The WBG will need to ensure that future operations are designed through multi-stakeholder consultations. This will allow a political and institutional buy-in at the highest level and trickle down to implementing agencies. In addition, the WBG will ensure support to project management teams through capacity building and training. During implementation, the operations will benefit from feedback loops with citizens and monitoring and evaluation arrangements to allow flexibility to adapt and make course corrections as needed. WBG engagement and partnerships in Iraq will continue to emphasize capacity strengthening activities.

## **F. Fiduciary**

92. **The CPF assumes high operational and fiduciary risks.** To mitigate these risks, the WBG has adopted a more systematic approach to institution building based on ministry or agency-specific institutional assessments and action plans. There will also be a stronger presence of WBG fiduciary teams in the field comprised of local consultants and support to the GoI to improve PFM, procurement, and the Federal Board of Supreme Audit. The CPF also envisages enhanced project implementation support arrangements, including third-party monitoring to ensure adequate risk management. This includes leveraging new technologies to complement grievance redress mechanisms, promote proactive monitoring of fraud and corruption and to facilitate more inclusive community engagement.

#### **G. Environmental and Social**

93. **The Iraq program will remain subject to high environmental and social risks.** Specifically, climate change and environmental challenges can impose obstacles to the development program in the country, such as in the areas of carbon emission and wastewater management. To mitigate this risk, the CPF will support the integration of climate change resilience measures in vital sectors which are included in program planning such as health, education and social protection, and will support the relevant public institutions through both, policy-level support and capacity building. The social aspect is also represented in the fragile political environment, especially in the first phase of the CPF during which elections and formation of a new government will take place, as well as potential unrest that can emerge. To mitigate this risk, the CPF has adopted a flexible and adaptable program to respond to possible unforeseen delays in the implementation of the program.

#### **H. Stakeholders**

94. **The risk related to stakeholders in Iraq is substantial.** Disaccord between the legislative and executive authorities on essential areas of the budget, allocation of funds and areas of priorities for development, can impose serious delays on the plans and design of the CPF program. To mitigate this risk, the CPF has been developed in line with the economic reform agenda of the GoI's White Paper, which has been endorsed by the Parliament. The World Bank will also maintain a continuous process of stakeholder consultations along the phases of implementation of the CPF to ensure that the program planning is endorsed and supported by the new government and the Parliament, and that the CPF priorities are well-communicated with the stakeholders.

#### **I. Conflict and Violence**

95. **The security situation in Iraq remains volatile.** While the WBG team's access to Iraq remains limited given COVID-19 restrictions and political instability, the ability to identify and maintain resources for the duration of engagements is difficult. Implementation of the portfolio had always been challenged by a lack of effective communication with public and private partners on the ground, the capacities, and skills of institutional structures within GOI and a very unstable political and security situation. The WBG will continue to undertake security assessments and strengthen its management of programs to ensure flexible implementation arrangements that consider access restrictions and quickly adapt to changing circumstances on the ground. The WBG will set realistic targets and allow a margin of flexibility to adapt to changing situations. To understand the dynamics of conflict risk, the WBG will put in place a regular contextual FCV monitoring system to track key risk factors on a dynamic basis. This could affect the pace at which Bank-financed operations are prepared and implemented. These restrictions could also affect the pace of IFC and MIGA business development and underwriting activities. COVID-19 pandemic adds to these challenges due to lockdown procedures and reduced number of working hours of public servants. The WBG is encouraging the use of videoconference facilities to overcome some of these challenges.

96. **Overall, CPF implementation risks are high, but opportunities to make an impact on Iraq's development at this critical juncture are enormous.** The CPF takes this into account and builds in flexibility to respond to the pressures and opportunities as they occur. The WBG will: (a) build stronger partnerships at various levels of Government (federal and governorates), (b) mainstream broader stakeholder engagement in sector/policy dialogue beyond official Government circles to build a deeper constituency for reforms and WBG interventions, and (c) provide timely TA and capacity building and implementation support on key reforms.



## V. ANNEXES

### Annex 1: Iraq CPF Results Framework

Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation		
<p>Iraq's is a fragile country with weak governance undergoing political transition. Transitioning out of fragility and building trust in government requires improved governance, increased transparency, and enhanced accountability backed by strong justice institutions. This means Iraq's public sector, broadly defined, needs to be reformed. At present, the public sector is fueled by oil rents and plays a disproportionate role in domestic economic and commercial activities. It is present in most service delivery sectors - education, health, electricity, water – with a dominant position too in many services sectors especially in finance and wholesale and trade. Iraq's public sector constitutes 12 percent of GDP, is the largest employer with 23 percent of the active labor force, and its state-owned-banks hold 71 percent of total deposits in the financial sector. Iraq's combination of resource dependency and the state's heavy presence in nearly all aspects of economy has crowded out the private sector. An unsustainable fiscal framework and weaknesses in economic governance have failed to create an enabling environment for private sector led growth. Moreover, governance failures especially in public financial management have left economic institutions unable to pursue active diversification policies, favored SOEs at the expense of private operators, and fostered public distrust in government. The Government of Iraq continues to grapple with a number of challenges associated with basic public service delivery, efforts to recover from the war with ISIS and reconstruct infrastructure in the spirit of building back better. The CPF will support the Government to reconstruct and rehabilitate these services at the national and subnational level to improve efficiency, efficacy, and sustainability of service delivery by strengthening public institutions and encouraging private sector participation in building infrastructure for public service delivery.</p>		
<p><b>CPF Objective 1.1: More Effective, Transparent, and Accountable Government</b></p>		
<p><b>Intervention Logic:</b> At the core of the breakdown of the social contract in Iraq lie grievances over corruption, weak accountability, lack of employment opportunities, and inadequate service delivery. To address these issues, Iraq would benefit from a reform program that includes a number of measures such as improved public access to grievance redress mechanism, government systems and data, strengthened public financial management, greater fiscal and debt transparency, and enhanced use of e-government tools for efficiency, citizen engagement, and social inclusion. Some of these measures will be implemented in the early years of the CPF program while others are of a more medium-term nature.</p>		
CPF Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Indicator 1.1.1:</b> Progress in meeting the 2019 EITI Standard.</p> <p><b>Baseline:</b> Meaningful progress at country's second Validation (2021)</p> <p><b>Target:</b> Further progress in meeting 2019 EITI standards along 12 corrective actions (2023)</p> <p><b>Target:</b> Disclosure of all data required by EITI Standard (2026)</p>	<p><b>Milestone 1:</b> Public participation in the budget process</p> <p><b>Baseline:</b> 0/100 (2021) in Open Budget Survey Score</p> <p><b>Target:</b> 10/100 (2023) in Open Budget Survey Score</p> <p><b>Milestone 2:</b> Adoption of grievance/beneficiary feedback mechanisms</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Modernization of Public Financial Management Systems Project – IPF (FY16)</li> <li>• Strengthening PFM Oversight and Accountability Institutions in Iraq - TF</li> <li>• Iraq-Building evidence for policy making – I3RF</li> <li>• Fiduciary oversight and capacity strengthening – I3RF</li> </ul>

<p><b>Indicator 1.1.2:</b> Rating under the open budget Index  <b>Baseline:</b> 9 (2021)  <b>Target:</b> 20 (2023)  <b>Target:</b> 30 (2026)</p>	<p><b>Baseline:</b> 0 (2021)  <b>Target:</b> 3 (2023)  <b>Target:</b> 5 (2026)</p> <p><b>Milestone 3:</b> Adoption of service delivery/citizen’s charters  <b>Baseline:</b> No (2021)  <b>Target:</b> Yes (2023)  <b>Target:</b> Yes (2026)</p>	<ul style="list-style-type: none"> <li>• Strengthening Peacebuilding, Governance and Citizen Engagement in Reform, Recovery and Reconstruction – I3RF</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Justice Reform (TF, FY24)</li> <li>• ASA: Judicial Needs and Institutional Performance Review (FY22)</li> <li>• ASA: PEA of Domestic Revenue Mobilization (FY22)</li> <li>• ASA: PEA of Fiscal Federalism (FY22)</li> </ul>
<p><b>Objective 1.2: Improved Service Delivery, Recovery and Reconstruction</b></p>		
<p><b>Intervention Logic:</b> Iraq’s institutions have been severely debilitated by decades of wars, sanctions, and conflict. Poor governance has contributed to undermining the state’s legitimacy, leading to political and sectarian divides resulting in further weakening of an already fragile governance system. In this context, it is vitally important to improve local government capacity for investment planning and execution, reform public utilities, devolve fiscal and administrative arrangements for municipal services, water and sewerage service to the Governorates and improve electricity connectivity and support distribution through regional grids. By strengthening institutional mechanisms for basic public service delivery in water, electricity, roads, land administration and property rights, pollution management, and community development activities, the GoI would establish the basis for a durable compact with citizens. Iraq needs to shift towards better global and regional integration. In terms of improving connectivity within Iraq and between Iraq and its neighbors, substantial work is required in four areas – energy (including gas flaring reduction), water, transport &amp; logistics, and digital. To support the broader governance and development agenda and for enhancing the trust of citizens in the government’s vision for peacebuilding, recovery and reconstruction, the WBG will help improve infrastructure, strengthen service delivery in select cities and in the agriculture sector, and promote building back better through public private partnerships (PPPs) and de-risking investment opportunities. The WBG program includes ongoing activities including support for private investment in infrastructure for public service delivery, continued efforts along the security-development nexus, improved municipal services, and improved access for households to basic public services.</p>		
<p><b>CPF Indicators</b></p>	<p><b>Supplementary Progress Indicators</b></p>	<p><b>WBG Program</b></p>
<p><b>Indicator 1.2.1:</b> % of HH accessing drinking water services - report for national and by governorate  <b>Baseline:</b> 39% (source MICS 2018)  <b>Target:</b> 41% (2023)  <b>Target:</b> 45% (2026)</p> <p><b>Indicator 1.2.2:</b> Increased efficiency of electricity transmission and distribution network infrastructure in southern region (%)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 20% (2023)</p>	<p><b>Milestone 1:</b> Increase Kilometers of water pipes renewal  <b>Baseline:</b> 0  <b>Target:</b> 100 (2023)  <b>Target:</b> 150 (2026)</p> <p><b>Milestone 2:</b> Reduced electricity network technical losses in southern region (%)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 5 (2023)  <b>Target:</b> 15 (2026)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Emergency Operation for Development Project (IPF)</li> <li>• Transport Corridors Project (IPF)</li> <li>• Impact Evaluation of Iraq Transport Corridor Project – TF</li> <li>• Water Sector Reform, Recovery and Reconstruction Technical Assistance – I3RF</li> <li>• Baghdad Water and Sewerage Improvement Project IPF-</li> </ul>

<p><b>Target:</b> 50% (2026)</p> <p><b>Indicator 1.2.3:</b> New public access Citizens' Roadway Reporting System established and operational  <b>Baseline:</b> No (2021)  <b>Target:</b> Yes (2023)  <b>Target:</b> Yes (2026)</p> <p><b>Indicator 1.2.4:</b> Share of women represented on Community Development Groups (SFD)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 30% (2023)  <b>Target:</b> 50% (2026)</p> <p><b>Indicator 1.2.5:</b> Number of direct beneficiaries with access to improved municipal services  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 3,000,000 (2023)  <b>Target:</b> 5,000,000 (2026)</p> <p><b>Indicator 1.2.6:</b> Private sector renewable energy generation capacity contracted (Financial Close - MW)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 200 (2023)  <b>Target:</b> 400 (2026)</p> <p><b>Indicator 1.2.7:</b> Energy traded through new regional interconnections (GWh)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1,000 (2023)  <b>Target:</b> 4,000 (2026)</p> <p><b>Indicator 1.2.8:</b> Number of (4G) broadband users  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 7,000,000 (2023)  <b>Target:</b> 15,000,000 (2026)</p>	<p><b>Milestone 3:</b> Volume of wastewater collected in Baghdad (million cubic meter (MCM)/year)  <b>Baseline:</b> 65 (2021)  <b>Target:</b> 110 (2023)  <b>Target:</b> 160 (2026)</p> <p><b>Milestone 4:</b> Training of national and subnational government staff on preparing regulations and standards for environment protection, pollution control and monitoring and enforcement prepared and endorsed  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 50 (2023)  <b>Target:</b> 100 (2026)</p> <p><b>Milestone 5:</b> Draft CEA prepared, consulted and endorsed by the government  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 0 (2023)  <b>Target:</b> 1 (2026)</p> <p><b>Milestone 6:</b> Roadmap formulated for developing green, resilient, inclusive and integrated connectivity infrastructure  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1 (2023)  <b>Target:</b> 2 (2026)</p> <p><b>Milestone 7:</b> Agriculture policy reform package formulated to improve agricultural service delivery  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1 (2023)  <b>Target:</b> 2 (2026)</p>	<ul style="list-style-type: none"> <li>• Basra Electricity Dissemination and Development Project – IPF</li> <li>• Iraq Gas Sector Reform -ASA</li> <li>• Energy Sector Programmatic Technical Assistance -ASA</li> <li>• Support to Manage Environmental Pollution Hotspots in Iraq - BETF</li> <li>• Policy advice and capacity-building for the Ministry of Agriculture in Iraq – I3RF</li> <li>• Iraq Road Maintenance Microenterprises Project (TF)</li> <li>• IRAQ InfraSap for Connectivity (Transport, Digital Development &amp; IPG) – Core ASA</li> <li>• National Bank of Iraq (IFC – 34870)</li> <li>• Zain Iraq (IFC- 39715)</li> <li>• Nafith Ports (IFC-32425)</li> <li>• Seema Hospital (IFC-39533)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Southern Region Electricity Network Strengthening Project (FY22)</li> <li>• Irrigation and agriculture rural development Project (FY22)</li> <li>• National Municipal Services and Local Development Project- IPF (FY23)</li> <li>• Transport Corridor Project - Additional Financing- IPF (FY22)</li> <li>• Water Services Project (Subnational)-IPF (FY24)</li> <li>• Country Environmental Analysis- ASA</li> <li>• National Program for Remediation of Environmental Hotspots (FY 22-23) – RETF/ IPF</li> <li>• TA to build capacity of environment regulators for pollution management</li> <li>• Country Environmental Analysis- ASA</li> <li>• TA on agricultural policy reforms to improve the quality of core agriculture support services</li> </ul>
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	<p><b>Milestone 8:</b> Land restoration and land-use plans to combat climate induced disasters</p> <p><b>Baseline:</b> 0 (2021)</p> <p><b>Target: 0</b> (2023)</p> <p><b>Target: 2</b> (2026)</p>	<ul style="list-style-type: none"> <li>• Modernization of Land Administration TA (FY22)</li> <li>• Develop bankable models for follow on investments in T&amp;D infrastructure</li> <li>• Develop and invest in pilot transmission projects within regional/bilateral programs and within Pan-Arab ETM masterplan</li> <li>• Development of renewable energy infrastructure through Scaling Solar program</li> <li>• Water/wastewater PPPs</li> <li>• Technical assistance on agricultural policy reforms to improve the quality of core agriculture support services</li> <li>• Transactions in energy, water, ports, logistics, aviation and digital infrastructure</li> <li>• Support for improved farm management and piloting models of aggregation- I3RF (FY21)</li> <li>• Investments in transportation and ports (IFC, FY21)</li> <li>• Investments in renewable energy and a gas flaring reduction facility for improved energy access and decreased greenhouse gas emissions (IFC)</li> <li>• Support the government on the adoption of the new PPP law, together with IBRD (IFC)</li> <li>• Pre-feasibility study for the operations and maintenance of new hospital facilities as PPP (IFC)</li> <li>• Provide banks guarantees to cover payment risk for trade related transactions (IFC)</li> <li>• Upstream engagements to develop projects to improve performance of water utilities (IFC)</li> <li>• Scoping study to identify airports suitable for PPP intervention (IFC)</li> </ul>
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**CPF Objective 1.3: More Diversified Economy through increased Private Sector Participation**

**Intervention Logic:** Iraq ranks 172 on ease of doing business in 2020 Doing Business Report. The country needs a more open and predictable business environment backed by institutions to enforce them. Reforms of the regulatory framework are therefore necessary. Firms need to build resilience and have greater access to finance, while also improving their financial management systems. Firms should also improve ESG practices in the banking, agricultural/food, and energy sectors primarily and be opportunistic about possibilities in other sectors to improve private sector performance, better manage risks, and create a more enabling environment. There is also an urgent need to create a level playing field between public and private sector entities by reforming SOEs. Foreign investors also need reassurance about their investments and the ability to claim their rights in court. Without addressing challenges, there is little chance for Iraq’s private sector to play a meaningful role in addressing the big questions of economic opportunity for the country’s burgeoning youth population. IFC will explore TA opportunities to work with private firms to improve their financial management systems and thereby help de-risk potential future investments. Iraq’s financial sector suffers significant weaknesses. A weak regulatory and supervision framework, a dominant state-owned banking system, the absence of competition, and the lack of regulatory credit infrastructure have all resulted in poor levels of customer service, outdated financial products and increased lending risks for the banks. Iraq continues to be a cash-based economy despite having modern payment systems like the real-time gross settlement system, the automated clearing house, and national card/mobile switch systems. The continued importance of complying with AML-CFT norms as well as a need to improve access to finance for MSMEs indicates that a major push is needed in the financial sector.

CPF Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Indicator 1.3.1:</b> Share of businesses using improved company registration and licensing (Starting a Business)  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 10% (2023)  <b>Target:</b> 40% (2026)</p> <p><b>Indicator 1.3.2:</b> Share of adult population that made or received a digital payment (%)  <b>Baseline:</b> 19% (2021)  <b>Target:</b> 30% (2023)  <b>Target:</b> 50% (2026)</p>	<p><b>Milestone 1:</b> Number of procedures, policies, practices that were improved or eliminated  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 2 (2023)  <b>Target:</b> 3 (2026)</p> <p><b>Indicator 1.3.2:</b> Non-Banking Financial Institutions Unit has been established at the Central Bank of Iraq to regulate and supervise microfinance industry  <b>Baseline:</b> No (2021)  <b>Target:</b> Yes (2026)</p> <p><b>Milestone 2:</b> Issuance of the decree transferring the regulation and supervision of all microfinance institutions to the Central Bank of Iraq  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1 (2026)</p> <p><b>Milestone 3:</b> TOR issued for undertaking Solvency and Viability review of State-Owned Banks  <b>Baseline:</b> 0 (2021)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Project: COVID-19 Adaptation and Recovery Pilot: Supporting Firms Resilience, Access to Finance and Growth in Iraq - TF (FY21)</li> <li>• ASA: Enabling environment for the creation and growth of innovative small and medium enterprises (FY19-23, P171175)</li> <li>• MIGA's ongoing guarantee for Nafith Logistics (port sector)</li> <li>• IFC MAS Financial Management MENA (603285)</li> <li>• IFC NBI SME Banking and Digital Finance Development (603989)</li> <li>• IFC National Bank of Iraq National Bank of Iraq SME Advisory (IFC 605052) and SME loans (IFC 42435)</li> <li>• IFC Commercial Bank of Iraq (IFC-30617)</li> <li>• IFC Malia Invest Group (IFC -37642 and 32452)</li> <li>• IFC Advisory Services in skills building, training and corporate governance</li> </ul>

	<p><b>Target: 1 (2023)</b></p> <p><b>Milestone 4:</b> The Higher Committee for Restructuring adopts the Reform Strategy - restructuring roadmap for State Owned Banks  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1 (2023)</p> <p><b>Milestone 4:</b> Adoption of National Payment System  <b>Baseline:</b> 0 (2021)  <b>Target:</b> 1 (2023)</p>	<ul style="list-style-type: none"> <li>• IFC Ashur International Bank – Risk Management (IFC 602964)</li> <li>• IFC Area-Based Reconstruction Planning of Iraqi Urban Centers TA (I3RF) (P162875)</li> <li>• IFC Technical assistance in creating the enabling policy, regulatory, institutional and regulatory bespoke ‘ecosystem’ for undertaking structuring, prioritizing, procuring and implementing PPPs</li> <li>• ASA: Iraq FSAP Development Module</li> <li>• ASA: Iraq Financial Sector -I3RF (P171615)</li> <li>• ASA: Iraq Economic Diversification and Growth Programmatic ASA (P176098, MTI))</li> <li>• ASA: Access to Finance P176046</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>•</li> <li>• Scale-up Supporting Firms Resilience, Access to Finance and Growth in Iraq (IPF FY 23/24)</li> <li>• IFC: ESG-CG (599580)</li> <li>• Private Sector Development and SOE Project (IPF, FY23)</li> <li>• Financial Sector Development Project TF FY23)</li> <li>• Railway Safety Improvement and Trade Facilitation (FY24)</li> <li>• Baghdad International Airport PPP (FY24)</li> <li>• IFC International Development Bank (603983)</li> <li>• IFC IRAQ Micro Finance (594147)</li> <li>• IFC Iraq Company for Bank Guarantee</li> <li>• Diversify economy and reduce reliance on imports through the increase in locally manufactured products such as construction materials (IFC)</li> <li>• Diversify economy through agribusiness sector including through identifying policy barriers, and supporting a production plant that converts dates into ethanol, expansion of poultry and</li> </ul>
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		<p>hatchery facility, and largest date plantation (IFC)</p> <ul style="list-style-type: none"> <li>• Modernizing petrochemical sector focusing on decarbonization, upgradation, and value addition in downstream capacity through existing refinery integration (IFC)</li> <li>• Digital readiness assessments for Iraqi banks and financial institutions (IFC)</li> <li>• Institutional assessment of financial institutions to improve SME access to credit (IFC)</li> <li>• Integrated ESG advisory support to firms (IFC)</li> <li>• Support development of the regulatory environment for non-bank financing services (IFC)</li> <li>• Provide business support services and financial support to high-potential startups and facilitate investments in the medium/long term (IFC)</li> <li>• Develop local capital market (IFC)</li> <li>• Support the reform of State-Owned Banks (IFC)</li> </ul>
<p><b>PILLAR 2: Strengthened Human Capital</b></p>		
<p>Iraq’s Human Development indicators have drastically deteriorated over the past two decades. Iraq’s low human capital index and poor health outcomes demonstrate the impact of the conflict. Iraqi children lag behind their peers in terms of human capital development—as measured by the World Bank’s HCI—suggesting that the future productivity of the labor force and the country’s trajectory for equitable growth is at risk (World Bank 2020). The low levels of human capital development, coupled with limited opportunities to gain job-relevant skills, have contributed to worsening economic and social outcomes—and social unrest which sparked end of 2019 and continued through 2020. One key theme of the protests in Iraq was high unemployment rates. Youth unemployment in particular stands at an alarmingly high 17 percent on average and is even higher for young women at 30 percent (ILO estimates 2018). These poor labor market outcomes among youth are, amongst others, the results of an education system that is not aligned with the skills demanded by today’s labor market. The objectives and interventions under this pillar are to help protect and accelerate the formation and utilization of human capital in Iraq.</p>		
<p><b>CPF Objective 2.1: Effective and Efficient Deployment of COVID-19 Vaccines and Health Systems Strengthening</b></p>		
<p><b>Intervention Logic:</b> The deployment of COVID-19 vaccines is globally seen as key to the recovery of economic activity. Any delays in vaccines and unpreparedness for waves of infection can further deepen Iraq’s crisis. With countries around the world being hit by multiple waves of infection and with the emergence of new and more transmissible variants of the virus, Iraq must urgently invest in strengthen its health system. Beyond the immediate threat of COVID-19, Iraq also must focus on improving health outcomes, including by focusing on addressing key concerns around access to quality health services. Should the political and economic situation in Iraq permit an expanded program, the WBG could support the goal of better and more public investment in</p>		



health services. Access to quality health will provide the basis for improved opportunities for Iraqi youth and human capital outcomes. Given the high prevalence of gender-based violence and lack of access to health services for survivors, this could entail activities to improve access to health services for survivors, including medical treatment as well as a functioning case management and referral system.

