Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 12/09/2019 | Report No: ESRSA00278
## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iraq</td>
<td>MIDDLE EAST AND NORTH AFRICA</td>
<td>P170704</td>
<td></td>
</tr>
</tbody>
</table>

**Project Name**
Strengthening Public Financial Management Oversight and Accountability Institutions in Iraq

**Practice Area (Lead)**
Financing Instrument

**Governance**
Investment Project Financing

**Estimated Appraisal Date**
9/2/2019

**Estimated Board Date**
1/30/2020

**Borrower(s)**
Ministry of Finance

**Implementing Agency(ies)**

### Proposed Development Objective(s)

The project development objective is to strengthen institutions and mechanisms of fiscal accountability and oversight at federal and regional levels.

### Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing (in USD Million)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>17.63</td>
</tr>
</tbody>
</table>
B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?
Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]
The project has 3 components and 6 sub-components. The first two components support specific Government reform commitments and benefit lead government institutions/departments acting as the official WBG-EU counterpart for project implementation. Component 3 provides project management and implementation support.

Component I : Fiscal Accountability: consists of three sub-components:
  Sub-component I.1. on Payroll reporting and oversight
  Sub-component I.2. on Public procurement efficiency and accountability
  Sub-component I.3. on Fiscal oversight on the budget and non financial SOEs.

Component II : Transparency, Integrity and Legal Certainty consists of three sub-components:
  Sub-component II.1. on Budget transparency
  Sub-component II.2. on Corruption risk mitigation
  Sub-component II.3. on Legal certainty

Component III : Project Management and Implementation Support : It provides support to project coordination, management and implementation. It also provides support to overall PFM reform coordination at federal and regional level, beyond the scope of the project. The component will provide technical assistance, as well as associated knowledge and learning, change management, and capacity development activities.

D. Environmental and Social Overview
D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The project will be implemented to strengthen systems of accountability and oversight over the use of management of public financial resources in the country of Iraq including both federal (Baghdad) and KRG regional (Erbil) levels. The Project Coordination Unit (PCU) will implement material measures and actions to implement the project in accordance with the World Bank Environmental and Social Standards (ESSs). The PCU will be responsible for the overall coordination of the economic governance reforms, in all 13 public institutions which will be established at the Prime Minister Office and will be responsible for the implementation of sub-components related to the identified areas of intervention. Through the three components and six sub-components (of which three are confirmed to be executed on behalf of the recipient), the project will provide the Government of Iraq with technical assistance, knowledge and learning, change management, and capacity development activities. This IPF will neither finance nor support any civil works activities, and thus no environmental and social impacts resulting from physical activities. From an environmental perspective the activities are aimed at public financial management and thus environmental ESF standards are not relevant. However, the proposed project might involve some potential social risks relating to
social exclusion particularly vulnerable or disadvantaged groups (component 1), labor and working conditions, conflict and fragility, and stakeholder risks.

D. 2. Borrower’s Institutional Capacity
The Office of the Prime Minister Office (PMO) will include a Project Coordination Unit (PCU). The PCU will be responsible for the overall coordination of the economic governance reforms. Thirteen public institutions are responsible for the implementation of sub-components related to the identified areas of intervention, consisting of Central Statistical Office, KRI Shura Council, Federal Ministry of Finance, Federal Ministry of Planning, Higher Anti-Corruption Council, Federal State Council, Federal Board of Supreme Audit, KRI Commission of Integrity, KRG Ministry of Planning, KRI Parliament, KRI Board of Supreme Audit, Iraqi Council of Representatives, and Higher Anti-Corruption Council. A Steering Committee (SC) will be established by Trust Fund effectiveness, which will include senior directors of the involved ministries and public agencies acting as implementing agencies. None of these institutions are familiar with the Bank safeguards policies and ESF requirements. An assessment will be carried out before effectiveness to determine if there are any gaps as well as actions needed to strengthen borrower’s capacity to meet the objectives of the ESF.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)  Moderate

Environmental Risk Rating  Low
Given that this IPF does not finance nor support any civil works activities, have a physical footprint or contain reforms that would directly influence any aspects