CPF Indicators	Supplementary Progress Indicators	WBG Program
<p><b>Indicator 2.1.1:</b> Percentage of specific priority populations fully vaccinated (Percentage) <b>Baseline:</b> 0 (2021) <b>Target:</b> 70% (2022)</p> <p><b>Indicator 2.1.2:</b> Percentage of specific priority populations fully vaccinated - female (Percentage) <b>Baseline:</b> 0 (2021) <b>Target:</b> 50% (2022)</p> <p><b>Indicator 2.1.3:</b> Public primary health center utilization per capita<sup>37</sup> <b>Baseline:</b> 0.70 (2018; most recent data) <b>Target:</b> 0.98 (2023) <b>Target:</b> 1.40 (2026)</p> <p><b>Indicator 2.1.4:</b> Reduction of premature NCD mortality from four main NCDs<sup>38</sup> <b>Baseline:</b> 21% (2016; most recent data) <b>Target:</b> 19% (2023) <b>Target:</b> 17% (2026)</p>	<p><b>Milestone 1:</b> Primary healthcare package of services including NCDs developed and costed <b>Baseline:</b> No costed primary health care service package, including NCDs (2021) <b>Target:</b> Modified and costed primary health care service package developed, including NCDs (2023) <b>Target:</b> Updating of the package as needed (2026)</p> <p><b>Milestone 2:</b> Percentage of individuals diagnosed with hypertension who have it under control (i.e., blood pressure under 140/90mm Hg) (%) <b>Baseline:</b> NA% (2015; most recent data) <b>Target:</b> NA% (2023) <b>Target:</b> NA% (2026)</p> <p><b>Milestone 3:</b> Percentage of individuals diagnosed with diabetes who have it under control (%) (i.e. blood glucose &lt; 7 mmol/L) <b>Baseline:</b> NA% (2019; most recent data) <b>Target:</b> NA% (2023) <b>Target:</b> NA% (2026)</p> <p><b>Milestone 4:</b> Activities to integrate health services for GBV survivors including case management and referral system developed</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• EODP Health component- IPF</li> <li>• COVID-19 Response and Health System Strengthening TA (I3RF)</li> <li>• Public Expenditure Review for Human Capital- Core ASA</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Vaccines and Vaccination Plan Support (FY22)</li> <li>• Health Sector (FY23)</li> <li>• Human Capital Recovery Project (IPF FY22)</li> <li>• Health Systems Strengthening Project- I3RF</li> <li>• Iraq Human Capital Review- ASA</li> <li>• IFC Assess market potential for Technical and Vocational Training programs</li> </ul>

<sup>37</sup> This indicator is contingent upon the Iraq Human Capital Recovery Project being effective. The data source is Ministry of Health's annual health statistics report.

<sup>38</sup> This indicator is contingent upon the Iraq Human Capital Recovery Project being effective. The data source is WHO NCD country profile. The 2025 target has been selected on the basis of goals set by WHO as well as the World Bank MENA Human Capital plan: <https://www.who.int/nmh/publications/ncd-profiles-2018/en/>. The targets include a 25% reduction on the baseline figures provided by 2025, and this assumption has been used for indicator 3, as well as indicators 1.1 and 1.2. The included four NCD are: cardiovascular diseases, cancers, chronic respiratory diseases, and diabetes.

	<p><b>Baseline:</b> No integrated health services for GBV survivors including case management and referral system</p> <p><b>Target:</b> Integrated health service for GBV survivors including case management and referral system developed (2026)</p>	
<p><b>CPF Objective 2.2: Improved Education Quality, Better Skills and Economic Opportunities for Youth and Women</b></p>		
<p><b>Intervention Logic:</b> Addressing skills mismatches and expanding economic opportunities are essential to better prepare and utilize Iraq’s human capital. Youth, women and poorer groups in various parts of Iraq urgently need more access to upskilling opportunities and sustainable livelihoods. To do so, Iraq needs to forge new partnerships with the private sector and non-governmental organizations to develop new programs, connect beneficiaries with vacancies and to promote new job creation and self-employment opportunities, especially among the more vulnerable populations. Improve women’s participation in the labor force and increase access to better economic opportunities for women. The WBG will pay special attention to gender inclusion and addressing gender-based violence in target areas. The WBG will support this objective through the following interventions.</p>		
<b>CPF Indicators</b>	<b>Supplementary Objective Indicators</b>	<b>WBG Program</b>
<p><b>Indicator 2.2.1:</b> Percentage of early grade students who can read with comprehension (by gender)<sup>39</sup></p> <p><b>Baseline:</b> EGRA (2012): 7.3% of grade 3 children reading with comprehension (defined as answering 80% of reading comprehension questions correctly)</p> <p><b>Target:</b> NA (2023)</p> <p><b>Target:</b> 12% of grade 3 children reading with comprehension (defined as answering 80% of reading comprehension questions correctly) (2026)</p> <p><b>Indicator 2.2.2:</b> Percentage of students completing primary education; % of students completing secondary education (M/F and by quintile)*</p> <p><b>Baseline:</b> Primary (2018, %): total: 75.7, male: 77.9, female: 73.2, wealth quintiles (poorest to richest): 54.0, 68.4, 76.9, 86.6, 92.5</p>	<p><b>Milestone 1:</b> Student assessment systems in place</p> <p><b>Baseline:</b> No system (2021)</p> <p><b>Target:</b> SDI implemented, and results disseminated (2023)</p> <p><b>Target:</b> Participation in an ILSA (2026)</p> <p><b>Milestone 2:</b> Share of government education spending as a share of total government budget focus on recurrent non salary expenditure</p> <p><b>Baseline:</b> Govt Expenditure on Salaries % of total Education Sector Expenditure: 93% (2020)</p> <p><b>Target:</b> Govt Expenditure on Salaries % of total Education Sector Expenditure: 91.5% (2023)</p> <p><b>Target:</b> Govt Expenditure on Salaries % of total Education Sector Expenditure: 88% (2026)</p> <p><b>Milestone 3:</b> School Infrastructure Policy in place</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• EODP Education component- IPF</li> <li>• Support to Education and Skills Development in Iraq (I3RF)</li> <li>• Public Expenditure Review for Human Capital – Core ASA</li> <li>• Mashreq Gender Facility - BETF</li> <li>• Women Economic Participation (604389)</li> <li>• Promoting the inclusion of conflict-affected Iraqi youth- TF</li> <li>• Protecting and Promoting Human Capital in Iraq (TF)</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• I3RF for higher education recipient executed project (under preparation)</li> <li>• Human Capital Recovery Project (IPF FY22)</li> </ul>

<sup>39</sup> I3RF will only focus on 3 governorates and in a limited number of schools.

<p>Lower-Secondary (2018, %): total: 46.4, male: 46.2, female: 46.6, wealth quintiles (poorest to richest): 23.1, 35.5, 41.1, 56.7, 72.7</p> <p><b>Target:</b> On average 2% increase to baseline, with at least 3% increase in two poorest quintiles (2023)</p> <p><b>Target:</b> On average 4% increase to baseline, with at least 5% increase in two poorest quintiles (2026)</p> <p>*National indicators subject to HCP Project going ahead</p> <p><b>Indicator 2.2.3:</b> Proportion of young Iraqi jobseekers benefitting from skills development programs including digital (M/F)</p> <p>Baseline: 1% (2020)</p> <p>Target: 3% (2023)</p> <p>Target: 5% (2026)</p>	<p><b>Baseline:</b> No policy (2021)</p> <p><b>Target:</b> implemented in 6 governorates (2023)</p> <p><b>Target:</b> implemented in all governorates (2026)</p> <p><b>Milestone 4:</b> Teacher Allocation Policy in place</p> <p><b>Baseline:</b> No policy (2021)</p> <p><b>Target:</b> Teacher Allocation Policy implemented in 6 governorates (2023)</p> <p><b>Target:</b> Teacher Allocation Policy implemented in all governorates (2026)</p> <p><b>Milestone 5:</b> Number of skills development programs implemented in partnership with private sector</p> <p><b>Baseline:</b> 0 (2021)</p> <p><b>Target:</b> 5 (2023)</p> <p><b>Target:</b> 12 (2026)</p> <p><b>Milestone 6:</b> Number of young Iraqis completing new skills development programs (M/F)</p> <p><b>Baseline:</b> NA (2021)</p> <p><b>Target:</b> 5,250 (2023) (CFI: 250)</p> <p><b>Target:</b> 8,100 (2026) (CFI: 600)</p> <p><b>Milestone 7:</b> Proportion of registered poor households in rural areas accessing sustainable livelihood services through business development training and grants for self-employment</p> <p><b>Baseline:</b> 0 (2021)</p> <p><b>Target:</b> 1% (2023)</p> <p><b>Target:</b> 5% (2026)</p> <p><b>Milestone 8:</b> Establishment of a job matching platform as part of public employment services for jobseekers and the private sector</p> <p>Baseline: No system (2021)</p>	<ul style="list-style-type: none"> <li>• Iraq Human Capital Review -ASA</li> <li>• Iraq Poverty Assessment- Core ASA</li> </ul>
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	Target: System established and piloted (2023) Target: System operational at national scale (2026)	
<b>CPF Objective 2.3: More Effective, Inclusive and Resilient Social Protection Systems</b>		
<b>Intervention Logic:</b> The objective of is to build effective and inclusive systems, including better coverage and targeting mechanisms, that protect the poor and vulnerable and strengthen their resilience in the face of shocks. The Bank will continue to support well targeted and inclusive Social Safety Nets (SSN) and the provision of community-driven quality social services. In addition, the Bank will support the GOI to strengthen the resilience of the population to current and future shocks through pensions and social insurance reforms that would seek to increase coverage, equity and sustainability of the system, and by strengthening linkages with disaster response mechanisms.		
<b>CPF Indicators</b>	<b>Supplementary Progress Indicators</b>	<b>WBG Program</b>
<p><b>Indicator 2.3.1:</b> Number of households benefitting from improved access to basic services through the SFD-funded subprojects Baseline: 0.00 Target: 1,500,000 (2024 or end of project)</p> <p><b>Indicator 2.3.2:</b> Reduced inclusion errors of the Iraq Cash Transfer Program Baseline: 27% (2020) Target: 24% (2023) Target: 20% (2026)</p> <p><b>Indicator 2.3.3:</b> Percentage of the population that is covered by a pension scheme in Iraq Baseline: 48% (2020) Target: 50% (2023) Target: 55% (2026)</p>	<p><b>Milestone 1:</b> Number of communities benefitting from improved access to basic services through SFD funded subprojects Baseline: 0 (2021) Target: 378 (2023) Target: 5400 (2026)</p> <p><b>Milestone 2:</b> Number of beneficiaries from short term employment through SFD subprojects, of which women Baseline: 0.00 Target: 50,000 (2024 or end of project)</p> <p><b>Milestone 3:</b> Social norm change/behavioral activities developed for SFD subprojects for GBV prevention. Baseline: No social norm change/behavioral activities (2021) Target: Modified social norm change/behavioral activities developed and implemented (2025)</p>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• Social Fund for Development – IPF (P163108)</li> <li>• Social Protection and Jobs for Poor and Vulnerable Iraqis - ASA</li> <li>• Gender and Social Protection in Iraq: Towards Economic Empowerment- ASA</li> <li>• Strengthening Peacebuilding, Governance and Citizen Engagement in Reform, Recovery and Reconstruction- I3RF</li> </ul> <p><b>Proposed:</b></p> <ul style="list-style-type: none"> <li>• Social Fund for Development Additional Financing (FY22)</li> <li>• Human Capital Recovery Project (IPF, FY22)</li> <li>• Protecting and Promoting Human Capital in Iraq (TF)</li> <li>• Upcoming Pensions Technical Assistance</li> <li>• Climate adaptation actions through community based natural resource management in forestry/agroforestry, afforestation and expanded green belts to minimize dust storms and enhance micro-climate – IPF (FY24)</li> </ul>

## **Annex 2: Completion and Learning Review**

### **THE REPUBLIC OF IRAQ: COUNTRY PARTNERSHIP STRATEGY COMPLETION AND LEARNING REVIEW FY2013–FY2017**

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Date of CPS (FY2013-2017): November 13, 2012 (Report No. 73265-IQ)

Date of PLR: May 1, 2015 (Report No. 94767-IQ)

Date PLR discussed by the Board: July 7, 2015

CLR prepared by: Naseer Rana and Milena Stefanova

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- Baghdad Office Staff : Mr. Robert Bou Jaoude, Country Manager for Iraq; Mr. Nafie Mofid, Water Sector Specialist ; Mr. Mohammed Wafaa Al-Ani, Operations Officer, Ms. Lemya Ayoub, Private Sector Development Analyst; Ms. Reem Kamil, Executive Assistant; Mr. Christopher Brooksbank, Country Security Specialist; and Ms. Raghad Adday, Programme Assistant.
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## I. SUMMARY OF KEY FINDINGS

**This Completion and Learning Review (CLR) is a self-evaluation by the World Bank Group of the Country Partnership Strategy for FY2013–2017 and the Performance and Learning Review prepared in 2015.** The Country Partnership Strategy (CPS) set out a strategy around three pillars: (i) improving governance; (ii) supporting economic diversification for broadly shared prosperity; and (iii) improving social inclusion and reducing poverty. The design of the CPS was kept flexible but a drastic change in the circumstances with the emergence of ISIS, deterioration of security, collapse of oil prices, and political uncertainty, required a shift in the objectives and results framework.

**The Performance and Learning Review (PLR) provided an opportunity to revisit the principal elements of the CPS in a changed and dynamic environment.** To accommodate the changed country circumstances and new priorities, the CPS program was refocused under two pillars: (i) to deliver basic public services, especially in areas where the security threat has diminished, to reduce poverty and enhance citizens trust in government institutions, and (ii) to address and help manage the country’s critical fiscal situation and increase opportunities for private sector investment. The CPS period was extended to FY2017 and the funding envelop was increased. This CLR assesses the CPS achievements against the revised objectives focused on supporting efforts toward stabilization, rebuilding state institutions, and putting the economy on a sustainable path of shared prosperity.

**The World Bank Group (WBG) program was reoriented to respond to the Government of Iraq’s (GoI) urgent needs resulting from the fight against terrorism and the reduction in oil prices.** The revised program aimed to strike a balance between the immediate needs of fiscal support and the reconstruction of the liberated areas, and the required structural reforms that impact directly on the fiscal situation and the quality of public spending.

**The PLR emphasized emergency service delivery and fiscal support in the lending program to accommodate the shift towards addressing the immediate needs of the country.** These operations included: i) US\$350 million Emergency Operation for Development prepared in record time (from concept to first disbursement in six months)<sup>40</sup>; (ii) US\$1.2 billion Emergency Fiscal Stabilization, Energy Sustainability, and State-Owned Enterprise (SOE) Transparency Development Policy Financing (DPF); and (iii) US\$1.4 billion Second Expenditure Rationalization, Energy Efficiency, and SOE Governance DPF, including the guarantees provided by the UK and Canada. The WBG worked closely with the IMF during the development of the Iraq Standby Arrangement (SBA) of US\$5.4 billion. IFC has continued to play a strong countercyclical role in supporting the private sector, especially in high impact areas such as power and manufacturing. Since the start of the CPS period, IFC’s committed portfolio has increased by more than one-third to US\$452 million, and is holding up well with no non-performing loans (NPLs). MIGA’s gross exposure stood at US\$8 million as of end-FY2016 and aims to support more private sector projects, including by utilizing the Conflict-Affected and Fragile Economies Facility.

**Given the rapidly evolving situation on the ground, the WBG has accelerated preparation of the CLR and the Systemic Country Diagnostic (SCD), aiming to have in place a new Country Partnership Framework (CPF) for Iraq in the third quarter of FY17.** The WBG working under deteriorating security, uncertain political situation and collapsing economy, has managed not only to stay engaged, but to adapt to emergent realities and to provide timely and effective support, which is well appreciated by the

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<sup>40</sup> This is probably best practice to be followed in similar FCV contexts. The Bank’s ability to prepare this operation using modern technologies (satellite imagery analysis and social media monitoring) and the flexibility introduced under Operational Policy 10.00 for implementing projects in fragile situations has demonstrated the speed with which the Bank can be mobilized to provide timely and much needed support to our client countries.



Iraqi counterparts. Balancing short-term successful fiscal and reconstruction-focused interventions with initiatives which seek to renew the social contract between the citizens and the state, create employment, stimulate private sector development, and address inequality issues in rural areas is expected to contribute to reducing fragility and facilitating stability and shared prosperity. Enhanced WBG presence on the ground and active risk monitoring of the situation to inform better design and adaptation of Bank-financed operations would help improve development outcomes.

### *Development Outcome*

**Overall development outcome rating is ‘moderately satisfactory’.** This assessment is based on the fact that good progress was made towards the majority of expected outcomes in a highly volatile and risky environment. Majority of the objectives are achieved with some of them partially achieved, but on track to be mostly achieved by the end of the CPS period.<sup>41</sup> Eleven closed projects were reviewed by IEG to date with seven projects receiving satisfactory rating for development outcome while the remaining four were rated unsatisfactory. Some gaps still remain requiring continuous support during the next CPF period. Reasons for these gaps are well documented in the PLR related to the deterioration of security and the economy, the emergence of ISIS, the collapse of oil prices, and the ongoing political uncertainty. Weakened institutions and limited capacity caused implementation delays leading to some targets being delayed.

**Over the CPS period, the WBG has innovated and explored the limits of how to reshape its engagement and make it most effective in such a complex environment.** The CPS demonstrates an approach that has fundamentally informed not only the scope and approach of the MNA Regional Strategy discussed by the Board in October 2015, but has pushed the institution to confront the causes and consequences of violence more directly and to be prepared to take informed risks in a high risk/high reward environment. The emergency development policy and investment project financing approved by the WBG Board in FY16 are strong examples of where the WBG did not pursue conventional responses but made the case for exceptional and innovative responses.

### *WBG Performance*

**The WBG overall performance is rated ‘good’ in terms of the design and implementation of the CPS.** The CPS results frameworks (the original and the revised ones) were developed and aligned with the country priorities and did respond to the changing circumstances. The WBG was constantly revisiting its approach as new events transpired. Third party monitoring was effectively used for supervision and presence on the ground given the security risks and challenges.

**The WBG took full advantage of the PLR to adapt the program to emerging priorities on the ground and to provide timely and responsive emergency support in record time.** The WBG revised the CPS program and pillars and included an emergency service delivery operation and fiscal support. The Emergency Operation for Development (US\$350 million) approved in July 2015 was prepared in record time with six months from concept to first disbursement. The Emergency Fiscal Stabilization DPF (US\$1.2 billion) was approved in December 2015 and was fully disbursed in the same month. Following loan effectiveness and early implementation delays, the Transport Corridors Project (US\$355 million) has

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<sup>41</sup> Out of 19 CPS indicators, 10 were Achieved; three were Mostly Achieved; two were Partially Achieved, and three are on track to be achieved. Table 1 provides a summary of the achievements against the CPS revised objectives and outcome indicators.

picked up implementation over the CPS period and is expected to achieve the planned targets for FY16 by the end of FY17, within the extended CPS period<sup>42</sup>.

**The Bank program.** Fifteen projects for a total of US\$817.5 million were completed during the CPS period (including IBRD/IDA and trust funded activities), and three new operations were approved for a total of US\$1.905 billion. As of end December 2016, the Iraq lending portfolio comprised active operations (IPFs, DPFs and RETFs) with net commitments of US\$3.39 billion, of which US\$672.6 million remain undisbursed. In December 2016, the WBG Board of Directors approved a new DPF (the first in a programmatic series of two) in the amount of US\$1.4 billion to support expenditure rationalization, energy efficiency and SOE governance. The lending operations in Iraq were complemented by a diverse set of ASA activities in priority sectors and areas of reform. Annexes II-VI provide details of the overall portfolio, including for IBRD/IDA, IFC and MIGA.

**The IFC and MIGA programs increased during the CPS period and complemented the IBRD activities.** Despite the deteriorating security environment and diminishing investor appetite, IFC committed a total of US\$592 million in 11 projects during FY13-July 2016 across power, transport and logistics, manufacturing and services sectors. Advisory support focused in areas of corporate governance, capacity building, public-private partnerships (PPPs), and investment climate reforms to promote private sector development. During the CPS period, MIGA has supported the diversification of the economy through guarantees for infrastructure services projects in telecom and port logistics - both sectors that play a catalytic role in enhancing private sector development. Specifically, MIGA issued a guarantee of US\$8.3 million in FY2014 to support a port logistics project in Umm Qasr in the Basra Governorate. Also in FY2014, MIGA issued a guarantee for US\$10.4 million covering an investment in the telecom sector supporting a high speed mobile broadband data and internet service provider in the autonomous region of Kurdistan.

Alignment with the WBG Corporate Strategy

**The WBG program under the CPS and the PLR contributed to achieving the WBG twin goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner based on the ground realities, emergency needs, and feasible interventions.** The CPS objectives were focused on improving governance for sustainable growth and service delivery; supporting economic diversification for broadly shared prosperity; and improving social inclusion and reducing poverty. The PLR responding to the changed country circumstances emphasized the need to deliver basic public services, especially in areas where the security threat has diminished, reduce poverty and enhance citizens' trust in government institutions, address the country's critical fiscal situation, and increase opportunities for private sector investment. Emergency DPF and investment operations were critical interventions to keep the economy afloat and basic services intact though at a low level.

## II. HIGHLIGHTS OF THE ASSESSMENT

**Overall development outcome rating is 'moderately satisfactory'** with the majority of the quantitative targets achieved within the CPS period. Summary of the highlights of the outcomes grouped under PLR pillars and the WBG activities that contributed to the revised CPS objectives are presented below. Ratings are summarized in Table 1.

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<sup>42</sup> Already two large works contracts towards the rehabilitation of 280 km of Expressway No. 1 in southern Iraq are under implementation with a third one in KRG awarded.

## **Pillar 1 - Strengthening Public Service Delivery: Mostly Achieved**

### ***Outcome Area 1.1. Strengthened infrastructure services: Partially Achieved***

**Road transport connectivity and safety (on-track to be mostly achieved).** Continued implementation of the *Transport Corridors Project* approved in FY2014 contributes to achieving road sector indicators in this outcome area. The targets of rehabilitation of 100 km of Expressway No. 1 and reduced traffic fatalities to 100 are on track to be achieved by FY2017 with contracts signed and work expected to be completed in time. The loan effectiveness was delayed by one year and project implementation was launched only in April 2015. The delay was caused by the national parliamentary elections and establishment of a new government, and the approval of the national budget thereafter. The two major contracts for rehabilitation of the 280 km Expressway No.1 in Southern Iraq comprising 50 percent of the loan are under implementation, with a third one in KRG also awarded.. IFC supported the transport and logistics sector through two investments during the CPS period: (i) US\$30 million in repeat project with GulfTainer to support the development of a first class logistics and oilfield supply facility; and (ii) US\$2 million equity in Nafith to support its operations in Iraq at the Umm Qasr Port through the implementation of the Truck Control System. For the latter project, MIGA worked together with IFC, supporting the investor via a political risk guarantee for US\$8.3 million.

**Rehabilitated irrigation and drainage water services (Achieved).** The *Emergency Community Infrastructure Rehabilitation Project* had reached a large number of rural beneficiaries to address urgent rural irrigation, drainage and water infrastructure rehabilitation needs. Through the implementation of rehabilitation and modernization of small irrigation, drainage and rural water supply infrastructure, the project served 193,305 water users, which is 118 percent of the original target (163,750). The number of women beneficiaries (77,302) also exceeded the original target (24,562) by 314 percent. The project expanded the rehabilitated irrigation and drainage areas from 97,000 Ha to 119,288 Ha (123 percent of the expected target). Rehabilitation of irrigation and drainage network led to increased irrigated crop production areas, crop intensity, yield and total agricultural production. The project did not only generate short-term job creation and local agricultural outcomes, but also helped lay the groundwork for irrigation and drainage sector rehabilitation and reform. Beyond the project development objective (PDO), the project contributed to nurturing social cohesion when it was most required in the country.

**Electricity/Energy (Partially Achieved).** i) The *Dokan & Derbandikhan Emergency Hydropower project* aimed to alleviate the current power shortfall in Iraq through urgent repair works and prepare for the subsequent rehabilitation of the Dokan and Derbandikhan hydropower plants. The improvement in availability of the generating capacity of these two plants has resulted in 148 MW of additional capacity being made available to the power grid in the Iraq's Kurdish region. The design and costing for the rehabilitation of the generator units of the two power plants has been completed. ii) The *Emergency Electricity Reconstruction Project* aimed to restore Hartha power plant's unit 2 and 3 capacity to as close as possible to their original capacity of 400 MW and thereby, ensure an additional operational life of 20 years. The activities related to rehabilitation of Hartha power station units 2 and 3 encompassed the supply of goods and equipment as well as installation services. At project closing, the supply of goods and equipment has been completed to the extent of an estimated 76 percent. However, installation services are lagging far behind. Only an estimated 30 percent of the installation works have been completed. On an aggregated basis, about 70 percent of the activities (including equipment supply and installation services) have been completed. The project ICR overall rating was unsatisfactory. iii) The Bank supported *Iraq National Energy Strategy (INES)*, which is being implemented in the oil, gas, and electricity sectors, and influencing development of linked industries as the official energy strategy for GoI. Gas pricing and gas master system design studies in support of INES recommendations have been completed. IFC invested US\$375 million in the leading local private investor, Mass Global Energy Sulimaniya (MGES) to help minimize supply and demand gap through expected generation of 10,000 gigawatt hours by 2017. The

power plant also uses more energy efficient combined cycle gas turbine contributing to an annual 250,000 tons of CO<sub>2</sub> emission reduction equivalent by 2017.

### ***Outcome Area 1.2. Improved Delivery of Health, Education, and Water Supply Services: Mostly Achieved***

**Health Services (Partially Achieved).** The *Second Emergency Primary Health Care Assistance Project* helped increase access and quality of basic health services for vulnerable groups, including women and children. 12 primary health care facilities were refurbished and equipped, four TB clinics established, 116 medical staff trained in primary care protocols, 600 women health volunteers trained in community outreach, 469 teachers trained in health education, and 30,000 household visits per month were conducted. Children age 0-5 years with health cards increased from 60.1 percent in 2012 to 95 percent in 2013. Pregnant women receiving antenatal care at primary health care facilities increased from 69.8 percent in 2012 to 85 percent by May 2013. The sole supplier of drugs and vaccines, the state-owned medical supply company was not able to fully distribute the planned number of iron supplements to participating facilities in the Southern Iraqi Marshlands and Babil. The recorded outcome at project completion was less than the original target (20.97 versus 26.1 percent)

**Education services (Mostly Achieved).** The *Emergency School Construction and Rehabilitation Project* improved learning conditions for students in primary and secondary schools in Iraq through the construction of new schools, the extension of existing schools, and the rehabilitation of schools in need of urgent repairs. The project succeeded in rehabilitating 133 existing schools, benefiting 80,576 students exceeding the revised target of 44,848 of which 43 percent are female. The project also constructed 48 new 12-classroom schools (18 secondary schools and 30 primary schools), benefitting 30,623 students exceeding the revised target of 23,040 of which 53 percent are female. It also added 6-classroom blocks to 18 schools, benefitting 4,028 students of which 44 percent are female. Under the *Third Emergency Education Project*, the number of additional seats available from the newly built schools and extensions was 31,680. This fell short of the target of 44,640 as indicated by IEG ICR review. Enrollment in 20 new project schools was 16,120, of which 77 percent were females. This fell short of the target of 33,600, however, data was not available for all 38 schools. Training of 20 master teacher trainers and 120 teacher trainers was completed. A teacher training handbook was also developed. However, training of teachers and curriculum development leaders was not conducted as planned. A curriculum evaluation manual and curriculum authoring manual were not developed as planned. There was insufficient direct evidence of improved quality of teaching or curricula. While some outputs were delivered that likely increased capacity of the Ministry of Education, there were significant shortcomings in implementation. Bank-financed technical assistance (TA) made notable contribution to the development and implementation of the Iraq National Education Sector Strategy for education and higher education in the areas of university governance, workforce development, early childhood development, and teacher policies.

**Rehabilitated Water Services (Achieved).** Total number of people directly benefitting from improvement of water supply, sanitation and urban reconstruction works through WBG support reached 1,300,000. The *Emergency Baghdad Water Supply Project* succeeded in restoring basic water supply and sanitation services for Baghdad through the reconstruction and rehabilitation of existing water supply and sewerage collection facilities. Infrastructure investments financed included: 43.5 km of sewer network reconstructed in Sadr City; 7,125 sewer connections replaced in Sadr City, with another 1,800 house connections benefiting from improvements of the transmission network; 44 km of water supply network replaced in Za'afaraniya; installation of 18 chlorinators and ancillary equipment; installation of 6 pumps for Abu Nuwas Raw Water Pumping station; and 306 man-months of training. Over 590,440 benefited directly from project investments while secondary beneficiaries exceeded 5 million. The *Emergency Water Supply Sanitation*

*and Urban Reconstruction Project* succeeded in restoring basic water supply, sanitation and urban services for urban areas outside Baghdad through the reconstruction and rehabilitation of existing facilities, and supporting capacity building through training and technical assistance. The project improved access to water supply and sanitation for 690,718 people, and 340,000 benefitted directly from urban rehabilitation investments (access to all-season roads and/or storm water drainage). Around 23,503 new households were connected to the water distribution network, and approximately 2,061 households to the sewerage. The *Emergency Water Supply Project* aimed to improve the quality and quantity of water supply in selected governorates through upgrading and replacing existing facilities. About 87.5 percent and 106.91 percent achievement of the original and revised targets through upgrading and rehabilitation carried out in three governorates and provision of goods in the fourth governorate. A total of 192,438 people benefited from the rehabilitation. In terms of quality, 86 percent of the beneficiaries were satisfied with reported both with the quality of service, i.e. appropriate water pressure and reduction in turbidity. A Public Expenditure Review of the Water Sector was also delivered.

## **Pillar 2 - Addressing the country's fiscal situation and increasing opportunities for private sector investment: Mostly Achieved**

### ***Outcome Area 2.1. Improved transparency of oil revenue management and efficiency of public spending: Achieved***

**Transparency of oil revenue management and efficiency of public spending (Achieved).** Iraq has become a compliant country on December 12, 2012 and has remained so to date, by publishing five consecutive Reconciliation Reports by December 30, 2015. Iraq was never suspended and it is getting ready for a second validation beginning in July 2016. It is also currently preparing the sixth consecutive Reconciliation Report. IEITI also contributed to informing the public by way of live televised debates, with substantial participation from civil society at large, including Academia, Civil Society Organization (CSO) or individual experts, who are not members of the Multi-stakeholder Group (MSG). The MSG representation of civil society and Industry was “refreshed” in September 2015 by way of a new round of elections under public scrutiny and considered by the International EITI Secretariat as a “Model of a kind”. Scheduled meetings are held as per the Work Plan.

**Public Expenditure Review and efficiency of spending (Achieved).** Iraq Public Expenditure Review was delivered on April 4, 2014. Based on policy recommendations of the Iraq PER, improving efficiency of capital budget spending was included as one of the policy reform areas (public investment management) of the DPF. Further to the achievement of a specific DPF prior action, the implementation of public investment management reform is on track. In addition, water sector PER was prepared; new budget instructions were approved (but no guidelines); standard bidding documents were finalized and used by the target ministries. Further, a Public procurement bulletin board (website) housed within Procurement Regulatory Agency was not established due to lack of budget to finance it. Standard bidding documents have been finalized and used by the target ministries. The new *Modernization of Public Financial Management (PFM) Systems Project* - approved in December 2016 - aims among other objectives at the establishment and operationalization of the public procurement e-portal. Foundational training provided to the Board of Supreme Audit (BSA) to improve audit reporting was completed and requirements for enhancing and automating public financial management systems, procedures and controls were put in place. Requirements for enhancing and automating public financial management systems, procedures and controls were also put in place. According to the information provided by the Ministry of Planning, as of December 2016, the Government of Iraq has met the 2015 DPF objectives of having 5 percent of capital projects valued at over US\$500 million for which a feasibility study with a cost-benefit analysis was done.

## ***Outcome Area 2.2. Achievement of one or more features of the Governance Action Plan - Achieved***

Under the *Iraq Technical Assistance and Capacity Building Fund*, four out of 12 GAP Policy Actions were selected by the federal government for immediate implementation during FY14.

*Policy Action #3:* Promoting a multi-media proactive disclosure of information related to Public Financial Management reform, in preparation for the launch of the Open Budget Initiative for Iraq in 2015. A methodological approach aimed at increasing the Iraq ranking in the 2014 Open Budget Index was developed; an Open Budget working group, composed of high-level technical staff from CoMSec, Ministry of Finance and Ministry of Planning, that is fully operational in regard to developing the open budget module of the IFMIS during the implementation phase starting in 2017.

*Policy Action #7:* Preparing Annual Budget Strategic Plans based on sector strategies in two pilot ministries (Ministry of Industry and Minerals, Ministry of Construction & Housing) for 2015-2017. A methodology for preparing three-year budget strategic plans tailored to the Iraqi context of intervention, as well as two 2015–2017 budget strategic plans for the two pilot ministries, the Ministry of Industry and Minerals and Ministry of Construction and Housing, now available to the entire government before generalization of the new approach.

*Policy Action #11:* Holding regular and structured consultations between the government, civil society and the private sector about the preparation of new laws and regulations impacting private-sector development. This included support for meetings or written dialogue focused on regulatory reforms that included stakeholder involvement and number of participants at these meetings.

*Policy Action #12:* Supporting ongoing SOE reforms and Public-Private Partnerships. Four key reports documenting progress in implementing the Government’s SoE Reform Roadmap, including the number and percentage of SOEs generating revenues and covering their costs. The Government of Iraq has endorsed GAP recommendations dealing with inactive SOE workers; closing down loss-making SOEs; and attracting PPPs for commercially viable SOEs.

In FY16, the Bank carried out an assessment of the decentralization process in Iraq through the lens of service delivery by the Governorates, providing recommendations for strategic, coordinated and sequenced approach to decentralization which would inform Bank’s future strategy in this area. IFC has also completed a Corporate Governance Assessment completed for a local bank.

## ***Outcome Area 2.3- Strengthened approaches to an improved business environment: Partially Achieved***

**Construction Permits (Achieved).** Through the Construction Permit Reform Project, IFC supported the development of simplified and effective construction permit system and regulatory framework to improve the Government of Iraq capacity and efficiency in issuing construction permits, thereby reducing the burden on the private sector at the national level (Baghdad) and subnational level (Erbil, Basra) and eliminating the bottleneck. The project supported a reengineered (simplified) process of issuing construction permits implemented in Baghdad, Basra and Erbil, and capacity building for the agencies involved. A national reform signed into regulations by the Prime Minister at the end of the project, on March 31, 2016, requiring all cities in Iraq to introduce the new standards for obtaining a construction permit and laying out the national requirements to do so. In addition, all three pilot cities have begun retroactively to review illegally constructed buildings. More specifically, all three cities were able to dramatically reduce the amount of time required to obtain a construction permit. Baghdad cut the number of days required to obtain a permit by 53 percent, Basra by 60 percent, and Erbil by an impressive 81 percent. In addition, the permit issue procedures were consolidated in one location, and previously required signatures and fees related to various

other municipal offices for water, sewage, electricity, tax payments were cut from the construction permit system. This work was delivered jointly by the Bank and IFC. While the construction was mostly financed through the IFC TFs, WBG used a mix of the Bank and IFC staff and expertise.

**Capacity to restructure SOEs (Partially Achieved).** SOE Asset Valuation Unit (AVU) was established and made operational within the Ministry of Finance. The AVU was subsequently upgraded to a Department under endorsement of the Council of Ministers (AVD). The AVD undertakes the collecting and updating of data and valuating of assets regarding SOEs operations and commercial viability for line ministries. The AVD valued the assets of SOEs under four pilot ministries identified by the Government. This component was successfully implemented. Initiated Public-Private Dialogue (PPD) with focus on improving the business enabling environment and gender issues. Provided support for SOEs reform, and implementation of other reforms to support the private sector. This has included preparing policy notes and technical research – such as options for managing inactive SOE workers and preparation of several draft laws relating to PPPs, Labor Law and Economic Reform Law. Key outcomes include: four SOEs were identified as commercially viable (SDI, Mechanical, Al Mansoor and Ibn Majid); 21 SOEs were identified as potentially viable; one SOE was identified as partially viable; and one SOE, the State Company for Drug Industries, entered a PPP joint venture with the Munir Sukhtian Pharmaceutical Group of Jordan. GoI SOEs now operating have an inactive employee analysis consistent with the GoI SOE Reform “Roadmap”. Strengthened supervisory framework for financial intermediation and capacity of financial institutions target.

**Outcome Area 2.4- Strengthened supervisory framework for financial intermediation and capacity of financial institutions – Partially Achieved**

**Compliance with Basel Core Principles (Partially achieved).** The *Banking Sector Reform Project* aimed to strengthen the supervisory framework for financial intermediation and to build the capacity of financial institutions – particularly the two largest state-owned banks, Rasheed Bank and Rafidain Bank – to support implementation of Phase I of the Iraq Banking Reform Strategy. This included the establishment of new departments, such as Risk Management Department and IT Department, intended to improve governance and accountabilities for Rasheed Bank and Rafidain Bank. Financial restructuring helped the two banks to improve their ability to comply with minimum capital adequacy and other prudential requirements of CBI, and to strengthen their credibility with their business counterparts. The project provided capacity building to CBI to enhance its supervisory and regulatory authorities—mainly, reviewing the existing banking supervision process, assessing the effectiveness of its supervisory apparatus to the adherence to international codes and 27 standards, and preparing a detailed action plan to address any deficient gaps and needs in coordination with the IMF. Capacity building and training of 191 staff of the supervision department at CBI included setting up the underpinnings of a strengthened regulatory and supervisory framework, focusing on on-site and off-site processes. These reforms have contributed to raising the reported (unaudited) capital adequacy ratio from zero in June 2006 to 22.06% in January, 2016 exceeding the target value of 4 percent.

**IFC’s Business Edge program helped train over 1,600 Iraqi entrepreneurs, as well as trained 146 SME training providers, 47 percent of which were women.** In order to support the non-oil sector and create employment opportunities in the private sector, IFC committed several projects in the manufacturing and services sectors during the CPS period. In the manufacturing sector, IFC has committed a total of around US\$100 million to provide long-term financing to develop efficient local cement capacity in a country which currently has a large domestic supply shortage (thereby depending on imports from neighboring countries) as well as support reconstruction efforts in the medium to long-term. Similarly, IFC committed US\$8 million equity in to Ecocem Iraq, project aimed at replacing fossil fuels in Lafarge cement plants to alternative fuels. In agribusiness, IFC committed two investments: (i) US\$18 million in Al-Safi Danone to establish a green field plant to produce dairy products for the local market, and (ii) US\$20 million



investment, including US\$8 million from parallel lenders in Ahram (Life Water) to increase food security by providing access to affordable drinking bottled water. This investment was subsequently canceled due to project-related issues. In the services sector, IFC invested US\$14 million to build a green field extended stay hotel to accommodate business needs and support employment creation.

**IFC piloted investment policy and promotion (IPP) with Basra Investment Commission (BIC) to address legal, regulatory, and institutional barriers to investment and enhance the Province's investment potential for viable expansion and growth.** The technical support to the National Investment Commission and Basra Investment Commission includes: (1) strengthening of investor protections and grievance channels; (2) development of reform memorandum addressing *de jure* and *de facto* legal and regulatory barriers to investment at the national and the subnational levels; and (3) institutional strengthening and development of an investment attraction and retention strategy for the Basra Investment Commission. While the IPP was mostly financed through the IFC TFs, WBG used a mix of the Bank and IFC staff and expertise.

***Outcome Area 2.5. Strengthened capacity to develop, manage and monitor social protection reforms - Achieved***

**Social safety net reforms (Achieved).** The Project was able to successfully establish a national Social Safety Net Information System (SSNIS) capable of recording beneficiary information, identifying ineligible citizens, and generating data and evidence for use in targeting the poor and vulnerable more accurately. 100,000 ineligible households were excluded based on the use of central SSN beneficiary database, significantly exceeding the original target. As of October 2013, the Government had saved US\$25 million because of the SSNIS, which covers 21 sites, including KRG, and is fully operated and managed by an internal technical team at MOLSA. By the end of 2016, 365,000 households deemed ineligible based on poverty targeting were removed from the eligibility database. This was maintained through the enactment of the Social Protection Law in April 2014 (Law 11/2014) which abolished categorical targeting and replaced it with poverty-based targeting criteria (means and proxy means testing).

**Strengthened analytical foundations for poverty reduction (Achieved).** IHSES 2012 and Poverty and Inclusion Assessment 2007-2012, including gender-disaggregated data were completed. Poverty Map was completed in 2015 and the poverty measurement methodology was revised. The 2012 official poverty estimates and poverty line were announced in June 2013. Interim poverty estimates for 2014 were released in 2015. Estimates for 2016 will likely come in 2017. The Bank has also supported the completion of a Crisis Response TA, an Economic and Social Impact Assessment for KRG; and a KRG Economic Roadmap.

Table 1

**PILLAR 1: Strengthening public service delivery in Iraq (Mostly Achieved)**

<b>Outcome Area 1.1: Strengthened infrastructure services</b>				
<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Actual</b>	<b>Outcome</b>
1.1.1 (i.) Improve road transport connectivity and safety	0	35% (2017)	In process	On track (FY17)
1.1.1 (ii.) Reduced traffic fatalities	113	100 (2017)	In process	On track (FY17)
1.1.1 (iii.) Number of direct project female beneficiaries	0	8,500 (2017)	In process	On track (FY17)
1.1.2. Beneficiaries from rehabilitated irrigation and drainage water services	0	52,750 (2016)	163,750	Achieved
1.1.3. Increased available generation capacity (MW)	410 MW (2012)	920 MW (2015)	148 additional (558 total)	Partially Achieved
<b>Outcome Area 1.2: Improved delivery of health, education, and water supply services</b>				
<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Actual</b>	<b>Outcome</b>
1.2.1 (i.) % pregnant women receiving antenatal care at primary health care facilities	69.8% (2012)	90% (2013)	85% (2013)	Mostly Achieved
1.2.1 (ii.) % pregnant women receiving iron supplement	26.1% (2012)	50% (2013)	20.97% (2013)	Not Achieved
1.2.2 (i.) Students benefiting from improved conditions of learning in new school buildings and classrooms	0 (2004)	72,688 (2013)	51,171 (2013); 56,171 (2014) of which 32,963 are females	Mostly Achieved
1.2.2 (ii.) Number of additional seats available	0	32,640 (2014)	32,640 (2013); 59,040 (2014) –	Achieved
1.2.3 Number benefitting from rehabilitated water supply systems	0 (2005)	815,000 (2013)	1,300,000 (2013)	Achieved

**PILLAR 2: Addressing the country's fiscal situation and increasing opportunities for private sector investment (Mostly Achieved)**

<b>Outcome Area 2.1: Improved transparency of oil revenue management and efficiency of public spending</b>				
<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Actual</b>	<b>Outcome</b>
2.1.1. Iraq as an EITI compliant country	1 EITI report	4 EITI reports (2016) and active participation of CSOs in monthly meetings	6 Five EITI reports with; participation of CSO have been verified by signed attendance list by the validator.	Achieved
2.1.2. Implementation PER recommendations	None	One key recommendation implemented	Efficiency of capital budget spending was achieved	Achieved
<b>Outcome Area 2.2: Achievement of one or more features of the Governance Action Plan</b>				
2.2.1. Governance Action Plan under implementation	Draft Governance Action Plan prepared	Achievement of one or more key features of the Governance Action Plan	Achieved	Achieved
<b>Outcome Area 2.3: Strengthened approaches to an improved business environment</b>				
2.3.1. Time taken to deal with construction permits	187 days (Doing Business 2013)	128 days by project completion in 2015	80 days in 2016 (actual mapping)	Achieved
2.3.2. Strengthened capacity to restructure SOEs	Action Plan to reform SOEs	Implementation Action Plan on track	Some progress made	Partially Achieved
<b>Outcome Area 2.4: Strengthened supervisory framework for financial intermediation and capacity of financial institutions</b>				
2.4.1. Compliance with Basel Core Principles	No	Yes (2017)	Partially compliant	Partially Achieved
<b>Outcome Area 2.5: Strengthened capacity to develop, manage and monitor social protection reforms</b>				
2.5.1 Ineligible households excluded based on central SSN Beneficiary Database	0 (2011)	57,000 (2013)	100,000 (2016)	Achieved
2.5.2. Analytical foundations for poverty reduction strengthened	2007 poverty estimates and poverty line	2012 poverty estimates and poverty line announced by government	Completed	Achieved

### III. WORLD BANK GROUP PERFORMANCE

**The performance of the WBG in designing, adjusting and supporting implementation of the CPS program, within a high security risk environment, is rated as Good.** This is based on: (i) strong contribution towards the objectives of the CPS; (ii) innovative adaptation to changing circumstances; (iii) initiation of a sound program in response to the twin crises, including Emergency Fiscal Stabilization DPF, Emergency Operation for Development, Transport Corridors Project, ASAs and RASs; (iv) effective coordination and synergies with IFC and MIGA; and (v) a strong effort to ensure aid coordination and partnerships with development partners.

**The CPS remained relevant for the Iraq's development agenda.** The CPS was implemented during a particularly challenging period with severe deterioration of the security situation in certain areas of Iraq that have been taken over by ISIS and plummeting oil prices which have significantly affected Iraq's fiscal balance. The World Bank responded to the changed circumstances with agility and record speed. The refocusing of CPS objectives, priorities, and results at the time of the PLR helped ensure that World Bank Group support shift from a focus on the medium-term objectives of improving governance and diversifying the economy for job creation to a nearer-term focus on improving service delivery, especially in the areas liberated from ISIS, and addressing the country's emergent fiscal crisis. The PLR reflected the changing environment by revising the CPS objectives and emphasizing support through emergency operations.

**With an innovative mindset operating in a very difficult FCV environment, the WBG was responsive to address the most urgent needs of the country.** The Bank adapted to a changing situation on the ground and provided timely, responsive emergency support in record time. Flexibilities introduced by provisions of operational policies applicable in fragile situations have been put to test for effectiveness in fragile, conflict and high insecurity country context. The US\$350 million Emergency Operation for Development was prepared in record time – about six weeks from concept to approval, and overall six months from concept to first disbursement. It was designed as a multi-sectoral operation which involved collaboration across five Global Practices.

**While fast responding to emergencies and fiscal constraints, the WBG kept engaged in key sectors and continued to support longer-term development agenda through the ongoing policy dialogue, ASAs and RASs.** This includes a move from supply-driven to demand-driven advisory services with key activities such as: (i) Rapid Economic and Social Impact Assessment, which the Bank undertook to measure the impact of the displacement in KRG due to Syria and ISIS crises; (ii) the KRG Roadmap for Economic Recovery, which was delivered over two months by 42 Bank and IFC experts from 12 Global Practices and built on the growth diagnostics study, social protection reform, modernization of public procurement systems, and Shura Council capacity building programs for KRG; (iii) the Iraq Decentralization Just-in-Time Assessment; (iv) the Iraq Crisis Response TA; (v) the Electricity Distribution Sector Reform Support, and KRG Emergency Action Plan TA; and (vi) private sector development to name a few.

**Implementation challenges were appropriately tackled.** Despite operating in a volatile and insecure environment, the WBG demonstrated that it was possible to deliver basic services to vulnerable populations such as water, irrigation, health, education and even exceed the projected targets. Continuous efforts were made to strengthen WBG portfolio performance and deal with bottlenecks through close supervision, restructuring, and intense implementation support for local counterparts. Iraq suffers from weak control environment, wide spread corruption, and it ranks unfavorably on many key indicators of good governance; yet the portfolio did not witness any non-compliance or mis-rocurement during the CPS period due to the good identification and mitigation of fiduciary risks. Third party monitoring was effectively used for supervision and presence on the ground was maintained with the World Bank Country Manager and IFC Country Representative based in Baghdad leading a small team. Additional support was provided from regional offices in Beirut and Amman. The Bank capitalized on the formation of a new reform-minded

government and supported the government reform agenda through the Emergency Fiscal Stabilization DPF (US\$1.2 billion). The Transport Corridors Project (US\$355 million), the effectiveness of which was significantly delayed, has picked up implementation with major contracts signed up, and set targets expected to be achieved by the end of FY17.

**Close collaboration between the World Bank, IFC and MIGA has set the stage for “One World Bank Group” approach in Iraq.** Since the start of the CPS period, IFC’s committed portfolio has increased by more than one-third to US\$452 million, and is holding up well with no NPLs. MIGA’s gross exposure stood at US\$8 million at end-FY2016, but the potential is higher since the agency is one of the few political risk insurers open for business in Iraq and could utilize its Conflict-Affected and Fragile Economies facility to support more cross-border investments into the country, complementing the Bank and IFC. IFC has complemented the Bank efforts in power, transport, services sectors and investment climate reforms to promote private sector development.

Table 2

**Original CPS Results Framework**

<b>PILLAR 1: IMPROVING GOVERNANCE</b>
<b>Outcome Area 1.1: Improved transparency and efficiency of oil revenue management and public spending</b>
1.1.1. Iraq as an EITI compliant country
1.1.2. Implementation PER recommendations
<b>Outcome Area 1.2: Achievement of one or more features of the Governance Action Plan</b>
1.2.1. Governance Action Plan under implementation

<b>PILLAR 2: SUPPORTING ECONOMIC DIVERSIFICATION FOR BROADLY SHARED PROSPERITY</b>
<b>Outcome Area 2.1: Strengthened approaches to an improved business environment</b>
2.1.1. Time taken to deal with construction permits
2.1.2. Strengthened capacity to restructure SOEs
<b>Outcome Area 2.2: Strengthened supervisory framework for financial intermediation and capacity of financial institutions</b>
2.2.1. Compliance with Basel Core Principles
2.2.2 Public Credit Registry functioning
<b>Outcome Area 2.3: Strengthened infrastructure services</b>
2.3.1. Improved clearance time of imports
2.3.2 Beneficiaries from rehabilitated irrigation and drainage water services
2.3.3 Increased available generation capacity (MW)

<b>PILLAR 3: IMPROVING SOCIAL INCLUSION AND REDUCING POVERTY</b>
<b>Outcome Area 3.1: Improved delivery of health, education, and water supply services</b>
3.1.1 (i.) % pregnant women receiving antenatal care at primary health care facilities
3.1.1 (ii.) % pregnant women receiving iron supplement
3.1.2 (i.) Students benefiting from new school buildings and classrooms
3.1.2 (ii.) Number of additional seats available
3.1.3. Number benefitting from rehabilitated water supply systems
<b>Outcome Area 3.2: Strengthened capacity to develop, manage and monitor social protection reforms and poverty reduction</b>
3.2.1. Ineligible households excluded based on central SSN Beneficiary Database
3.2.2. Number of communities benefitting from CDD programs

**Revised CPS Results Framework (FY13-FY17)**

<b>PILLAR 1: Strengthening public service delivery in Iraq</b>
<b>Outcome Area 1.1: Strengthened infrastructure services</b>
1.1.1 (i.) Improve road transport connectivity and safety
1.1.1 (ii.) Reduced traffic fatalities
1.1.1 (iii.) Number of direct project female beneficiaries
1.1.2. Beneficiaries from rehabilitated irrigation and drainage water services
1.1.3. Increased available generation capacity (MW)
<b>Outcome Area 1.2: Improved delivery of health, education, and water supply services</b>
1.2.1 (i.) % pregnant women receiving antenatal care at primary health care facilities
1.2.1 (ii.) % pregnant women receiving iron supplement
1.2.2 (i.) Students benefiting from new school buildings and classrooms
1.2.2 (ii.) Number of additional seats available
1.2.3 Number benefitting from rehabilitated water supply systems
<b>PILLAR 2: Addressing the country's fiscal situation and increasing opportunities for private sector investment</b>
<b>Outcome Area 2.1: Improved transparency of oil revenue management and efficiency of public spending</b>
2.1.1. Iraq as an EITI compliant country
2.1.2. Implementation PER recommendations
<b>Outcome Area 2.2: Achievement of one or more features of the Governance Action Plan</b>
2.2.1. Governance Action Plan under implementation
<b>Outcome Area 2.3: Strengthened approaches to an improved business environment</b>
2.3.1. Time taken to deal with construction permits
2.3.2. Strengthened capacity to restructure SOEs
<b>Outcome Area 2.4: Strengthened supervisory framework for financial intermediation and capacity of financial institutions</b>
2.4.1. Compliance with Basel Core Principles
<b>Outcome Area 2.5: Strengthened capacity to develop, manage and monitor social protection reforms</b>
2.5.1 Ineligible households excluded based on central SSN Beneficiary Database
2.5.2. Analytical foundations for poverty reduction strengthened

#### IV. ALIGNMENT WITH WBG CORPORATE STRATEGY

**The CPS and the revised PLR program as implemented was focused on assisting the country to reduce poverty and boost shared prosperity in a sustainable manner based on the FCV ground realities, emergency needs, and feasible interventions.** The CPS objectives were improving governance for sustainable growth and service delivery; supporting economic diversification for broadly shared prosperity; and, improving social inclusion and reducing poverty. The PLR responding to the emergency situation revised objectives to deliver basic public services, especially in areas where the security threat has diminished, to reduce poverty and enhance citizen's trust in government institutions, and to address and help manage the country's critical fiscal situation and increase opportunities for private sector investment. This allowed the space for emergency operations to keep the economy afloat and basic services intact though at a low level. The SCD preparation has been initiated that will inform the next CPF to align better with the twin goals on poverty reduction and shared prosperity.

#### V. KEY LESSONS LEARNED

**Key lessons learned revolve around attention to FCV context, innovative design, implementation approaches, and strengthening partnerships.** These include: (i) paying adequate attention to the fragility drivers and resilience and responding quickly to demonstrate the will of the government to deliver basic services to all citizens; (ii) ensuring WBG adequate presence on the ground to be well informed about the local context and risks to inform better design and adaptation of Bank-financed operations; (iii) being proactive and innovative in designing and implementing operations by using the latest cutting-edge technology solutions and the full menu of WBG instruments; (iv) setting realistic targets, balancing short-term and longer term goals, and (v) building strong partnerships to achieve the development outcomes. The top five lessons that are most relevant for the next CPF are elaborated below.

**Flexibility, response speed, and multi-sectoral approach are of essence in ensuring that WBG programs responds to FCV dynamics.** The adaptation of the WBG program in response to the twin crises and the launch of the Emergency Operation for Development charted new ways of WBG engagement in FCV contexts with higher than usual risk tolerance. Adopting a multi-sectoral approach to programming would counter fragmentation and ensure that interventions address critical FCV drivers in a concerted and coordinated manner. This new approach uniquely combines the emergency and development dimensions of WBG response balancing the need to move fast through rehabilitation of destroyed infrastructure and reinstatement of basic services with a focus on building resilience and sustainability. Going forward, adaptability to fluctuating, unpredictable, unstable and uncertain conditions on the ground will be a key determinant for success. This would require a proactive risk monitoring and enhanced WBG presence on the ground to ensure adequate response to changing local realities. In addition, WBG operations would need to be informed by project-specific conflict and political economy analysis to understand incentives for reform and mitigate the risk of further exacerbating local tensions.

**Employ innovative solutions to support the design and implementation of the Bank-financed operations.** The Bank was able to take advantage of cutting-edge technology and tools like satellite imagery, remote sensing, dynamic needs assessment and social media analysis, to ensure efficient design process and implementation monitoring of its operations. Third-party monitoring mechanisms covering fiduciary and safeguards concerns which are already in place in some projects could be expanded to permit adequate implementation oversight, given that security concerns would likely continue to limit Bank staff's access to project sites. To enhance the transparency and accountability of Bank-financed operations, third-party monitoring should also ensure citizen voice and participation in project implementation. Use of strategic communication to involve and inform beneficiaries and ensure delivery on promises is critical for gaining trust. Having the flexibility to complement recipient-executed activities with Bank-executed technical assistance or analytical program have proven invaluable in ensuring ongoing analysis informs and

shapes operations; quick response is provided to emerging priorities, and technical assistance is available for strategy and policy development.

**Renewing the social contract between citizens and the state is critical for Iraq's future.** The key lesson learned from the water supply and irrigation projects is that even in a context of the ongoing conflict, political and institutional instability and constraints on movement, it is possible to support investments in areas such as power, water supply, sanitation, irrigation services, agribusiness, health and education, which have immediate and major impacts on the quality of life of citizens and which support the building of engagement and confidence amongst citizens and the representatives of the state. In addition to delivering basic services, these operations contributed to building of engagement and confidence amongst citizens and the representatives of the state and nurturing social cohesion when it was most required in the country. The new CPF will need to balance the need for responding to immediate priorities while also making progress in addressing longstanding development challenges. Along ongoing investments in large infrastructure projects, the WBG needs to continue to invest in basic service delivery, strengthen the role of the private sector, and support the establishment of inclusive institutions to boost social cohesion and public confidence in the state, especially in rural areas of Iraq affected by poverty and deep inequality. A focus on decentralization to enhance accountability and transparency and building inclusive coalitions for reform among government, citizens, and civil society actors maybe helpful for renewing state-citizens relationship in Iraq. This needs to be carefully balanced against the risk of fragmentation. Supporting diversification of the economy, and creating employment opportunities through investments in education, agriculture, and services sectors, and supporting the enabling environment for private sector development would be essential in ensuring the growing youth population have alternative livelihood opportunities. The longer-term objective of holistic legitimacy may require a dedicated process to facilitate to bring different parts of Iraqi society together to discuss the future vision for economic and fiscal organization in Iraq and the transition from outright subsidies/ hand-outs to improvements in security; quality of health, education and other services; and progress in governance and other improvements required to achieve this vision.

**Growing IDP considerations require targeted interventions and support.** With looming humanitarian crises in Iraq, the internally displaced population in Iraq which currently amounts to 11% of the population is likely to continue to grow and this would require a special focus in the new WBG strategy to ensure that interventions address the particular vulnerabilities of such groups. The WBG would need to work together with humanitarian agencies to ensure a complementarity of efforts. For example, quick impact projects developed by humanitarian agencies to support IDPs will need to be complemented by longer-term development programs to support integration, managing social cohesion, addressing socio-economic needs through service delivery, access to land and housing, trauma healing, resilience building, and creation of economic opportunities. The Bank should also invest in strengthening the humanitarian-development partnership on the ground through joint data, joint planning and joint financing and implementation.

**Strengthen Development Partnerships.** The Bank should continue the strong collaboration with IMF over the last few years as exhibited in the preparation of the Emergency DPL and IMF SBA building on the complementarity of both institutions. In addition, the Bank should seek to strengthen its one WBG approach through even closer collaboration with IFC and MIGA. IFC-WBG collaboration on construction permits is a good lesson on mobilizing expertise across organizational boundaries for delivering the most needed solutions for clients. For IFC, mobilizing financing from regional investors and other IFIs will remain a focus area in order to support South-South investments as has been the case in the past. Working closely with G7, UN and other MDBs will ensure active coordination and avoiding duplication of activities, ensuring consistency in approaches and messaging, and maximizing success in building implementation capacity. As fragility and security risks are likely to remain high for Iraq going forward, the key interventions could have design and arrangements to continue implementation of these programs through appropriate UN agencies, should the situation on the ground prevent regular implementation procedures.

Expanding collaboration with civil society organizations would be critical for strengthening voice and accountability and fostering common narrative among Iraqi public opinion.



ATTACHMENT I: IRAQ REVISED CPS CLR RESULTS MATRIX (FY13-17) FROM PLR

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<b>PILLAR 1: Strengthening public service delivery in Iraq</b>			
<b>Outcome Area 1.1: Strengthened infrastructure services: Partially Achieved</b>			
<p>1.1 Improve <u>road transport connectivity and safety</u> on selected road sections along Expressway 1 and the North-South transport corridor in Iraq as evidenced by Percentage of Roads in good and fair condition (along 280 km of Expressway No.1);</p> <p><u>Baseline:</u> 0 <u>Target:</u> 35% (2017)</p>	<p><b>On track to be Mostly Achieved</b></p> <p>The set target of Roads Rehabilitated, Non-Rural: 100 km (2017) is not yet due, but <b>in progress</b>. The original targets are set to be achieved in 2017 and thereafter in the project implementation period, and clearly outside the CPS for FY2013–2016 period.</p> <p>The project effectiveness was delayed significantly since its signing in December 2013 and project implementation launched only in April 2015. The delay was caused by the national parliamentary elections and establishment of a new government, and the approval of the national budget thereafter. The two major contracts for rehabilitation of segments 7 and 8 (comprising 50% of the loan) were signed in December 2015 for a period of 3 years and are on track. Infrastructure activities, associated with Expressway No. 1 and North - South corridor, being financed through GoI financing (from IRBD budget in Baghdad and GDRB budget in Dohuk) are experiencing delays especially due to shortage of financing from the central government, thus affecting the physical progress and payments to on-going contracts.</p> <p>The GDRB component is more of a concern since KRG can no longer provide co-financing to the Bank's supported segment of the corridor (US\$58 million from IBRD and US\$30 million from KRG). Options to resolve these constraints have been discussed and agreement reached to reduce the scope of infrastructure but maintaining the integrity of a road corridor. The estimated cost is now US\$50 million with US\$2.5 million for construction supervision. This component is now within the available financing from KRG's share of the IBRD loan.</p> <p>Islamic Development Bank parallel financing of the TCP (US\$217 million) was approved in April 2014 but still pending effectiveness</p>	<p><u>Closed projects:</u> Emergency Road Reconstruction (P087735, FY14)</p> <p><u>Current portfolio:</u> Transport Corridor Project (P131550, FY14-20)</p> <p>Emergency Operation for Development (P155732, FY16-FY20)</p> <p>IFC investments in telecom and infrastructure</p> <p>MIGA guarantees</p> <p><u>Partners</u> Islamic Development Bank</p>	<p>Need to set more realistic targets taking Government approval processes in consideration and delayed implementation due to capacity and security constraints. To avoid delay, pay close attention to project readiness; have full understanding of the national ramification process and timeframe; and ensure project is included in the budget law to be approved by Parliament.</p> <p>Intensive, on-the ground implementation support by the Bank is essential but difficult due to security and limited staff mobility.</p> <p>To ensure better access to project sites, engage a Third Party Monitoring Agent which should include technical, fiduciary and safeguards compliance.</p> <p>To attract qualified consultants, reduce the security risk by allowing remote assignments and apply creative measures to relaying on the ground information; combine components to increase contract award; identify potential consultants beforehand and invite them to submit a bid; engage with local and regional firms which have the linguistic and cultural understanding of the Iraqi context. Cost estimates should take into account additional insurance and costs of private security. A key challenge faced by international contractors has been the issue with obtaining long term</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<p>Reduced traffic fatalities on Expressway No. 1  <u>Baseline:</u> 113  <u>Target:</u> 100 (2017)</p> <p>Number of direct project female beneficiaries  <u>Baseline:</u> 0  <u>Target:</u> 8500 (2017)</p>	<p>due to delays in issuing the Legal Opinion. Shortly after approval, this loan faced a major implementation challenge considering that the segments of Expressway No. 1 that it will finance are located in the Western areas of Iraq and in areas of very high security risk. On June 1, 2016, the government approved the shifting of the IsDB funding to segments of Expressway No.1 in the Southern part of Iraq and where the GoI was responsible for its rehabilitation. Formal Project restructuring will follow soon together with selection of contractors. Disbursement is expected to reach 39% of the loan proceeds by end of FY17. Commitment is expected to reach 68% before end of Q2 of FY17 by signing the third major works contract under TCP.</p> <p>No actual results due to implementation delays.</p> <p><a href="#">No actual direct project beneficiaries reported since implementation has just started.</a></p> <p>In July, 2015 the Bank approved a US\$350 million <i>Emergency Operation for Development loan</i> to support Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery (including transport infrastructure) in ISIS liberated areas in the South. This is a great example of shift in strategy and a multi-sectoral initiative which involved 5 GPs. The project was prepared in six weeks and utilized innovative remote sensing technology to design quality interventions. Great example of making effective use of flexibility in existing operational policies for working in FCV situations. Project is well on track</p> <p>IFC supported the transport and logistics sector through two investments during the CPS period: (i) US\$30 million in repeat project with GulfTainer to support the development of a first class logistics and oilfield supply facility; and (ii) US\$2 million equity in</p>		<p>resident permit to stay in the country which affected supervision and implementation.</p> <p>Future transport projects should explore the opportunity of whether working in partnership with Trade &amp; Competitiveness GP and IFC can capitalize on a window of opportunity to enhance economic development around transport corridors.</p> <p>The new emergency operation charts new ways of WBG engagement in FCV environments with higher than usual levels of risk tolerance. Combining both an emergency and development dimensions means that the Bank was able to move fast to reinstate essential services and also set the stage for building resilience and sustainability. Key elements of rapid response operation include: quick and clear strategy for project preparation; full commitment of Bank staff and management ready to travel to FCV situations; sufficient financial resources for design and supervision; realism in review of project documents; aiming at 100% accuracy in damage assessments is not realistic; selecting sectors with proven record of quick response; focus on quick wins first; and working with institutions with prior Bank relationship to reduce the learning curve.</p> <p>Embrace pragmatic, best-fit options to address immediate challenges. Adaptability to fluctuating, unpredictable, unstable and uncertain conditions on the ground is a key determinant for success. Projects needs to be flexible and scalable but with fixed selection criteria and project design features.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>Nafith to support its operations in Iraq at the Umm Qasr Port through the implementation of the Truck Control System. For the latter project, MIGA worked together with IFC, supporting the investor via a political risk guarantee for US\$8.3 million.</p>		<p>The importance of convening partnerships is critical to deliver infrastructure services in fragile environments (IsDB loan is \$218 million). Closed coordination with the UN system and partners engaged in a stabilization effort is key, including removal of rubble and demining.</p>
<p>1.1.2. Number of beneficiaries from rehabilitated irrigation and drainage water services  <u>Baseline:</u> 0  <u>Target:</u> 52,750 (2016)</p>	<p><b>Achieved</b></p> <p>The targets were fully achieved and exceeded through the <i>Emergency Community Infrastructure Rehabilitation Project</i>. At the project completion, about 323,538 man days of employment were created during the project period alone, compared with the target of 305,500 man-days. This was 106% of the expected target at the project appraisal. During implementation, communities and farmers participated in the selection of subprojects/interventions, construction of the irrigation and drainage infrastructures and rural water supply and bridges and connecting roads, and worked together to improve their agriculture production and marketing conditions and communal livelihoods. In addition, the increased water productivities and agriculture production created opportunities for further generation of longer term employment for on-farm activities, but also for non-farm economic activities.</p> <p>The project had reached a large number of rural beneficiaries to address urgent rural irrigation, drainage and water infrastructure rehabilitation needs. Through the implementation of rehabilitation and modernization of small irrigation, drainage and rural water supply infrastructure, the project served 193,305 water users, which is 118% of the original target (163,750). The number of women beneficiaries (77,302) also exceeded the original target (24,562) by 314%. Women play an increasingly important role in Iraqi agriculture, and more recently as heads of households, due to loss of the husband in conflict or by emigration.</p>	<p><u>Closed Projects</u>  Emergency community infrastructure rehabilitation project (P087881, FY 13)</p>	<p>To achieve the PDO, institutional capacity is of critical importance. The Bank's role in capacity building and providing FMA support to PMT was also crucial, which helped to build up a dedicated and highly professional PMT.</p> <p>To maximize the project economic and social benefits, it is important to integrate the rehabilitation of irrigation and drainage infrastructure with improved agriculture and farming systems for maximum synergies.</p> <p>The project results show that small local contractors are better in delivering development objectives in shortest possible time, with greater involvement of the local community.</p> <p>Beneficiary participation, based on a preliminary agreement with the water users at the early stages of project's implementation, would have allowed faster implementation of the irrigation works. Direct involvement of the beneficiaries in planning and implementation of O&amp;M systems, even at a later stage, creates a sense of ownership among farmers, which is instrumental in achieving sustainable water management.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>The project expanded the rehabilitated irrigation and drainage areas from 97,000 Ha to 119,288 Ha (123% of the expected target). This is important in Iraq's post conflict situation where more than 30% of the population live in rural areas and depend upon agriculture.</p> <p>Rehabilitation of irrigation and drainage network led to increased irrigated crop production areas, crop intensity, yield and total agricultural production. The average cropping intensity significantly improved from the baseline of 80% to 100% and exceeded the original target of 85%.</p> <p>The project not only generated short-term job creation and local agricultural outcomes, but also helped lay the groundwork for irrigation and drainage sector rehabilitation and reform. It was implemented efficiently, experienced high disbursement rates and achieved effectively development outcomes. Beyond the PDO, the project contributed to nurturing social cohesion when it was most required in the country. This was one of the few ITF operations that contributed to conflict resolution and a reduction in the social tensions because of the participatory nature of the process and the extensive beneficiary consultations at the village and community level.</p>		<p>Development progress in post conflict environments is rarely predictable or linear and cannot be fully mitigated through design. The imperative was to respond rapidly in this a post conflict situation with the objective of creating employment opportunities at grass root levels, repairing and/or rehabilitating critical support infrastructure, irrigation and drainage in this case. In such situations, the risks must be monitored continuously for course correction.</p> <p>From the earliest stage the project emphasized community consultation with the widest range of stakeholders including local leaders and community groups and equally emphasized creation of local employment, which contributed to social cohesion.</p> <p>The project implementation and supervision experiences showed that the work of the FMA had been very important and beneficial to the achievement of the Project outputs and outcomes. Especially in contexts where the Bank cannot carry out normal supervision missions, the Bank can mitigate risks for its program by employing FMA to monitor the project physical and financial implementation progress. In addition, as part of the FMA function, the FMA also provided intensive on-the-job training to the PMTs on project procurement, FM and M&amp;E works through their sites visit.</p>
1.1.3. <u>Electricity/Energy:</u> Increased available	<b>Partially Achieved</b>	<u>Closed Projects:</u>	Keep project design simple. Rehabilitation of existing facilities maybe the most optimal

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<p>generation capacity (MW) in power plants supported by WBG  <u>Baseline:</u> 410 MW (2012)  <u>Target:</u> 920 MW (2015)</p>	<p>The <i>Dokan &amp; Derbandikhan Emergency Hydropower project</i> aimed to alleviate the current power shortfall in Iraq through urgent repair works and prepare for the subsequent rehabilitation of the Dokan and Derbandikhan hydropower plants. The availability of generation capacity at Dokan was expected to be increased to 80%. Against this, power availability for June 2014 was 77%. Unit 4 out of service since February 2014 due to a defect in the speed governor system, covered under warranty. The defect was expected to be repaired by July 2014, following which Dokan was expected to perform above 80% availability. The availability of generation capacity at Derbandikhan was expected to increase to 80%. Against this, the measured power availability for June 2014 was 100 percent. The improvement in availability of the generating capacity of these two plants has resulted in 148 MW of additional capacity being made available to the power grid in the Iraq's Kurdish region. The design and costing for the rehabilitation of the generator units of the two power plants has been completed.</p> <p>The <i>Emergency Electricity Reconstruction Project</i> aimed to restore Hartha power plant's unit 2 and 3 capacity to as close as possible to their original capacity of 400 MW and thereby, ensure an additional operational life of 20 years. The activities related to rehabilitation of Hartha power station units 2 and 3 encompassed the supply of goods and equipment as well as installation services. At the close of the Bank project, the supply of goods and equipment has been completed to the extent of an estimated 76 percent. However, installation services are lagging far behind. Only an estimated 30 percent of the installation works have been completed. On an aggregated basis, about 70 percent of the activities (including equipment supply and installation services) have been completed. The project closed unsatisfactory.</p> <p>The <i>Iraq National Energy Strategy (INES)</i> is being implemented in the oil, gas, and electricity sectors, and influencing development of linked industries as the official energy strategy for GoI. Gas pricing and gas master system design studies in support of INES recommendations have been completed.</p>	<p>Integrated National Energy Strategy TA</p> <p>Dokan &amp; Derbandikhan Emergency Hydropower (FY14)</p> <p>Emergency Electricity Reconstruction Project (P087734, FY15) and Emergency Electricity TA (FY13, ITF)</p> <p>Gas Pricing Study TA</p> <p>Electricity IPP TA</p> <p>Petroleum Distribution and Retail Strategy TA</p> <p><u>Current Portfolio Roadmap for Reform of Electricity Distribution Sector (PPIAF)</u></p> <p>Best Practice in Public Procurement</p>	<p>approach to restore services post conflict. However given the rehabilitation uncertainties, adopting a rate based contract or direct contracting with the equipment manufacturers could be effective. There should be enough flexibility with regard to likely price changes.</p> <p>In an emergency situation and the need to restore services, there may not be sufficient time to undertake through detailed studies, and thus the need for flexibility in the contracting arrangements, such using a rate based contract rather than fixed price, lump sum contract.</p> <p>Price escalations are a frequent feature in rehabilitation works where the scope of damage may not be known until a detailed assessment. Flexibility in the contract provisions and probably direct contracting (though at higher cost) could have helped to address implementation issues.</p> <p>The Hartha project faced significant difficulties in procurement, contract signing, and effectiveness. The government did not use the flexibility allowed under the Bank's operational policy for emergency for higher threshold of procurement methods, use of direct contracting, etc.</p> <p>Given the context, a separate allocation should be made for security costs for contractors as well as consultants. In the case of the main Hartha rehabilitation contract, the GoI funded a separate contract for providing security to TPE, amounting to nearly US\$19 million- a premium of nearly 17–18 percent on the base</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>In July 2015, the Bank approved an IBRD loan of \$350million to support Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery (including restring electricity and connectivity component of \$75 million) in ISIS liberated areas in the South.</p> <p>In December 2015, The Bank approved a US\$1.2 billion Emergency Fiscal Stabilization, Energy Sustainability, and SOE Transparency DPF, which supported the following policy reform areas: (i) gas flaring reduction, (ii) gas to power and; (iii) electricity service improvement.</p> <p>The Bank is also implementing the <i>Action Plan to Mitigate Power Cuts in KRG TA</i> to support the government in developing an emergency action plan to address power outages in Kurdistan, to build consensus among stakeholders to implement short term measures, and to identify reforms required to achieve reliable and affordable electricity services in the longer term.</p> <p>IFC invested in US\$375 million in the leading local private investor, Mass Global Energy Sulimaniya (MGES) to help minimize supply and demand gap through expected generation of 10,000 gigawatt hours by 2017. The power plant also uses more energy efficient combined cycle gas turbine contributing to an annual 250,000 tons of CO<sub>2</sub> emission reduction equivalent by 2017. 1500 MW generation.</p>	<p>in the Power Sector (ESMAP)</p> <p>Electricity Distribution Investment and Reform Poverty Impact Assessment (PSIA TF)</p> <p>Energy Efficiency Strategy (ESMAP)</p> <p>Emergency Operation for Development (P155732,FY16-FY20)</p> <p>Action Plan to Mitigate Power Cuts in KRG (P1577732; FY16-17; SPF TA grant)</p> <p>RAS KRG for the Structuring of Gas Value Chain and Gas Marketing (P148220, FY14-17)</p>	<p>cost. Ex ante arrangements for security may relieve bidder anxiety and more flexibility to enable contracts to adapt to emerging situations would be very helpful.</p> <p>Allocate significantly higher price and physical contingencies. The price premium for projects in conflict countries may be significantly higher than in non-conflict countries.</p> <p>In a post conflict situation, supporting the new institutions is critical to shaping the longer term sector sustainability- the INES and the ongoing TAs are supporting to having in place a framework and strategy for the restoration and sustainability of the sector operations and development as evidenced by the follow-on operations in addition to informing decision making.</p> <p>Anticipate difficulties in movement of men and materials in and out of the country. In conflict countries, procedures for obtaining visas and for moving materials through customs are usually less streamlined and may involve delays. In the Hartha rehabilitation, the contractors and consultants reported significant difficulties in the time taken to obtain visas as well as in the duration of stay allowed. An ex ante assessment of likely difficulties in this regard and arrangements for securing quick and longer-term visas should be discussed during project preparation. Language barriers and need for translators and interpreters is another important facet of engaging with multiple contractors and consultants from different countries.</p>



CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<b>Outcome Area 1.2: Improved Delivery of Health, Education, and Water Supply Services: Mostly Achieved</b>			
<p>1.2.1. <u>Health</u>: Percent pregnant women receiving:</p> <p>(i) antenatal care at primary health care facilities in Southern Iraqi Marshlands and Babil Governorate  <u>Baseline</u>: 69.8% (2012)  <u>Target</u>: 90% (2013)  Actual: 85% (2013)</p> <p>(ii) Iron Supplements  Baseline: 26.1% (2012)  Target: 50% (2013)  Actual: 20.97% (2013)</p>	<p>(i) <b>Partially Achieved</b></p> <p>The Second Emergency Primary Health Care Assistance Project helped increase access and quality of basic health services for vulnerable groups, including women and children, in the Marshlands area through improved partnerships between public providers, an international NGO, and community representatives for improvement of community-based health services in a conflict affected country. Thanks to the additional financing, 12 primary health care facilities were refurbished and equipped, 4 TB clinics established, 116 medical staff trained in primary care protocols, 600 Women Health Volunteers trained in community outreach, 469 teachers trained in Health Education, and 30,000 household visits per month conducted.</p> <p>Children of age 0-5 years with health cards increased from 60.1% in 2012 to 95% in 2013.</p> <p>Pregnant women receiving antenatal care at primary health care facilities increased from 69.8% in 2012 to 85% by May 2013.</p> <p>(ii) <b>Not Achieved.</b> <u><a href="#">Second Emergency Primary Health Care Assistance project (P123689, FY11, (LIR:S)</a></u> .The sole supplier of drugs and vaccines, the state-owned medical supply company was not able to fully distribute the planned number of iron supplements to participating facilities in the Southern Iraqi Marshlands and Babil. The reported actual results were less than the baseline (20.97%)</p> <p>In July 2015, the Bank approved an IBRD loan of \$350million to support Iraq in the reconstruction of damaged infrastructure and the restoration of public services delivery (including restoration of health services component of \$42 million) in ISIS liberated areas in the South. The project has been in implementation for less than a year and supports the improved delivery of essential health care services in selected municipalities to serve the urgent health needs of the Iraqi</p>	<p><u>Closed Projects:</u>  Second Emergency Primary Health Care Assistance (ITF, FY13)</p> <p>Household Survey &amp; Policies for Poverty Reduction &amp; TA (ITF, FY13);</p>	<p>Situation on the ground has a significant impact on security and implementation.</p> <p>Limited presence on the ground to do the handholding as the process is very heavy on procurement for emergency operation. Transparency and corruption issues persist, and there is and there is very weak capacity on the ground to deal with Bank procedures; very poor PMT who is unwilling to hire consultants.</p> <p>On FCV – to try and identify local consultant firms who can be on the ground to monitor progress; need stronger partnerships who can do the work – WHO; international NGOs; etc.</p> <p>The selection of the targeted areas was based on the IDP returnees and selected by the government; but there are other poor governorates in the south who have been ignored in the past. In the future perhaps need to look more closely at IDP movements..</p> <p>Other issues that need attention is malnutrition which is a big problem in the country; links to poverty – you want to make sure there is equity and access to health care; growing poor population and IDPs and this is key to poverty alleviation; the facilities procured should enhance access at free or very limited costs; addressing malnutrition/NCDs at primary</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>population. It seeks to address the most urgent health needs through the acquisition of mobile hospitals, mobile clinics, medical equipment and ambulances in selected areas.</p>		<p>health care is ensuring prevention and access for the poor.</p>
<p>1.2.2. <u>Education:</u> (i) Students benefiting from improved conditions of learning in new school buildings and classrooms  <u>Baseline:</u> 0 (2004)  <u>Target:</u> 72,688 (2013)  Actual: 51,171 (2013)  Actual: 56,171 (2014)</p> <p><i>Of which:</i> 32,963 female students have benefited</p> <p>(ii) Number additional seats available, resulting from</p>	<p><b>Mostly Achieved</b></p> <p>The <i>Emergency School Construction &amp; Rehabilitation project</i> improved learning conditions for students in primary and secondary schools in Iraq through the construction of new schools, the extension of existing schools, and the rehabilitation of schools in need of urgent repairs. The Project succeeded in rehabilitating 133 existing schools (involving addition of new classrooms, upgrading of electrical and plumbing systems, painting, roof repairs and new toilets), benefiting 80,576 students exceeding the revised target of 44,848 of which 43% are female. The project also constructed 48 new 12-classroom schools (18 secondary schools and 30 primary schools), benefitting 30,623 students exceeding the revised target of 23,040 of which 53% are female. It also added 6-classroom blocks to 18 schools, benefitting 4,028 students of which 44% are female.</p> <p>Under the <i>Third Emergency Education Project</i>, the number of additional seats available from the newly built schools and extensions was 31,680. This fell short of the target of 44,640 as indicated by IEG ICR review. Enrollment in 20 of the new project</p>	<p><u>Closed Projects:</u>  Emergency School Construction &amp; Rehabilitation (ITF, FY13)</p> <p>Third Emergency Education Project (IDA, FY 14)</p> <p>Institutional Strengthening and Capacity Building for the Education Sector (TA)</p> <p>Capacity Building for the Implementation of the National</p>	<p>In a conflict-affected country where the Bank has limited or no access on the ground, an external contractor can help to mitigate some financial risk but cannot be considered a substitute for full Bank implementation support. In the case of this project, the fiduciary monitoring agent was useful for monitoring physical progress and verifying appropriate use of funds; however, it could not provide the technical expertise necessary to ensure full development impact.</p> <p>For reform efforts that require significant international technical assistance (and not available in-country), project preparation would need to include an assessment of the availability and quality of such technical assistance. In the case of this project, the efforts to train teachers and modernize the curriculum had significant shortcomings due to</p>



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<p>newly built schools to reduce overcrowding  <u>Baseline:</u> 0  <u>Target:</u> 32,640 (2014)  <u>Actual:</u> 59,040 (2014)</p>	<p>schools was 16,120, of which 77% were females. This fell short of the target of 33,600; however, data was not available for all 38 schools. Training of 20 master teacher trainers and 120 teacher trainers. This achieved the targets of 20 and 120. A teacher training handbook was also developed. However, training of teachers was not conducted as planned. Training of curriculum development leaders was not conducted as planned either. A curriculum evaluation manual and curriculum authoring manual were not developed as planned. There was insufficient direct evidence of improved quality of teaching or curricula. While some outputs were delivered that likely increased capacity of the Ministry of Education, there were significant shortcomings in implementation.</p> <p>Bank-financed TA made notable contribution to the development and implementation of the Iraq National Education Sector Strategy for education and higher education. Bank's TA in the areas of university governance, workforce development, early childhood development, and teacher policies.</p>	<p>Education Strategy (TA)</p> <p>Support for KRG Education (TA)</p> <p>Capacity Building Support to the Ministry of Education's Vocational Education Sector (TA)</p>	<p>lack of available and experienced international firms.</p> <p>In a conflict-affected country with low capacity, a functional M&amp;E system can be implemented, through a simple design and M&amp;E capacity building efforts. In the case of this project, the Bank team made targeted efforts to explain the concept and importance of M&amp;E and assisted the borrower in tracking and reporting on key project outputs.</p> <p>There are a number of lessons to be drawn from TEEP within the financial management domain, including: the use of a designated account DA (taking in consideration the internal bank system), revolving account (the DA ceiling should be in line with the commitments), the currency of the account, and the payment cycle (the flow of funds can be more flexible by using adequate and professional staff).</p> <p>In civil works projects, disbursement mechanisms need to be designed in ways that facilitate project implementation and that do not expose contractors to cash flow problems. While in this project disbursements were made primarily through direct payments to contractors, suppliers and consultants, a designated account can be particularly helpful in processing smaller expenditures. To mitigate the effects of exchange rate volatility, contracts should be denominated in US Dollars rather than Iraqi Dinars. This approach, adopted in the TEEP project, would have reduced delays in</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
			making payments to contractors and resultant cash flow issues.
<p>1.2.3. <u>Water</u>: Number of people benefitting from rehabilitated water supply systems under WBG supported program (number)as follows:</p> <p><u>Baseline</u>: 0 (2005)  <u>Target</u>: 815,000 (2013)  Actual: 1,300,000 (2013)</p>	<p><b>Achieved</b>  Total number of people directly benefitting from improvement of water supply, sanitation and urban reconstruction works is <b>1,300,000</b>.</p> <p>The <i>Emergency Baghdad Water Supply</i> succeeded in restoring basic water supply and sanitation services for Baghdad through the reconstruction and rehabilitation of existing water supply and sewerage collection facilities. Infrastructure investments financed included: 43.5 km. of sewer network reconstructed in Sadr City; 7,125 sewer connections replaced in Sadr City, with another 1,800 house connections benefiting from improvements of the transmission network; 44 km. of water supply network replaced in Za'afraniya; installation of 18 chlorinators and ancillary equipment; installation of 6 pumps for Abu Nuwas Raw Water Pumping station; and 306 man-months of training. <b>Over 590,440</b> benefited directly from project investments while secondary beneficiaries exceeded <b>5 million</b>.</p> <p>The <i>Emergency Water Supply Sanitation and Urban Reconstruction Project</i> succeeded in restoring basic water supply, sanitation and urban services for urban areas outside Baghdad through the reconstruction and rehabilitation of existing facilities, and supporting capacity building through training and technical assistance. The Project improved access to water supply and sanitation for 690,718 people, and <b>340,000</b> benefitted directly from urban rehabilitation investments (access to all-season roads and/or storm water drainage). Around 23,503 new households were connected to the water distribution network, and approximately 2,061 households to the sewerage network.</p> <p>The <i>Emergency Water Supply Project</i> aimed to improve the quality and quantity of water supply in selected governorates through upgrading and replacing existing facilities. About 87.5 % and 106.91% achievement of the original and revised targets through</p>	<p><u>Closed Projects</u>:</p> <p>Emergency Baghdad Water Supply (P087912, ITF);</p> <p>Emergency Water supply, Sanitation and Urban Reconstruction (P087910, FY13, ITF)</p> <p>Emergency Water Supply (P094650, IDA, FY16)</p> <p>Public Expenditure Review of the Water Sector</p> <p>TA for ministry of water resources to finalize detailed designs of Rehabilitation and reclamation of Al Muthanna.</p> <p>TA to establish panel of experts for rehabilitation of Mosul Dam.</p>	<p>The key lesson learned from the projects is that even in a context with ongoing conflict, political and institutional instability and constraints on movement, it is possible to support investments in areas such as water supply and sanitation which have immediate and major impacts on the quality of life of citizens and which support the building of engagement and confidence amongst citizens and the representatives of the state.</p> <p>The key role of Bank local staff who can work with the client on a daily basis to solve challenges, travel more freely than international staff to the field, and have a better understanding of both the social and institutional constraints, as well as the opportunities in implementation so that pragmatic adjustments can be made during implementation.</p> <p>Project design should be realistic and appropriate to the institutional capacity of the client taking into consideration the qualifications and skills of the staff. Most of MMWP staff being of engineering background proved to be less efficient in monitoring and analyzing socio-economic issues.</p> <p>A cautious approach should be adopted while awarding multiple contracts to the same bidder until they have demonstrated their ability to mobilize funding, equipment and personnel and implement in a timely manner.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>upgrading and rehabilitation carried out in 3 Governorates and provision of goods in the fourth governorate. A total of <b>192,438</b> people benefited from the rehabilitation. In terms of quality 86% of the beneficiaries' were satisfied with reported both with the quality of service, i.e. appropriate water pressure and reduction in turbidity.</p> <p>A Public Expenditure Review of the Water Sector was also delivered.</p>		<p>Close monitoring of contractor's performance on a regular basis (i.e. monthly) is important. M&amp;E staff should have been appointed to report on problems delaying the progress of works and coordinate timely actions. Contracts showing persisting delays should have been cancelled early enough to allow rebidding without further delays. No exception should be given to the public sector contractors. The performance history of these companies should have been taken into account before awarding them any new contract.</p> <p>MMWP field staff as well as contractors' staff needs more training on modern project management approaches including interaction with end users and client satisfaction. MMWPs should have the right trainers. Contractor's capacities in terms of machinery, equipment and trained personnel should represent important factors in bid evaluation based on hard evidence.</p> <p>Supervision should be more proactive towards the implementation of the non-structural components of the project, especially those activities aiming at institutional development of the implementing agency.</p>
<b>PILLAR 2: Addressing the country's fiscal situation and increasing opportunities for private sector investment</b>			
<b>Outcome Area 2.1: Improved transparency of oil revenue management and efficiency of public spending (Achieved)</b>			
2.1.1. Iraq conducting itself as an Extractive Industries Transparency Initiative (EITI)-compliant country	<p><b>Achieved</b></p> <p>Iraq has become a Compliant country on December 12, 2012 and has remained so to date, by publishing five consecutive Reconciliation Reports by December 30, 2015. Iraq was never suspended and it is getting ready for a second validation beginning in July 2016. It is</p>	<p><u>Closed Projects</u></p> <p>Country Economic Memorandum (CEM) Phase I: Oil Revenue</p>	<p>There was high staff turnover at the Iraq EITI Secretariat, which required continuous replacement by new persons who must be trained and brought up to speed to the current EITI requirements. This was particularly</p>

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<p><u>Baseline:</u> 1 EITI report<sup>43</sup> <u>Target:</u> 4 EITI reports issued by 2016 and active participation of civil society in monthly IEITI Council meetings as evidenced by participation lists and noted by Validator</p>	<p>also currently preparing the sixth consecutive Reconciliation Report – verification source: <a href="https://eiti.org/Iraq/reports">https://eiti.org/Iraq/reports</a> .</p> <p>IEITI also contributed to informing the public by way of live televised debates, with substantial participation from civil society at large, including Academia, Civil Society Organization (CSO) or individual experts, who are not members of the MSG. The MSG representation of civil society and Industry was “refreshed” in September 2015 by way of a new round of elections under public scrutiny and considered by the International EITI Secretariat as a “Model of a kind”. They hold their scheduled meetings as per the Work Plan.</p>	<p>Management for Economic Diversification</p> <p>Extractive Industries Transparency Initiative (TAL, P117511.)</p>	<p>difficult with the introduction of new EITI Standards, which included revenues from the domestic market and disaggregated to fully reflect internal market reality. The new standards are now in place and it is expected that the sixth reporting exercises fully mitigated the existing constraints. Hiring of Ministry of Oil staffers has also helped stabilize the Secretariat staff and reduce recourse to consultants, while improving the overall IEITI learning curve.</p>
<p>2.1.2. Implementation of sector Public Expenditure Review (PER) recommendations focused on improved efficiency of public spending <u>Baseline:</u> None <u>Target:</u> At least one key recommendation implemented</p>	<p><b>Achieved</b> Based on policy recommendations of the Iraq PER, improving efficiency of capital budget spending was included as one of the policy reform areas (public investment management) of the DPF. Iraqi authorities met this specific prior action before the disbursement of DPF in December. The findings of the first supervision mission show that the implementation of public investment management reform is on track.</p> <p>Iraq Public Expenditure Review was delivered on April 4, 2014 and included the following key recommendations:</p> <ul style="list-style-type: none"> <li>-PER carried out in at least two key sectors (Water and Wages). Water sector PER developed.</li> <li>-New budget instructions approved but guidelines not yet.</li> <li>- Standard bidding documents finalized and used by the target ministries.</li> </ul>	<p><u>Closed Projects:</u> Public Expenditure Review: Toward more efficient spending for better service delivery in Iraq.</p> <p>Water PER</p> <p>PFM Reform &amp; TA (ITF, FY14)</p> <p>Iraq Technical Assistance and Capacity Building Fund (ITF, FY15).</p>	<p>The security environment of Iraq is a major impediment for the visits of international consultants to Baghdad. Because of this, most of meetings with the consultants are taking place outside Iraq. This leads to a lack of participation of operational staff in those discussions and consequently follow-up.</p>

<sup>43</sup> For year 2009, which reconciled about US\$41 billion in revenue from oil and gas, validated in a timely manner.

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>- Public procurement bulletin board (website) housed within Procurement Regulatory Agency was not established due to lack of budget to finance it. It is included to be one of the components under the new Iraq PFM.</p> <p>Foundational training provided to the Board of Supreme Audit (BSA) to improve audit reporting.</p> <p>Requirements for enhancing and automating public financial management systems, procedures and controls in place.</p> <p>According to the information provided by the Ministry of Planning, the Government of Iraq has met the DPL 2015 objectives of having by December 2016 5 percent of capital projects valued at over US\$500 million for which a feasibility study with cost-benefit analysis is done.</p>		
<b>Outcome Area 2.2: Achievement of one or more features of the Governance Action Plan – Achieved</b>			
<p>2.2.1. Governance Action Plan to achieve greater transparency, accountability, participation under implementation</p> <p><u>Baseline:</u> Draft Governance Action Plan prepared</p> <p><u>Target:</u> Achievement of one or more key features of the Governance Action Plan</p>	<p><b>Achieved</b></p> <p>Governance Action Plan approved by the Council of Ministers. Under the <i>Iraq Technical Assistance and Capacity Building Fund 4</i> out of 12 GAP Policy Actions were selected by the federal government for immediate implementation during FY14:</p> <p><u>Policy Action #3:</u> Promoting a multi-media proactive disclosure of information related to Public Financial Management reform, in preparation for the launch of the Open Budget Initiative for Iraq in 2015. A methodological approach aimed at increasing the Iraq ranking in the 2014 Open Budget Index was developed; An Open Budget working group, composed of high-level technical staff from CoMSec, Ministry of Finance and Ministry of Planning, that is fully operational in regard to developing the open budget module of the IFMIS during the implementation phase that is to start in 2017.</p>	<p><u>Closed Projects:</u></p> <p>Iraq Technical Assistance and Capacity Building Fund (ITF, FY15).</p>	<p><u>Open Budget:</u> There is a strong need to create a new media department at the Ministry of Finance in order to develop media outreach activities related to budget information, bearing in mind that the Iraqi public is not aware or does not have access to the MoF website.</p> <p><u>3-Year budget Strategic Plans:</u> The current budgeted activities of many Iraqi ministries are planned and implemented out of the legal framework, which often appears outdated.</p> <p><u>PPD and Regulatory Framework:</u> Important to have flexibility in rolling out support. For example, the Regulatory Policy and Delivery report was not envisaged when the GAP was launched, but this diagnostic, report and</p>

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	<p><u>Policy Action #7:</u> Preparing Annual Budget Strategic Plans based on sector strategies in two pilot ministries (Ministry of Industry &amp; Minerals + Ministry of Construction &amp; Housing) for 2015-2017. A methodology for preparing 3-Year budget strategic plans tailored to the Iraqi context of intervention, as well as two 2015–2017 budget strategic plans for the two pilot ministries, the Ministries of “Industry &amp; Minerals” and “Construction &amp; Housing”, now available to the whole of the government before generalization of the new approach.</p> <p><u>Policy Action #11:</u> Holding regular and structured consultations between the government, civil society and the private sector about the preparation of new laws and regulations impacting private-sector development. This included support for a number of meetings or written dialogue focused on regulatory reforms that included stakeholder involvement and number of participants at these meetings.</p> <p><u>Policy Action #12:</u> Supporting ongoing State-Owned Enterprise reforms and Public-Private Partnerships. Four key reports documenting progress in implementing the Government of Iraq SoE Reform Roadmap, including the number and proportion of SoEs generating revenues and covering their costs. The Government of the Federal Republic of Iraq has endorsed GAP recommendations dealing with inactive SoE workers; closing closing down loss-making SoEs; and attracting PPPs for commercially viable SoEs.</p> <p>In FY16 the Bank carried out an assessment of the decentralization process in Iraq through the lens of service delivery by the Governorates, providing recommendations for strategic, coordinated and sequenced approach to decentralization which would inform Bank’s future strategy in this area.</p> <p>IFC has also completed a Corporate Governance Assessment completed for a local bank.</p>		<p>workshop played a key role in focusing attention across government and NGOs on the need for regulatory reform in Iraq.</p> <p><u>SoE Reform and PPP:</u> Supporting SoE reform and PPPs is a longer term reform task typically taking at least several years. It is very important to have flexibility on the ground to focus limited resources on those areas where there is genuine traction and momentum for reform.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<b>Outcome Area 2.3: Strengthened approaches to an improved business environment – Partially Achieved</b>			
<p>2.3.1. Time taken to deal with construction permits  <u>Baseline:</u> 187 days (Doing Business 2013)  <u>Target:</u> 128 days by project completion in 2015  <u>Actual:</u> 80 days in 2016</p>	<p><b>Achieved</b></p> <p>The target was exceeded as reported by the DB team in their 2015 report (attached full report + the following screenshot) by lowering the number of days from 187 to 119 (original target 128), however in the following year, the methods for calculating this ranking changed. For example, the DB team added the days required to connect to the water and sewage systems, which added 45 days to the process. This change in methodology added numbers of procedures and pushed Iraq back to 147 of 189 economies world-wide in the 2016 rankings. In the same year, the Doing Business introduced improvements in 5 of 10 Doing Business topic sets. The changes had two main goals. The first is to expand the focus of topic sets that primarily measure the efficiency of a transaction or service to also cover aspects of the quality of that service. The second is to expand the focus of topic sets that already measure some aspects of the quality of regulation to include recent good practices in the areas covered. Accordingly, The report added indicators of quality to dealing with construction permits indicator which impacted the ranking for Iraq in 2016.</p> <p>Through the Construction Permit Reform Project IFC supported the development of simplified and effective construction permitting system and regulatory framework to improve the Government of Iraq capacity and efficiency in issuing construction permits, thereby reducing the burden on the private sector at the national level (Baghdad) and sub national level (Erbil, Basra) and eliminating the Construction permitting bottleneck. The project supported a reengineered (simplified) process of the Construction Permitting implemented in Baghdad, Basra and Erbil, and capacity building for the agencies involved. A national reform signed into regulations by the Prime Minister at the end of the project, on 31 March, 2016, requiring all cities in Ira to introduce the new standards for obtaining a construction permit and laying out the national requirements to do so. Reforms were implemented in Baghdad, Erbil, and Basra as a pilot cities which resulted in a dramatic reduction in time required to</p>	<p><u>Closed Projects:</u>  PSD Trust Fund with DFID, SIDA and US support</p> <p><u>Current Portfolio:</u>  Construction Permit Reform Project (FY 17, IFC)</p> <p>Investment policy and promotion Sun-national (IPP) (FY17-FY18, IFC)  Iraq Doing Business Reforms (FY17, IBRD)</p>	<p>The WBG needs to go beyond the CP reform process and combine permitting with best-practice standards for urban planning, zoning and building codes. Capacity building would ideally have been introduced at the same time the CP reforms were on-going, such that new construction permits would take into account improved zoning and city planning and ensure new constructions were in accord with proper building codes. These elements were introduced in this project in 2014 by the project leaders in GoI and the IFC, yet due to the above-mentioned current economic constraints, Iraq is not able to fund this TA on its own, and requires external funding support.</p> <p>Factoring in considerable processing time for IFC investments from onset of engagement, either due to multitude of operational and security issues and/or limited capacity of local clients to satisfy all transaction related requests.</p> <p>Phasing of disbursements for IFC investments is beneficial to both IFC and client as it allows for adjustment and flexibility in a fragile operating environment.</p> <p>Data gaps, and or limited availability of market analysis can introduce unquantifiable risks for private sector clients and investment opportunities, especially in the context of informality.</p>



CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>obtain a construction permit and increased transparency. In addition, all three pilot cities have begun retroactively to review illegally established buildings. More specifically, all three cities were able to dramatically reduce the amount of time required to obtain a construction permit. Baghdad cut the number of days required to obtain a permit by 53%; Basra by 60% and Erbil by an impressive 81%. In addition, the permitting procedures were consolidated in one location, and previously required signatures and fees related to various other municipal offices for water, sewage, electricity, tax payments were cut from the construction permitting system.</p> <p>IFC's Business Edge program helped trained over 1600 Iraqi entrepreneurs as well as trained 146 SME training providers, 47% of which were women. In order to support the non-oil sector and create employment opportunities in the private sector, IFC committed several projects in the manufacturing and services sectors during the CPS period. In the manufacturing sector, IFC has committed a total of around \$100 million to provide long-term financing to develop efficient local cement capacity in a country which currently has a large domestic supply shortage (thereby depending on imports from neighboring countries) as well as support reconstruction efforts in the medium to long-term. Similarly, IFC committed \$8 million equity in to Ecocem Iraq, project aimed at replacing fossil fuels in Lafarge cement plants to alternative fuels. In agribusiness, IFC committed two investments (i) \$18 million in Al-Safi Danone to establish a green field plant to produce dairy products for the local market, and (ii) \$20 million investment, including \$8 million from parallel lenders in Ahrum (Life Water) to increase food security by providing access to affordable drinking bottled water. This investment was subsequently canceled due to project related issues. In the services sector, IFC invested US\$14 million to build a green field extended stay hotel to accommodate business needs and support employment creation.</p> <p>IFC is piloting investment policy and promotion (IPP) with Basra Investment Commission (BIC) to address legal, regulatory, and institutional barriers to investment and enhance the Province's investment potential for viable expansion and growth. The technical</p>		<p>IFC-WB collaboration on the construction and IPP projects was good lesson on mobilizing expertise across organizational boundaries for delivering the most needed solutions for clients.</p>



CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>support to the National Investment commission and Basra Investment Commission aims to achieve 1) strengthening of investor protections and grievance channels; (2) development of reform memorandum addressing De Jure and De Facto legal and regulatory barriers to investment at the national and the sub-national levels; and (3) institutional strengthening and development of an investment attraction and retention strategy for the Basra Investment Commission. While the IPP was mostly financed through the IFC TFs, WBG used a mix of the Bank-IFC staff and expertise and really operated as a joint practice.</p>		
<p>2.3.2. Strengthened capacity to restructure State Owned Enterprises (SOEs)<sup>44</sup></p> <p><u>Baseline:</u> Time-bound Action Plan to implement strategy to reform SOEs</p> <p><u>Target:</u> Implementation of time-bound Action Plan on track</p>	<p><b>Partially Achieved</b></p> <p>Established and made operational SOE Asset Valuation Unit (AVU) within the Ministry of Finance. The AVU was subsequently upgraded to a Department under endorsement of the Council of Ministers (AVD). The AVD undertakes the collecting and updating of data and valuating of assets regarding SOEs operations and commercial viability for line ministries. The AVD valued the assets of SOEs under 4 pilot ministries identified by the GoI. This component was achieved successfully.</p> <p>Initiated Public-Private Dialogue (PPD) with focus on improving the business enabling environment and gender issues. Provided support for SOEs reform, and implementation of other reforms to support the private sector. This has included preparing policy notes and technical research – such as options for managing inactive SOE workers. Preparation of several draft laws relating to PPPs, Labor Law and Economic Reform Law. Key outcomes include: 4 SOES identified as commercially viable (SDI, Mechanical, Al Mansoor and Ibn Majid); 21 SOES identified as potentially viable; 1 SOE identified as partially viable; one SOE, the State Company for Drug Industries,</p>	<p>PSD Trust Fund with DFID, SIDA and US support</p> <p>Iraq Technical Assistance and Capacity Building Fund (ITF, FY15)</p> <p>Investments in manufacturing (IFC)</p> <p>Investment Climate Regulatory Reform Intervention (IFC)</p> <p>Investments in services sector (IFC)</p>	<p>Supporting SoE reform and PPPs is a longer term reform task typically taking at least several years. It is very important to have flexibility on the ground to focus limited resources on those areas where there is genuine traction and momentum for reform.</p> <p>Low implementing capacity within local recipient agencies led to a slower pace of implementation. In general, these issues could have been mitigated by more thorough upstream assessments by the Bank, and the provision of specific training and other technical assistance. For example: GoI institutions remain weak and there is limited communication between ministries regulating the private sector, and between the GoI and the private sector.</p>

<sup>44</sup> Ministry of Industry and Minerals 72 SOEs; Ministry of Housing and Construction 8 SOEs including one pilot PPP; Asset valuation Unit in Ministry of Finance

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>entered a PPP joint venture with the Munir Sukhtian Pharmaceutical Group of Jordan. GoI SOEs now operating an inactive employee analysis consistent with the GoI SOE Reform “Roadmap”.</p> <p>The Bank has been active in tracking the SOEs reform efforts taken by the Government through the DPF FY 15 and DPF FY 16, through which the Bank team worked with the SOEs Restructuring Committee and line ministries to collect the financial and employment data of all SOEs in Iraq, and develop an annual fiscal risk report detailing the financial results based on 2015 closed financial statements of the largest 9 nonfinancial SOEs. This includes information on taxes, dividends, subsidies/transfers, loans (principal and interest), and loan guarantees between SOEs, the central government, and state banks. The Report was published on the Government’s Website to improve transparency of SOEs: <a href="http://cabinet.iq/">http://cabinet.iq/</a> Attached the Fiscal Risk for SOEs Report.</p>	<p>Investments in telecom, logistics/transport (IFC)</p> <p>Investments in manufacturing-cement (IFC)</p>	
<b>Outcome Area 2.4: Strengthened supervisory framework for financial intermediation and capacity of financial institutions – Partially Achieved</b>			
<p>2.4.1. Compliance by the Central Bank of Iraq with Basel Core Principles <u>Baseline:</u> No <u>Target:</u> Yes (2017)</p>	<p><b>Partially Achieved</b></p> <p>The Banking Sector Reform project aimed to strengthen the supervisory framework for financial intermediation and to build the capacity of financial institutions – particularly the two largest state-owned banks, Rasheed Bank and Rafidain Bank – to support implementation of Phase I of the Iraq Banking Reform Strategy. This included the establishment of new departments, such as Risk Management Department and IT Department, intended to improve governance and accountabilities for Rasheed Bank and Rafidain Bank. Financial restructuring helped the two banks to improve their ability to comply with minimum capital adequacy and other prudential requirements of CBI, and to strengthen their credibility with their business counterparts. The project provided capacity building to CBI to enhance its supervisory and regulatory authorities—mainly, reviewing the existing banking supervision process, assessing the effectiveness of its supervisory apparatus to the adherence to international codes and 27 standards, and preparing a detailed action plan to address any deficient gaps and needs in</p>	<p><u>Closed Projects:</u> Banking Sector Reform (ITF)</p> <p>Financial Infrastructure, microfinance &amp; SME training (IFC)</p> <p><u>Current Portfolio:</u> Advisory Services for Improving Financial Infrastructure &amp; SME Support (IFC) Investments in financial institutions (IFC)</p>	<p><b><i>Strong analytic underpinning and building on other operations.</i></b> A number of World Bank-financed operations in Iraq and other fragile states and crisis countries created a credible blueprint for the design of this project. An example is the choice to have a PMU rather than PMT to ensure effective management, and adequate compliance with Bank’s guidelines. In other ITF projects, where there was a PMT, the standard government remuneration has often been cited as insufficient for the type and amount of work done.</p> <p><b><i>Policy implementation work takes long time</i></b> to accomplish given there are so many vested interests, and large pools of savings as well as credit lines being a tempting target for unscrupulous politicians. This work usually</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
	<p>coordination with the IMF. Capacity building and training of 191 staff of the supervision department at CBI included setting up the underpinnings of a strengthened regulatory and supervisory framework, focusing on on-site and off-site processes. These reforms have contributed to raising the reported (unaudited) capital adequacy ratio from zero in June 2006 to 22.06% percent in January, 2016, already meeting the project end target value of 4 percent. IMF conducted a limited review of the BCPs in December 2015 and found many gaps in the regulations. An ongoing independent audit, the first in 11 years, will assess the accuracy and sustainability of these gains. The IMF is providing some technical assistance on these regulations, but it is very unlikely that CBI will comply with all the BCPs by 2017. And, frankly, almost no country in the world (even the advanced economies) fully complies with all the BCPs. Setting a target of full compliance by 2017 would never have been realistic. Nevertheless, in support of Phase I of the Government’s Banking Sector Reform Strategy and its Action Plan, all of the expected outcomes under each component have been achieved. IFC supported two private banks in the financial sector with total commitments of US\$20 million in equity and provided advisory support to a major financial institution in the areas of capacity building, and risk management.</p> <p>IFC is active in providing advisory services to local businesses. It has a \$38 million multi-donor facility (involving the United States, United Kingdom, Spain, and Japan) to support capacity building in the banking sector, promote public-private partnerships in collaboration with the World Bank, and provide management training to the leaders of small and medium enterprises, especially women. IFC has also helped Relief International scale up its outreach to micro and small business entrepreneurs in Iraq.</p>	<p>Investments in financial institutions</p> <p>Financial Sector Support TA</p> <p>Capacity building, risk management and financial infrastructure support to FI</p>	<p>takes at least 10 years and requires a persistent effort. The Bank has offered good TA, but solutions need to be adapted to local realities – e.g. instead of liquidation which seems unrealistic, you can go for still SoE but foreign management to ensure greater transparency; it is also important for the TA to be complemented with capacity building for clients and the Bank does not invest much in that;</p> <p><b>Consultations with stakeholders.</b> Reforms have been undertaken after a process of close and continuous consultation with all stakeholders, which is critical for building consensus. Politically sensitive issues, such as settling external debt, require commitment at the highest political level.</p> <p><b>Effective cooperation with development practices.</b> The Bank team worked in partnership with a number of donors and development partners, such as the US Treasury, and the IMF. The respective responsibilities of the different donors and development partners were clearly defined, which ensured good coordination, and leveraging in pushing reforms.</p> <p><b>Strong and sustained partnership.</b> Initially, the close working relationship with the Iraqi authorities and implementing entities demonstrated that significant reforms were implemented, backed by a strong leadership and political commitment. Reliable and comprehensive data are still not available to the</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
			<p>extent necessary for a well based plan for further economic, banking and financial development in Iraq. It is key that on the Iraqi side, there be more opportunity to work at a more technical level with Iraqi officials, to be able to assess the real progress made, and to provide more immediate technical assistance. Political will to make key decisions is crucial in bringing financial sector reform forward.</p> <p><i>Difficulties in finding international experts to travel to Baghdad</i> because of the security situation and in identifying appropriate external experts willing to undertake work in Iraq.</p> <p><i>Productive and effective supervision missions.</i> The security situation and, consequently, the limited ability to hold conventional field visits and supervision missions, highlighted the importance of a combination of on-site and off-site missions for operations in conflict countries. On the one hand, more team members were able to participate in missions that were held outside Baghdad and allowed for full day discussion with all stakeholders on one table to reach consensus and closure on key issues. On the other hand, on-site missions had the added benefit of more interaction and undertaking assessment on the ground of the banks, and dialogue with stakeholders, such as the Parliamentarians that can influence reforms.</p>
<p><b>Outcome Area 2.5: Strengthened capacity to develop, manage and monitor social protection reforms - Achieved</b></p>			

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<p>2.5.1 <u>Social Safety Net Reforms:</u> Ineligible households excluded based on use of the central SSN Beneficiary Database  <u>Baseline:</u> 0 (2011)  <u>Target:</u> 57,000 (2013)</p>	<p><b>Achieved</b></p> <p>The overall objective of this Project was to strengthen the policy, management and administrative capacity in the Ministry of Labor and Social Affairs (MOLSA) and the Ministry of Finance (MOF) to Develop manage and monitor pension and social safety net reform programs. The Project was able to successfully establish a national Social Safety Net Information System (SSNIS) capable of recording beneficiary information, identifying ineligible citizens, and generating data and evidence for use in targeting the poor and vulnerable more accurately. Number of excluded households based on the use of central SSN beneficiary database reached <b>100,000</b> significantly exceeding the original target. As of October 2013, the GOI had saved US\$25 million because of the SSNIS, which covers 21 sites including KRG and is fully operated and managed by an internal technical team at MOLSA.</p> <p>However, because of contract implementation issues, an updated database of pension beneficiaries, contributors and employers was not delivered by the project, and therefore a draft reform pension strategy could not be formulated. However, these objectives were pursued through the Pension Reform Technical Assistance Project (PRISTA).</p> <p>Agreed roadmap for reform of the Public Distribution System was not achieved. The political economy of PDS reform may not have favored changing a program which, despite its inefficiency, was a primary source of food for many households during the sanctions era and whose reform may not have had universal support.</p> <p>By end 2016, 365,000 households deemed ineligible based on poverty targeting were removed from the eligibility database. This was maintained through the enactment of the Social Protection Law in April 2014 (Law 11/2014) which abolished categorical targeting and replaced it with poverty based targeting criteria (means and proxy means-testing).</p>	<p><u>Completed Projects</u></p> <p>Emergency Social Protection (FY13, ITF);</p> <p>Pension Reform Implementation Support TA (ITF);</p> <p>Rationalization of the Public Distribution System Reform TA (ITF);</p> <p>Social Safety Net Technical Assistance (financed by TACBF);</p>	<p>Partnerships with other organizations on the ground can become an important factor in moving ahead when Bank teams' on -the-ground presence is constrained. In Iraq, the Bank was able to benefit from an ongoing USAID project in MOLSA that complemented Bank activities, and was able to provide on-the-ground preparation and implementation support to the project.</p> <p>Flexible adaptation of procurement methods that recognizes exceptional market conditions while remaining within Bank guidelines may be essential for timely implementation. Under this project, while implementation was not timely, modifying the strategy for procurement allowed the project to move forward, albeit not as fast as expected, and introduced unexpected cost savings.</p> <p>Risk assessment should be rigorous and expectations regarding mitigating measures particularly cautious when entering an environment of still -great uncertainty regarding security, and one where skills and capacity have eroded over time and the loss of even a few trained implementing agency staff can lead to severe setbacks. In this instance, thorough preparation did avoid substantive setbacks during implementation, and risk factors were mainly reflected in implementation delays.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
<p>2.5.2. Analytical foundations for poverty reduction strengthened</p> <p><u>Baseline:</u> 2007 poverty estimates and poverty line  <u>Target:</u> 2012 official poverty estimates and poverty line announced by government January 2015</p>	<p><b>Achieved</b></p> <p>IHSES 2012 completed. Poverty and Inclusion Assessment 2007-2012, including gender disaggregated data completed. Poverty Map completed [completed in 2015]. Poverty measurement methodology revised. The 2012 official poverty estimates and poverty line were announced in June 2013; the poverty assessment was released in January 2015.</p> <p>Interim poverty estimates for 2014 were released in 2015; and estimates for 2016 will likely come in FY2017. Progress on this indicator was continued through the following:  <a href="#">Poverty and Inclusion in Iraq - (P147153)</a>  <a href="#">IQ Analytical Tools for Mon. Poverty - (P148989)</a>  <a href="#">Iraq Crisis Response - (P154864)</a></p> <p>In addition, during the CPS period the Bank also moved from a supply-driven to demand-driven advisory services with key activities such as the (i) Rapid Economic and Social Impact Assessment which the Bank undertook to measure the impact of the displacement into KRG due to Syria and ISIS crises; (ii) the KRG Roadmap for Economic Recovery which was delivered in two months by 42 Bank and IFC experts from 12 Global Practices and built on the growth diagnostics study, social protection reform, modernization of public procurement systems, and (iii) the Iraq Crisis Response TA to build analytical capacity for a policy response to poverty in the context of the current crisis.</p>	<p>HIES (FY13)</p> <p>Poverty Assessment;</p> <p>Poverty Map Consultative Service Delivery Program (Phase 2) (SPBF)</p> <p>Iraq Crisis Response TA</p> <p>KRG Roadmap for Economic Recovery</p> <p>KRG EISA</p>	<p>In a fragile environment, one cannot be expected to produce results quickly, particularly when public institutions are weak. This provides more evidence to a common lesson observed in post-conflict environment that building technical capacity is the most urgent and sensible activity to engage in during the first years of social-economic recovery.</p> <p>The combination of a Bank-executed trust fund with a recipient executed trust fund proved to be an effective approach in building capacity in a post-conflict environment. This operational mode proved effective because it allowed the Bank to provide its technical assistance, and to give the opportunity to the Iraq administration to be exposed to Bank practices, and to deliver key products in the area of poverty assessments, and strategy preparation.</p> <p>Risks identification and mitigation are of paramount importance when operating in post-conflict countries. In this situation, there is need for simplicity and flexibility to accommodate the changing priorities of the borrower, and of other stakeholders in the donor community.</p> <p>The Bank needs to pay closer attention to projects that are experiencing significant implementation delays. Delays in project implementation affect negatively the efficiency of resources, and the change in TTLs affects continuity in the dialogue and the speed of project implementation.</p>

CPS OUTCOMES AND INDICATORS	Status and Evaluation Summary	WBG Lending and Non-Lending Activities	Key Lessons Learned
			<p>Finally, given the difficulties associated with the design and implementation of small projects supported by Trust Funds, streamlining and integrating TFs into larger Bank-financed operations can have efficiency gains. Such a move would be cost-effective and might create stronger synergy between the normal Bank-financed operations, and those areas supported by specific donors through TFs.</p> <p>Poverty assessment needs to better inform future projects; very little follow up from TTLs on how to integrate the findings into project design.</p>

**ATTACHMENT II: PLANNED FINANCING PROGRAM AND ACTUAL DELIVERIES (FY13-16)**

FY	IBRD/IDA Planned Operations				IBRD/IDA Approved Operations			
	Operations	IBRD (\$m)	IDA (\$m)	Trust Fund (\$m)	Operations	IBRD (\$m)	IDA (\$m)	Trust Fund (\$m)
FY14	Transport Corridors Project	355			Transport Corridors Project (Active)	355		
					Emergency Fiscal Stabilization and Inclusive DPL (Closed)	1,200		
FY16	Fiscal Stabilization and Inclusive DPL	1,200			Emergency Operation for Development (Active)	350		
	Emergency Reconstruction, Stabilization	350			Modernization of PFM Systems (Active)	41.5		
	Youth Livelihoods Development in Southern Iraq Phase 2			3	SWIFT- Iraq CSO (Active)			0.4
	Baghdad Water and Sewerage Improvement project	100			SWIFT-Kurdistan Iraq, KRSO (Active)			0.2
	Public Financial Management project	30						
	Irrigation and Drainage Improvement project	140						
	Electricity and Distribution Reform and Investment project	750						
FY17	Electricity and Distribution Reform and Investment project	150						
	Baghdad Water and Sewerage Improvement Project	210						



	PFM Institutional Development and Capacity Building	41.5						
	IRAQ EITI Implementation Support			0.35				
	Expanding the Engagement of Youth Inclusion and Peace Building			3				
	SWIFT- Iraq CSO			0.4				
	SWIFT-Kurdistan Iraq, KRSO			0.2				

**ATTACHMENT III: PLANNED NON-LENDING ACTIVITIES AND ACTUAL DELIVERABLES (FY13-16)**

<b>Advisory Services and Analytics</b>		
<b>Planned</b>	<b>Delivered</b>	<b>Dropped (Per Fiscal Year)</b>
<b>FY13</b>	<b>Actual Delivery Date</b>	
<b>Iraq Commission of Integrity Training</b>	<b>6/24/13</b>	<b>State and Institution Building Assessment of Iraq</b>
<b>Policy and Regulation in Telecom Sector</b>	<b>6/29/13</b>	<b>Energy Distribution sector TA</b>
<b>Iraq Public Expenditure Review</b>	<b>7/9/12</b>	<b>Preparation of Agriculture Sector Note</b>
<b>Iraq AML Evaluation</b>	<b>5/16/13</b>	<b>Capacity Development for Electricity Sector Reform</b>
<b>FY14</b>	<b>Actual Delivery Date</b>	<b>Dropped (Per Fiscal Year)</b>
<b>Household Survey</b>	<b>6/22/14</b>	<b>International Gas Contracts Workshop</b>
<b>Asset Valuation</b>	<b>4/14/14</b>	<b>GOVERNANCE ACTION PLAN (2013-2014 GAP)</b>

<b>Budget and External Audit / <i>External Training</i></b>	<b>2/19/14</b>	<b>Technical Assistance-<i>Iraq</i> Health System Strengthening</b>
<b>Provision of affordable housing</b>	<b>6/24/14</b>	<b>IQ-Roadmap for Reform, Regulation and Commercialization of <i>Iraq's</i> Gas Sector RAS</b>
<b>Second Institutional Capacity building program</b>	<b>7/24/13</b>	
<b>Economic reform / <i>CB for Economic Reform</i></b>	<b>7/24/13</b>	
<b>Poverty and Social Sectors</b>	<b>7/24/13</b>	
<b>Public Sector Management</b>	<b>7/24/13</b>	
<b>Customs and Administration Reform / TA to Modernize Customs</b>	<b>12/31/13</b>	
<b>Public Sector Governance Reforms</b>	<b>7/10/13</b>	
<b>Capacity Building: Project Management</b>	<b>7/24/13</b>	
<b>FM Support to Country Level Activity</b>	<b>3/26/14</b>	
<b>IQ-Syria Turkey Economic Complementarities</b>	<b>6/21/2014</b>	
<b>FY15</b>	<b>Actual Delivery Date</b>	<b>Dropped (Per Fiscal Year)</b>
<b>Gas Pricing Study</b>	<b>2/9/15</b>	<b>Energy Subsidies and Tariff Reform</b>
<b>Telecom Sector Capacity building</b>	<b>2/1/15</b>	<b>Iraq Energy Efficiency Action Plan</b>

<b>Strengthening capacity of water sector</b>	<b>3/19/15</b>	<b>IQ-Erbil Urban Transport Master Plan</b>
<b>Iraq Financial Analysis Course</b>	<b>4/6/12</b>	<b>Expanding the Engagement of Youth Inclusion and Peace Building</b>
<b>Economic and Social Impact Assessment (for KRG)</b>	<b>6/3/15</b>	
<b>Poverty and Inclusion in Iraq</b>	<b>5/29/15</b>	
<b>Implementation of Iraq GAP</b>	<b>5/3/15</b>	
<b>Improving governance through FM</b>	<b>3/11/15</b>	
<b>International Gas Contracts Workshop</b>	<b>2/4/15</b>	
<b>EITI Implementation</b>	<b>6/26/15</b>	
<b>Pension Reform Implementation TA</b>	<b>5/15/15</b>	
<b>Private Sector Development TA</b>	<b>3/13/15</b>	
<b>Analytical Tools for Mon. Poverty</b>	<b>5/28/15</b>	
<b>Capacity Building for SSN</b>	<b>2/21/15</b>	
<b>Capacity Building TVET</b>	<b>2/28/15</b>	
<b>Emergency Medical Systems TA</b>	<b>2/20/15</b>	
<b>KRG SP Capacity Building – Learning Visit</b>	<b>2/20/15</b>	
<b>Modernizing Public Procurement System in KRG</b>	<b>1/19/15</b>	
<b>PRS &amp; Macroeconomic Capacity Building TA</b>	<b>2/22/15</b>	

<b>Support for Implementation of INES</b>	<b>4/8/15</b>	
<b>Support for KRG Education</b>	<b>2/28/15</b>	
<b>TA for Environmental Management in the Oil &amp; Gas Sector</b>	<b>4/6/15</b>	
<b>TA for PFM Implementation Support</b>	<b>5/17/15</b>	
<b>TA Reform of Petroleum Distribution Sector</b>	<b>5/15/15</b>	
<b>Public Procurement Capacity Bldg.</b>	<b>1/19/15</b>	
<b>KRG Shura Council Capacity Building Program</b>	<b>5/9/15</b>	
<b>Oil Revenue Management Policy Notes</b>	<b>3/7/15</b>	
<b>Economic Diversification</b>	<b>2/22/15</b>	
<b>FY16</b>	<b>Actual Delivery Date</b>	<b>Dropped (Per Fiscal Year)</b>
<b>Water Sector Public Expenditure Review</b>	<b>6/8/16</b>	<b>IQ Emergency Action Plan to Improve the Short Term Supply of Electricity</b>
<b>Iraq Decentralization JIT Assessment</b>	<b>4/12/16</b>	<b>IRAQ EITI Implementation Support</b>
<b>Elect Dist. Sector Reform Support</b>	<b>6/1/16</b>	<b>Iraq Decentralization Assessment</b>
<b>KRG Modernization of Public Procurement</b>	<b>6/22/16</b>	<b>Financial Sector TA and Policy Dialogue</b>

<b>KRG Shura Council Capacity Building Program</b>	<b>6/25/16</b>	<b>KRG Statistical Capacity Building RAS</b>
<b>KRG Support to Develop Social Protection Framework</b>	<b>6/6/16</b>	<b>Iraq DBI Technical Assistance</b>
<b>KRG Economic Growth Diagnostics</b>	<b>6/29/16</b>	<b>IRAQ INDICATORS BASED REFORM ADVISORY</b>
<b>IQ Public Investment in Power Infrastructure</b>	<b>6/25/16</b>	<b>Roadmap and Design of Electricity Sector Reform in the Kurdistan Region of Iraq</b>
<b>Iraq Crisis Response</b>	<b>6/19/16</b>	<b>KRG Electricity Sector Development RAS</b>
<b>Public Investment Management (PIM) - KRG</b>	<b>6/6/16</b>	
<b>Iraq Decentralization JIT Assessment</b>	<b>4/12/16</b>	
<b>Workshops &amp; Training for Iraqi Officials (T&amp;C)</b>	<b>6/8/16</b>	
<b>KRG Structural Economic Reforms</b>	<b>6/29/16</b>	

**ATTACHMENT IV: SUMMARY OF PROJECTS APPROVED/DELIVERED DURING 2013-16**

**IRAQ: Summary of Projects Delivered/Closed During FY2013–FY2016**

	IBRD/IDA-funded Projects		Other Projects (RETFs)		All Projects	
	Number	IBRD/IDA (US\$, millions)	Number	US\$, millions	Number	Total (US\$, millions)
FY13	–	–	8	290.3	8	290.3
FY14	3	275	1	16	4	291
FY15	1	124	1	2.7	2	126.7
FY16	1	109.5	–	–	1	109.5
<b>Total</b>	<b>5</b>	<b>508.50</b>	<b>10</b>	<b>309</b>	<b>15</b>	<b>817.50</b>

**IRAQ: Summary of Projects Approved/Delivered During FY2013–FY2016**

	IBRD/IDA-funded Projects		Other Projects (RETFs)		All Projects	
	Number	IBRD/IDA (US\$, millions)	Number	US\$, millions	Number	Total (US\$, millions)
FY13	–	–	–	–	–	–
FY14	1	355	–	–	1	355
FY15	–	–	–	–	–	–
FY16	2	1,550	–	–	2	1,550
<b>Total</b>	<b>3</b>	<b>1,905.00</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1,905.00</b>

**ATTACHMENT V: STATEMENT OF IFC'S COMMITTED AND OUTSTANDING PORTFOLIO (07/31/2016)**

MIS

International Finance Corporation

Report Run Date: 08/10/2016

**Statement of IFC's Committed and Outstanding Portfolio**

*Amounts in US Dollar Millions*

Accounting Date as of : 07/31/2016

Page 1

Region(s): Middle East and North Africa

Country(s) : Iraq

Commitment Fiscal Year	Institution Short Name	LN Cmt'd - IFC	LN Repayment - IFC	ET Cmt'd - IFC	QL + QE Cmt'd - IFC	GT Cmt'd - IFC	RM Cmt'd - IFC	ALL Cmt'd - IFC	ALL Cmt'd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2015	<a href="#">Al Safi Danone</a>	18.00	0	0	0	0	0	18.00	0	12.00	0	0	0	0	12.00	0.00
2013/ 2015	<a href="#">Comm Bnk of Iraq</a>	0	0	4.09	0	0	0	4.09	0	0	4.03	0	0	0	4.03	0.00
2005/ 2010/ 2013/ 2014/ 2007/ 2011/ 2012	<a href="#">Credit Bank Iraq</a>	0	0	6.83	0	0	0	6.83	0	0	6.56	0	0	0	6.56	0.00
2015	<a href="#">Ecocem MEA</a>	0	0	6.67	0	0	0	6.67	0	0	0	0	0	0	0	0.00
2012	<a href="#">Lafarge Bazian</a>	9.50	40.50	0	0	0	0	9.50	0	9.50	0	0	0	0	9.50	0.00
2013/ 2016	<a href="#">Lafarge Karbala</a>	90.12	14.88	0	0	0	0	90.12	0	44.62	0	0	0	0	44.62	0.00
2016	<a href="#">MGES</a>	125.00	0	125.00	0	0	0	250.00	100.00	125.00	125.00	0	0	0	250.00	100.00
2010/ 2014	<a href="#">Malia Invest</a>	19.09	8.91	0	0	0	0.50	19.59	0	19.09	0	0	0	0.21	19.30	0.00
2014	<a href="#">Nafith</a>	0	0	0	2.20	0	0	2.20	0	0	0	2.20	0	0	2.20	0.00
2011	<a href="#">Zain Iraq</a>	38.66	116.34	0	0	0	0	38.66	12.47	38.66	0	0	0	0	38.66	12.47
<b>Total Portfolio</b>		<b>300.37</b>	<b>180.63</b>	<b>142.59</b>	<b>2.20</b>	<b>0</b>	<b>0.50</b>	<b>445.66</b>	<b>112.47</b>	<b>248.87</b>	<b>135.60</b>	<b>2.20</b>	<b>0</b>	<b>0.21</b>	<b>386.88</b>	<b>112.47</b>



## ATTACHMENT VI: MIGA PORTFOLIO SUMMARY REPORT AS OF 07/19/2016

Host Country: Iraq

### A. Issuances

	FY13	FY14	FY15	FY16	FY17 YTD
Number of Projects	0	2	0	0	0
Number of Guarantees	0	2	0	0	0
Gross Exposure (\$M)	0	19	0	0	0
Current Exposure (\$M)	0	19	0	0	0
Net Exposure (\$M)	0	19	0	0	0

### B. Runoff

	FY13	FY14	FY15	FY16	FY17 YTD
Cancellations (\$M)	0	0	1	0	0
Reductions (\$M)	1	4	7	0	0
Expires (\$M)	0	0	0	0	0

### C. Priority Areas - Issuances

	FY13	FY14	FY15	FY16	FY17 YTD
South South	0	6	0	0	0
Conflict Affected	0	19	0	0	0
Complex	0	0	0	0	0
IDA	0	0	0	0	0
Priority Area	0	19	0	0	0

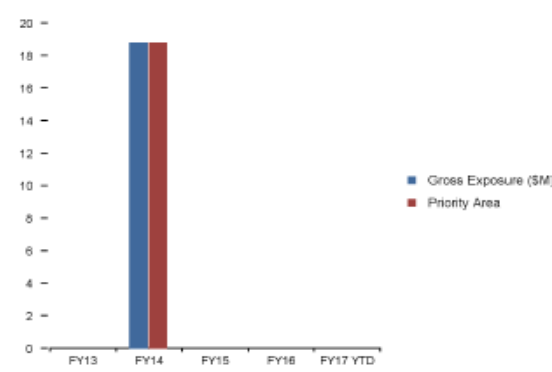
### D. Outstanding Exposure

	FY13	FY14	FY15	FY16	FY17 YTD
Number of Projects	1	3	2	1	1
Number of Guarantees	1	3	2	1	1
Gross Exposure (\$M)	3	17	9	6	6
Adjusted Net Exposure (\$M)	3	17	9	6	6

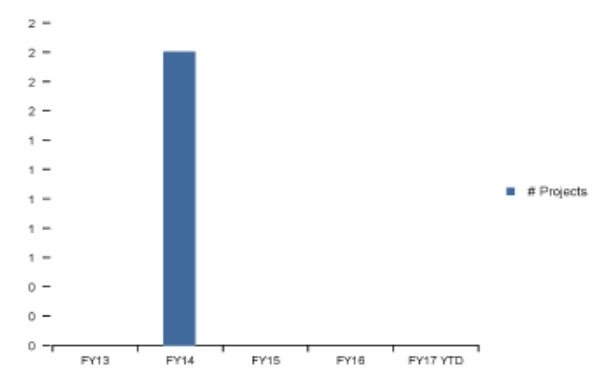
### E. Risk Profile (Gross Exposure)

	FY13	FY14	FY15	FY16	FY17 YTD
Transfer Restriction	3	17	9	6	6
Expropriation	3	17	9	6	6
War & Civil Disturbance	3	17	9	6	6
Breach of Contract	0	0	0	0	0
NHSFO	0	0	0	0	0

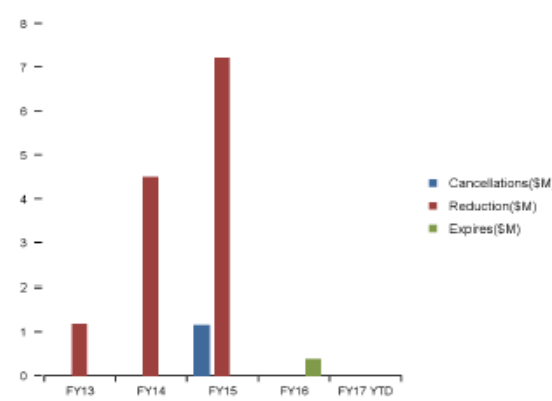
Issuances - Volume



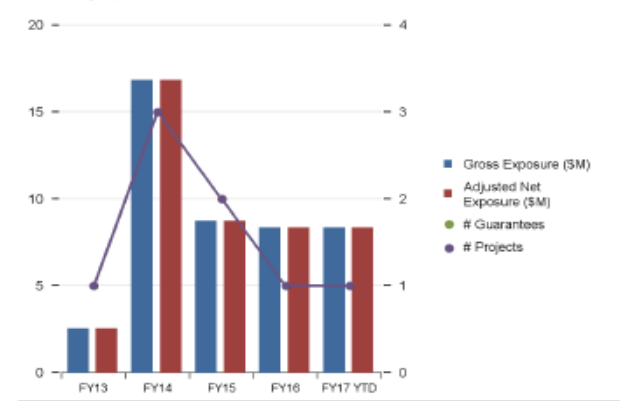
Issuances - Project Count



Runoff



Outstanding Exposure



### Annex 3: Advisory Services and Analytics

Advisory Activity	CPF Pillars	
	Improved Governance and Public Service Delivery and Private Sector Participation	Strengthened Human Capital
<b>IBRD ONGOING</b>		
Energy Sector Programmatic Technical Assistance	X	
Impact Evaluation of Iraq Transport Corridor Project	X	
Strengthening PFM Oversight and Accountability Institutions in Iraq	X	
Iraq Gas Sector Reform	X	
Iraq-Building evidence for policy making	X	X
Iraq FSAP Development Module	X	
Enabling environment for the creation and growth of innovative small and medium enterprises	X	
Policy advice and capacity-building for the Ministry of Agriculture in Iraq	X	
Iraq Financial Sector -I3RF	X	
Support to Manage Environmental Pollution Hotspots in Iraq	X	
Fiduciary oversight and capacity strengthening	X	
IRAQ InfraSap for Connectivity (Transport, Digital Development & IPG)	X	
Water Sector Reform, Recovery and Reconstruction Technical Assistance	X	
Iraq Economic Diversification and Growth Programmatic ASA	X	
Public Expenditure Review for Human Capital		X
Gender and Social Protection in Iraq: Towards Economic Empowerment		X
Support to Education and Skills Development in Iraq		X
Security-Development Nexus Initiative in Iraq		X
Social Protection and Jobs for Poor and Vulnerable Iraqis		X
Strengthening Peacebuilding, Governance and Citizen Engagement in Reform, Recovery and Reconstruction		X

Advisory Activity	CPF Pillars	
	Improved Governance and Public Service Delivery and Private Sector Participation	Strengthened Human Capital
COVID-19 Response and Health System Strengthening		X
<b>IBRD PIPELINE</b>		
PEA of Domestic Revenue Mobilization (FY22)	X	
PEA of Fiscal federalism (FY22)	X	
Fiduciary oversight and capacity strengthening (FY23)	X	
Justice and Rule of Law PEA (FY22)	X	
Justice Assessment ASA (FY22)	X	
TA to build capacity of environment regulators for pollution management	X	
Country Environmental Analysis	X	
TA on agricultural policy reforms to improve the quality of core agriculture support services	X	
Iraq Modernization of Land Administration TA (FY22)	X	
Develop bankable models for follow on investments in T&D infrastructure	X	
Develop and invest in pilot transmission projects within regional/bilateral programs and within Pan-Arab ETM masterplan	X	
Develop and invest in pilot SOE's targeted for privatization	X	
Iraq Human Capital Review		X
Iraq Poverty Assessment	X	X
Pensions Technical Assistance		X
Country Climate and Development Reports	X	
Agriculture Review	X	
TCP Impact Evaluation (FY22)	X	
In-depth GBV assessment and Technical Assistance		X
<b>IFC ONGOING</b>		
Advisory Services in skills building, training and corporate governance	X	

Advisory Activity	CPF Pillars	
	Improved Governance and Public Service Delivery and Private Sector Participation	Strengthened Human Capital
Upstream engagements to work towards development of bankable projects to improve performance of water utilities	X	
PPP Advisory services: Scoping study to identify airports suitable for PPP intervention	X	
Iraq Women Economic Participation study	X	X
National Bank of Iraq SME Advisory	X	
<b>IFC PIPELINE</b>		
Digital readiness assessments for a number of Iraqi banks and financial institutions	X	
Support development of Round 2 of PV power generation program	X	
Institutional assessment of financial institutions to improve SME access to credit	X	
Integrated ESG advisory support to firms	X	
Unlock potential investment opportunities in the petrochemical sector	X	
Assessment of Iraq cement market	X	
Improve PPP regulatory environment – PPP Law	X	
Pre-feasibility study for the operations and maintenance of new hospital facilities as PPP	X	X
Assess the Iraq Technical and Vocational Training market	X	X
Support development of the regulatory environment for non-bank financing services	X	
Support of PPP airports intervention	X	
Develop local capital market	X	
Support the reform of State-Owned Banks	X	

#### Annex 4: Portfolio and Indicative Financing

<b>CPF Program (Ongoing Financing)</b>			
<b>Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation</b>		<b>Pillar 2: Strengthened Human Capital</b>	
<b><i>International Bank for Reconstruction and Development (IBRD) – US\$1,865 million</i></b>			
Iraq Transport Corridors Project (FY13-23)	355	Social Fund for Development Project (FY18-23)	300
Emergency Operation for Development Project (FY15-22)	750	Emergency Operation for Development (15-22)	120 <sup>45</sup>
Modernization of Public Financial Management Systems Project (FY16-21)	41.5		
Baghdad Water and Sewerage Improvement Project IPF (FY18-23)	210		
Basra Electricity Dissemination and Development Project (FY19-24)	200		
<b><i>Trust Funds – US\$30.75 million</i></b>			
Strengthening Public Financial Management Oversight and Accountability Institutions in Iraq (FY20-22)	8.5	Promoting the Inclusion of Conflict-Affected Iraqi Youth Project (FY17-22)	2.75
COVID-19 Adaptation and Recovery Pilot: Supporting Firms Resilience, Access to Finance and Growth in Iraq (FY21-23)	15		
Iraq Road Maintenance Microenterprises Grant Project (FY21-22)	5	Protecting and Promoting Human Capital in Iraq (FY21-24)	8
<b><i>International Finance Corporation (IFC) – US\$123.8 million</i></b>			
Commercial Bank Iraq (Banking)	12.3		
Nafith Logistics (Port sector)	2.2		
Malia Invest	9.7		
• Arjaan Erbil (Hotel)			
• Magma Square (Shopping mall)			
Zain Iraq (Telecoms)	54.2		
National Bank of Iraq (SME loans and GTFP)	19.3		
Seema (Hospital)	26.1		
<b><i>Multilateral Investment Guarantee Agency (MIGA) – US\$8.3 million</i></b>			
Investment Guarantees: Nafith Logistics (Port sector) Project	8.3		

<sup>45</sup> Health and Education components.

<b>CPF Program (Indicative Financing*)</b>	
<b>Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation</b>	<b>Pillar 2: Strengthened Human Capital</b>
<b><i>International Bank for Reconstruction and Development (IBRD)</i></b>	
<ul style="list-style-type: none"> <li>• Transport Corridor Project - Additional Financing (FY22)</li> <li>• Southern Region Electricity Network Strengthening Project (FY22)</li> <li>• Irrigation and agriculture rural development Project (FY22)</li> <li>• COVID-19 Economic Recovery</li> <li>• National Municipal Services and Local Development Project (FY23)</li> <li>• Private sector &amp; SOE reform (FY23)</li> <li>• Water Services Project (FY24)</li> <li>• Railway Safety Improvement and Trade Facilitation (FY24)</li> <li>• Baghdad International Airport PPP (FY24)</li> </ul>	<ul style="list-style-type: none"> <li>• Social Fund for Development Project - Additional Financing (FY22)</li> <li>• Human Capital Recovery Project (FY22)</li> <li>• Vaccines and Vaccination Plan Support (FY22)</li> <li>• Health Sector (FY23)</li> </ul>
<b><i>Trust Funds</i></b>	
<ul style="list-style-type: none"> <li>• Support for improved farm management and piloting models of irrigation in Iraq (FY22)</li> <li>• Country Climate and Development Report (CCDR) (FY22)</li> <li>• Financial Sector Support (FY23)</li> <li>• Scaling up SME pilot (FY24)</li> <li>• Financial Sector Project (FY24)</li> <li>• Justice Reform (FY24)</li> <li>• Public Sector Modernization &amp; Service Delivery (FY24)</li> </ul>	<ul style="list-style-type: none"> <li>• Innovations towards Learning in Iraq through a Community Approach to mitigate Learning Loss (FY22)</li> <li>• Support to Tertiary Education in Iraq</li> <li>• Household Socioeconomic Survey III (FY22)</li> </ul>
<b><i>International Finance Corporation (IFC)</i></b>	
<ul style="list-style-type: none"> <li>• Provide banks guarantees to cover payment risk on banks for trade related transactions (GTFP)</li> <li>• Improvement in electricity access and affordability while mitigating the environmental impact of power generation through investments in PV plants</li> <li>• Diversify economy through the increase in locally manufactured construction materials and reduce reliance on imports</li> <li>• Increase access to finance and usage of digital payments via building and improving payment infrastructure</li> </ul>	

<b>Pillar 1: Improved Governance, Public Service Delivery and Private Sector Participation</b>	<b>Pillar 2: Strengthened Human Capital</b>
<ul style="list-style-type: none"> <li>• Facilitate trade growth by improving import/export competitiveness and deepen trade integration via the reconstruction and modernization of Iraq's port sector</li> <li>• Improvement in natural gas access and affordability while significantly decreasing greenhouse gas emissions by supporting a gas flaring reduction facility</li> <li>• Diversify economy through agribusiness sector by supporting a production plant that converts dates into ethanol</li> </ul>	
<b>Multilateral Investment Guarantee Agency (MIGA)</b>	
<ul style="list-style-type: none"> <li>• MIGA continues to work closely with the Bank and IFC to identify opportunities to support FDI toward post-conflict reconstruction and economic diversification, especially in the energy, transport and financial sectors</li> </ul>	

*\*Potential projects subject to further due diligence and confirmation.*

## Annex 5: Selected Indicators of Bank Portfolio Performance and Management

<i>As of Date 06/23/2021</i>				
Indicator	FY18	FY19	FY20	FY21
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	6.0	7.0	7.0	6.0
Average Implementation Period (years) <sup>b</sup>	1.7	2.3	3.3	4.5
Percent of Problem Projects by Number <sup>a, c</sup>	0.0	0.0	42.9	16.7
Percent of Problem Projects by Amount <sup>a, c</sup>	0.0	0.0	22.0	11.3
Percent of Projects at Risk by Number <sup>a, d</sup>	0.0	28.6	71.4	33.3
Percent of Projects at Risk by Amount <sup>a, d</sup>	0.0	24.3	73.0	22.1
Disbursement Ratio (%) <sup>e</sup>	28.5	8.7	8.7	8.2
<b>Portfolio Management</b>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
<hr/>				
Memorandum Item	Since FY80		Last Five FYs	
Proj Eval by IEG by Number		21		2
Proj Eval by IEG by Amt (US\$ millions)		3,269.5		2,643.8
% of IEG Projects Rated U or HU by Number		33.3		0.0
% of IEG Projects Rated U or HU by Amt		4.0		0.0
<hr/>				
<p>a. As shown in the Annual Report on Portfolio Performance (except for current FY).</p> <p>b. Average age of projects in the Bank's country portfolio.</p> <p>c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).</p> <p>d. As defined under the Portfolio Improvement Program.</p> <p>e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.</p> <p>* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.</p>				



## Annex 6: Operations Portfolio (IBRD/IDA)

As of 05/31/2021

Closed Projects		15									
<b>IBRD/IDA*</b>											
Total Disbursed (Active)	670.15										
of which has been repaid(1)	70.36										
Total Disbursed (Closed)	3,400.58										
of which has been repaid	416.48										
Total Disbursed (Active + Closed)	4,070.72										
of which has been repaid	486.84										
Total Undisbursed (Active)	1,181.47										
Total Undisbursed (Closed)	56.00										
Total Undisbursed (Active + Closed)	1237.474858										
<b>Active Projects</b>											
Project ID	Project Name	<u>Last ISR</u> Supervision Rating		Fiscal Year	<u>Original Amount in US\$ Millions</u>					<u>Difference Between Expected and Actual Disbursements<sup>a/</sup></u>	
		<u>Development Objectives</u>	<u>Implementation Progress</u>		IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
P162094	Baghdad Water and Sewerage Improvement	MU	MU	2018	210.0	0.0		0.0	198.2	94.0	-0.8
P155732	Emergency Operation for Development	MS	MS	2016	750.0	0.0		0.0	366.2	-33.8	1.9
P163108	IQ Social Fund for Development	MS	MS	2018	300.0	0.0		0.0	289.4	113.1	-0.6
P131550	IQ-Transport Corridors Project	S	S	2014	355.0	0.0		0.0	90.7	90.7	-1.1
P162454	Iraq: Basra Elec Dissem & Dev Prj (EDDP)	S	MS	2019	200.0	0.0		0.0	199.5	89.5	0.0
P151357	Modernization of PFM Systems	MS	MS	2017	41.5	0.0		0.0	37.5	37.5	6.0
<b>Overall Result</b>					<b>1,856.5</b>	<b>0.0</b>		<b>0.0</b>	<b>1,181.5</b>	<b>390.9</b>	<b>5.5</b>

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

**Annex 7: Statement of IFC's Held and Disbursed Portfolio**

*As of 05/31/2021*  
(In US\$ Millions)

FY Approval Company	<u>Committed</u>						<u>Disbursed Outstanding</u>				
	Loan	Equity	<u>**Quasi</u> Equity	*GT/RM	Participant		Loan	Equity	<u>**Quasi</u> Equity	*GT/RM	Participant
FY11	COMM BNK OF IRAQ	0.00	4.03	0.00	0.00	0.00	0.00	4.03	0.00	0.00	0.00
FY11	CREDIT BANK IRAQ	0.00	0.65	0.00	0.00	0.00	0.00	0.65	0.00	0.00	0.00
FY12	CREDIT BANK IRAQ	0.00	0.37	0.00	0.00	0.00	0.00	0.37	0.00	0.00	0.00
FY14	CREDIT BANK IRAQ	0.00	2.93	0.00	0.00	0.00	0.00	2.93	0.00	0.00	0.00
FY20	INB	10.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
FY13	MALIA INVEST	4.20	0.00	0.00	0.00	0.00	4.20	0.00	0.00	0.00	0.00
FY19	MALIA INVEST	5.50	0.00	0.00	0.00	0.00	5.50	0.00	0.00	0.00	0.00
FY16	MGES	0.00	125.00	0.00	0.00	0.00	0.00	125.00	0.00	0.00	0.00
FY14	NAFITH	0.00	0.00	2.20	0.00	0.00	0.00	0.00	2.20	0.00	0.00
FY20	SEEMA	26.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Portfolio:</b>		<b>45.80</b>	<b>132.98</b>	<b>2.20</b>	<b>0.00</b>	<b>0.00</b>	<b>14.70</b>	<b>132.98</b>	<b>2.20</b>	<b>0.00</b>	<b>0.00</b>

**Annex 8: MIGA Projects in Iraq, FY11-FY21 (September 2010 - June 2021)**

Fiscal Year	Project Name	Effective Date	Expiration Date	Investor Country	Industry Sector	Guarantee Amount (US\$)	Status	Description
FY11	PET Preform Production	Sep-10	Jun-14	Turkey	Manufacturing	5,031,644	Cancelled	The project involved the establishment of a manufacturing plant in the Baghdad area to produce polyethylene terephthalate (PET) preforms.
FY14	LTE Network Deployment	Oct-13	Oct-15	France	Infrastructure	10,436,727	Expired	The project covered the investment of Alcatel-Lucent (AL) in Regional Telecom in Iraq. AL provided equipment, installation of infrastructure, and deployment of 4G/LTE in four cities of the Kurdistan region, with the objective of expanding Iraq's information and communications technology sector.
FY14	Nafith Logistics FZ	Jun-14	Jun-24	Jordan	Services	8,316,000	Active	The project involved the building and management of a truck-control system that regulates and streamlines the entry and flow of trucks under a 10-year PPP with General Company for Ports in Iraq (GCPI), a SOE.
FY19	BBAC SAL	Jun-19	Jun-20	Lebanon	Financial	66,500,000	Cancelled	MIGA provided capital optimization coverage to BBAC to help the bank reduce its risk weighted assets and thereby support new lending in Iraq.

*Currently, there is only one active project (Nafith Logistics) in Iraq and MIGA's outstanding exposure stands at US\$8.3 million.*

### Annex 9: List of Country Engagement Products and Key ASAs

No.	Year	Product Title	Summary
1	2004	Interim Strategy Note (ISN)	The ISN was designed to rely on the World Bank Iraq Trust Fund within the International Reconstruction Fund Facility for Iraq to finance the portfolio. The ISN objective was to help Iraq build efficient, inclusive, transparent, and accountable institutions for stability, good governance, and sustainable economic prosperity. It was organized into four pillars; restore basic service delivery, enable private sector development, strengthen social safety nets, and improve public sector governance. It built on the Needs Assessment implemented in 2004 which identified the reconstruction and development challenges.
2	2005	Second Interim Strategy Note (ISN)	The second ISN provided a continuum of resources, with focus on four key sectors: education, electricity, transport and roads, and water supply and sanitation. It covered two years, and builds on the lessons learnt from the first ISN in 2004, and emphasizes flexibility given the continued uncertain and fluid environment. Core principles for engagement were local ownership, short-term employment, local impact, and institutional impact for sustainability.
3	2008	Public Expenditure and Financial Accountability (PEFA)	The purpose of the PEFA assessment was to document the results of a joint effort between the Government of Iraq and the World Bank, supported by the Governments of the United Kingdom and the United States to develop an objective assessment of the Iraq's Public Financial Management (PFM) systems. The PEFA assessment focused primarily on the national level of a country's PFM system. It identified two key PFM issues in Iraq, namely oil revenue management and capital investment budget implementation.
4	2009	Third Interim Strategy Note (ISN)	The third ISN was based on the lessons learnt from the previous ISNs. It covered two years. The main priority areas identified in the ISN included public financial management, banking sector reform, support to planning processes and strategy design - not only central level but also at the sectoral and provincial levels, private sector development, and energy and services.
5	2009	Iraq Poverty Assessment	The Poverty Assessment examined the incidence and depth of poverty; inequality, including in comparative perspective; basic demography covering household size, fertility, and female-headed households; the geographic distribution of poverty; violence and displacement; and the composition of expenditures and sources of income. It spans different sectors, including transfers, labor, education, health, housing, and others.
6	2012	Country Economic Memorandum (CEM)	The CEM focused on the broad theme of economic diversification beyond the oil sector. In particular, it provided analysis and policy advice on how Iraq's oil wealth could be harnessed to promote

No.	Year	Product Title	Summary
			development of the non-oil economy, as well as on how to build mechanisms to better respond to oil revenue volatility.
7	2013	Country Partnership Strategy (CPS)	The Country Partnership Strategy was structured to pivot around three axes: (i) Improving governance; (ii) supporting economic diversification for broadly shared prosperity; and (iii) improving social inclusion and reducing poverty. It covered FY13-FY16.
8	2013	Performance and Learning Review (PLR) of the CPS	A mid-term assessment of the implementation of the WBG Country Partnership Strategy (CPS) for FY13-FY16. It identified critical challenges represented by deterioration of the security situation coupled with sharp decrease in oil prices and slow-moving economic reforms, as well as increased internal security shocks which has redirected government spending towards security amid the decline in oil revenues, and led to delays in the country's development plans.
9	2014	Public Expenditure Review (PER) toward more efficient spending for better service delivery	The PER provided an integrated perspective on Iraq's need to provide better public service delivery, while maintaining macroeconomic stability and fiscal discipline. It also highlighted the challenging context of revenue volatility, the need to diversify the economy, pervasive corruption and weak accountability mechanisms, a rural urban divide, and residual conflict. Reflecting these challenges, key socioeconomic developmental indicators are stalled or even declining despite rapid growth in public spending. The PER concluded with an outline of issues facing two essential service delivery sectors, electricity, and health.
10	2015	Country Economic Memorandum (CEM)-phase 2	The CEM supported the Government of Iraq on effectively managing large oil revenues while diversifying the economy. This refers specifically to improved frameworks for fiscal policy formulation and implementation; and well-specified actions and reforms to improve the space for development of non-oil economy in a way that creates opportunities for Iraqi citizens. The CEM built on the analysis of the first phase of a programmatic CEM that was completed in FY12.
11	2016	Water Sector Public Expenditure Review	The objective of this PER was to increase the quality of the analysis of public finance issues in sectoral analytical work in Iraq as a means to inform the needs for investment and the efficacy of government policies. The PER aimed to provide a context of the water sector and its performance that helps to put into perspective of how public expenditure translates into actual water service delivery. In addition, it aimed to gain an understanding of the financial framework in which expenditures are made in the water sector and assess the quantity and quality of the transfers of public funds to the sector.

No.	Year	Product Title	Summary
12	2017	Systematic Country Diagnostic (SCD)	The SCD identified the three characteristics that underlie Iraq's predicaments: its poor governance, dependence on oil wealth, and ethnic and regional diversity. It posits that the combination of oil wealth and ethnic and religious fragmentation has led to conflict, violence, and fragility due to long-standing governance problems and the inability of institutions to ensure an equitable allocation of resources among the country's population and regions.
13	2020	Breaking Out of Fragility: A Country Economic Memorandum (CEM) for Diversification and Growth in Iraq	The CEM analyzed constraints and drivers of economic growth and makes actionable policy recommendations for a more diverse and inclusive growth model. The CEM highlights that Iraq is caught in a fragility trap and faced with increasing instability and multiple crises. It is therefore projected to have the worst annual GDP growth performance since the fall of the Saddam Hussein regime. Yet even during the COVID-19 pandemic, an oil price shock, and recent protests, Iraq can take the path toward sustainable growth, peace, and stability and improve living standards for its people.
14	2021	Human Development Public Expenditure Review (HD PER)	The HD PER offers evidence-based policy recommendations to inform urgently needed reform to spur human capital development. More specifically, the report examines three chapters, the health sector, the education sector, and the pension system. The HD-PER provides a roadmap for short- and medium-term reforms aiming at both creating fiscal space for additional spending on social sectors and a better use of the resources allocated to those sectors.

## Annex 10: Sectoral Opportunities for Employment and Growth

1. **Agriculture:** It is the largest private sector source of rural employment and livelihood in Iraq. The sector has critical implications for food security, climate change, poverty alleviation, and female employment. However, the sector faces multiple constraints. The Government maintains high levels of subsidies on fertilizers, seeds, insecticides, and farm equipment and machinery as well as price controls on strategic crops. The Ministry of Trade controls imports of basic commodities such as wheat, oil, pulses, and rice while SOEs dominate input supply chains and output markets. These policies constrain private sector investments, sector productivity, competitiveness, and diversification of smallholder farmers. Therefore, the sector needs reforms along multiple dimensions. Agricultural reforms should address cross-cutting factors such as land tenure and irrigation, drainage, transport, and ICT infrastructure. There is also a need to redirect subsidies on inputs to research and development, logistics, marketing, rural infrastructure, and climate change adaptation activities. Promoting exports, especially high value horticulture crops such as dates and tomatoes, needs a comprehensive approach towards traceability, food safety, and quality standards to comply with export requirements in foreign markets. CPF interventions under Pillar 1 will help support reforms in the sector and help strengthen the sector's employment generation potential.

2. **Construction:** This sector is the single largest source of employment—including private sector employment—in Iraq. The reconstruction of liberated areas remains a Government priority, with the housing deficit alone estimated at more than 3.5 million units. Like in many other sectors, SOEs have traditionally played a large role in the production of building materials. However, inefficiencies and uncontrolled import of price-competing construction products have led to rising imports. To grow sustainably, the construction sector must address key challenges. These include the modernization of labor skills, reducing the cost of materials, improving access to housing finance and streamlining regulatory procedures for permitting, which all are areas the private sector as have a big role in. The CPF's focus on creating an enabling environment and reconstruction investments under Pillar 1 will support this sector's employment generating potential.

3. **Tourism:** In 2015, tourism sector generated US\$4 billion in export earnings (gold, the next largest non-oil export, generated US\$213 million). Religious tourism in Najaf, Karbala, Samara, and Baghdad holds particularly high potential for economic growth and job creation. Iraq's tourism infrastructure and human resources, however, are limited and major investments are needed in hotel capacity, airport expansions (in Najaf for example), access to finance for private sector investment, marketing outreach and targeted training and skills programs for the tourism sector. Ensuring sustainability, e.g., in the use of water resources, preservation of natural resources, decarbonizing infrastructure, and inclusion, will be stepping-stones toward the long-term goals of the sector. Both CPF pillars will help support this crucial sector. From creating an enabling environment for the private sector under Pillar 1 to a more skilled labor force under Pillar 2 and investments under Pillar 3 will be beneficial for tourism.

4. **Digital Economy:** The transition to a digital economy can support Iraq in leveraging its potential and addressing key socio-economic challenges. Digital connectivity is also critical for the country's overall resilience and response to natural or man-made shocks. Digital solutions are also widely used to improve the efficiency, service delivery and the greening of other infrastructure and sectors. This includes smart transport, smart energy, and digital solutions for agriculture. Implementation of the GoI-approved multi-year action plan to have all services digitally enabled by 2030, under the Iraq Tech Initiative, will be important in this regard. To put such solutions in place will require policy commitment to open the market for more competition, introduce new technologies such as 4G, restructure the Iraqi Post and

Telecommunications Company and encourage the private sector to expand in less profitable areas. Medium-term priorities, among other needs, can include developing regulations to implement the National Payments System Law and allocating 4G spectrum, developing a National Payments Strategy and an Oversight Framework, Digital Identification and electronic “Know-Your-Client” framework, and Business Continuing Plan and designing a subsidy program to incentivize digital payments. Both CPF pillars can help promote Iraq’s digital economy. Under Pillar 1, e-Government tools can strengthen government accountability and efficiency. Under Pillar two, upskilling Iraqi youth will allow them to benefit from digital opportunities; digital tools can also promote social inclusion.



## Annex 11: Climate Change Context and Priorities

- 1. The new Middle East and North Africa (MENA) Climate Change Action Plan (CCAP) forms the World Bank's strategic and ambitions roadmap for climate action.** It is oriented around four main transformation areas that promote economy-wide decarbonization, jobs for economic recovery, inclusion, fragility and protecting the vulnerable. The CCAP outlines a clear and ambitious long-term trajectory targets in (i) food systems, water security and resilient natural capital, (ii) clean energy transition and low-carbon mobility, (iii) climate-smart cities and resilient coastal economies, and (iv) sustainable finances.
- 2. Climate change is a high priority for Iraq's government,** despite fragility and the economic context. In order to decouple economic growth from greenhouse gas emissions, strengthening the institutional framework is essential. A Ministry of Environment needs to be established, as well as mainstreaming economy-wide climate action across key government institutions. Iraq completed a National Adaptation Plan (NAP) in September 2020 with support from UNEP (funded by GCFF) and is currently developing a National Climate Action Plan with support from UNDP. There are also prior macro-economic viability studies that have been completed, including energy market analysis regarding commercial levers to reduce gas flaring.
- 3. Iraq was the 32<sup>nd</sup> largest emitter of greenhouse gases as of 2018, emitting 0.45 percent of global total** at 215.6 Mt CO<sub>2</sub>e (Climate Watch, 2021). Since 1990, emissions in Iraq have trended slightly upwards in absolute terms and intensity (per capita) and outpaced the rate of economic growth. The majority of Iraq's emissions are from electricity which has risen sharply since 2007, followed by transport, waste, industry and buildings. A relatively minor proportion of green-house gas (GHG) emissions are from land use change and forestry.
- 4. Iraq's intended Nationally Determined Contribution (iNDC) from 2015 sets a GHG emissions reduction target of 15 percent below business-as-usual (BAU) emissions by 2035.** Of the 90 million metric tons of carbon dioxide equivalent, 1 percent will be unconditional, and an additional 13 percent will be achieved through the conditional target. The mitigation focus of iNDC of Iraq is across the sectors of energy, waste, agriculture and industry. There are strategic plans in place that provide the basis for implementation of these proposed reductions: Integrated Energy Strategy (2013-2030), Industrial Strategy of Iraq (2030), Strategy to Develop the Private Sector until 2030 and the National Strategy for Protection of the Environment. Iraq has committed to the Global Gas Flaring Reduction Initiative and needs technical and institutional capacity for the development of the gas industry. Iraq also aspires to work on carbon capture and storage solutions, promoting a modal shift in both passenger and freight traffic from road to rail and river and shifting to LPG for vehicles. Mini and microgrids are needed to scale-up clean and reliable renewable energy and meet electricity demand.
- 5. Iraq plans to implement adaptation measures to further combat the effects of climate change.** Iraq will focus on issues of food, water, and economic security for its citizens. The adaptation focus is across sectors of water-resources, water-treatment, agriculture, ecosystem-preservation health and tourism. As a large part of Iraq's water is of transboundary nature, climate change induced in flows could potentially lead to further challenges if a mechanism is not in place to address them.
- 6. Iraq's revised iNDC (under development) could be supported to accelerate implementation and decarbonize economic growth.** Specific areas of support could be through strengthening the institutional and regulatory framework, strengthening and improving the granularity of the GHG inventory and

reporting requirements and sectoral support in agriculture, urban infrastructure, nature-based solutions, waste management and water resource management. Economic growth could be decoupled from emissions through economic diversification, mitigation of macro-economic and fiscal risks, transition risks and trade risks. Climate mainstreaming is also key, in terms of integration of climate change into national strategies, plans, policies and legislation, transfer of technology, climate-smart reforms and a focus on reduced gas flaring.

7. The WBG MENA climate action plan (draft) notes the following key pillars for transformation.

***WBG MNA Climate Change Action Plan (21-25) - Transformational Areas***

- i) Food systems, water security and resilient natural capital
  - Sustainable Land Management / Climate Smart Agriculture
  - Resilient irrigation systems
  - Water use efficiency in distribution networks/consumption metering
  - Network of natural reserves and protected areas target
  - Grey water in green belts against desertification
  
- ii) Clean energy transition and low-carbon mobility
  - Gas flaring reduction intention
  - Overall transfer and distribution loss intention
  - Refineries upgrading, energy efficiency in thermal power plants
  - Explore carbon capture and storage
  - Enforcement of vehicle inspections
  - Vehicle conversion to LPG target
  - Promote modal shift from road to rail and river
  
- iii) Climate-smart cities and resilient coastal economies
  - Improved wastewater treatment and reuse target
  - Waste-to-energy target
  - Reduced energy consumption in the built environment
  - Shift tourism to resilient coastal areas
  
- iv) Sustainable finances
  - Relative emission reduction target
  - Increased access to green finance

8. Based on the corporate and regional framework for action on climate change, the following specific regional and country level action areas are listed below:

***Proposed Country Priorities***

- i) Providing TA to mainstream climate into ongoing operations, including:
  - Economic diversification and growth through green jobs multipliers, managing transition and trade risks, analysis on decarbonizing economic growth in key areas (gas flaring and reduced fossil fuel dependence).
  - Unlock investments in renewable energy by addressing barriers to private sector participation, in collaboration with IFC.

- The water-agriculture-environment nexus, including water security and water sector reform, recovery and reconstruction.
  - Human capital, including climate-adaptive social protection systems, human capital reviews and poverty assessments including a climate vulnerability lens.
  - Support dialogue on climate-smart food systems in the context of water scarcity and green trade – including the CSA Investment Plan and the agri-food sector.
- ii) Potential climate-smart reforms (aligned with White Paper for Economic Reforms), assessing macro-economic viability and considering the electricity-sector commercial system collapse.
- iii) Support the implementation of the National Climate Action Plan in collaboration with the Department of Environment (Ministry of Health) and UNDP.

## Annex 12: Key Collaborations and Partnerships

1. The WBG will continue to prioritize collaboration with donors and partners to ensure complementarity and knowledge sharing. In this context, two examples of such collaboration are presented below.

2. **Prospects Partnership Iraq:** Private sector solutions play a key role in alleviating forced displacement challenges, most notably in the context of driving the job creation and economic growth that are fundamental to supporting self-reliance of forcibly displaced people and resilience of their host communities. To address these challenges, last year, IFC and IBRD in MENA entered into a strategic partnership for improving prospects for forcibly displaced persons and host communities (Prospects) with the Government of Netherlands, ILO, UNICEF, and UNHCR. On IFC side, bringing private sector solutions to refugees and host communities alike in contexts of fragility and conflict fits well with IFC's 3.0 Strategy that aims to stimulate private sector interventions in challenging geographies and to underserved target groups. IFC's overall objective is to ensure that in the long run forcibly displaced persons can support themselves and that their presence is beneficial to their hosts. On the IBRD side, Prospects Partnership is complementary to the existing Social Protection and Jobs (SPJ) program in Iraq worth over US\$500 million. Co-financed by the I3RF, the World Bank supports both the federal and sub-national governments to design and implement interventions to protect the human capital of poor and vulnerable households and promote sustainable livelihoods and earning opportunities with focus on the youth, women, and Internally Displaced Persons (IDPs), through private-led youth employment intervention for entrepreneurship and innovation, and high-level digital technology skills.

3. **Iraq Reform, Recovery and Reconstruction Fund (I3RF):** At the International Conference for the Reconstruction of Iraq held in Kuwait (February 2018), the GoI and the international community endorsed a Recovery, Reconstruction and Development Plan (RRDP) for Iraq's comprehensive recovery and reconstruction following the war with ISIS. In partnership with the GoI, the United Kingdom, Germany and Canada, the World Bank launched the Iraq Reform, Recovery and Reconstruction Fund (I3RF). The I3RF promotes two cross-cutting objectives: (i) to integrate a fragility and peacebuilding lens into reconstruction and recovery investments to ensure that activities "do no harm" and that they help to address key risk factors and drivers of conflict and fragility; and (ii) to promote gender equality and community engagement, and to target youth, women and the most vulnerable populations, including displaced and disabled people. The trust fund provides a platform for coordination and dialogue, aiding implementation of the reform, recovery, and reconstruction agenda of the GoI through the RRDP, National Development Plan 2018–2022, and Iraq Vision 2030. The I3RF has been set up with an initial 5-year program (2019–2023) with a funding target of US\$100–200 million.

### Annex 13: CPF Consultations

1. On October 10-13, 2020, the WBG conducted a series of virtual consultation sessions on the CPF which will outline the WBG's support to Iraq's development priorities for the next two years. The objectives of the consultations were to present the draft CPF to the interested stakeholders; receive their feedback and comments on the strategic priorities that were identified in the framework; and reflect the discussion outcome in the final CPF document as needed. Discussions were formulated around four main asks; adequacy of the country context as reflected in the CPF, appropriateness of its main pillars and overall program, assessment of the development impact of phase I, and adequacy of the risks captured in the framework and the proposed mitigation measures. Key stakeholders included high-level representatives from the GoI, representatives of Iraqi unions and associations, civil society and non-governmental organizations, small businesses and startups, private sector including businesspersons and private banks, Iraqi thinktanks and representatives of academic institutions, as well as donors and international partners within the Development Partners Forum.

2. Participants in the consultation sessions welcomed the discussion and made a number of comments and suggestions. Comments from the GoI included recommendations to draw on the lessons learned from previous international interventions as well as previous World Bank CPFs and to create feasible mechanisms to overcome the slow-paced implementation of the development projects. The international partners noted the importance for the Development Partners Forum to convey one message to the GoI to move the economic reform plans forward, and to agree on a solid implementation roadmap. Participants from the private sector and civil society groups -as well as from the Development Partners Forum – pinpointed that corruption and poor governance are key challenges to economic reform development in Iraq, and are main causes for poor public expenditure and service delivery; in fact, they strongly supported identifying “improved governance, transparency, and accountability” as the first pillar of the CPF.

3. Representatives of civil service organizations (CSOs) and startups noted the need to focus on the youth through financial reform to improve access to credit, and technical assistance to build up the capacities and experience of entrepreneurs and MSMEs. Private sector development was identified as main priority to achieve economic diversification and growth; interventions outlined areas such as improving the business environment, privatization of SOEs, regulatory reform and banking sector reform, promoting private industries and exports, and applying e-Government solutions. Representatives of academic institutions agreed on the importance of promoting the human capital. Nevertheless, they noted that the CPF does not clearly address the physical capital which is one of the main elements of economic growth, and which has been exhausted decades ago. Similarly, suggestions were made to address the problem of access to resources by the vulnerable groups; women and youth. Additionally, they noted the general lack of reference to important national economic analytics and researches, and recommended that the World Bank establishes an ongoing dialogue forum with Iraqi experts and other local interdisciplinary institutions to share knowledge and reflect more intrinsic analyses of the country context and deep-rooted challenges, in the World Bank's strategic development programming. In conclusion, the consultations formed an important part of the refining process and formulation of the final version of the CPF.

## Annex 14: Map

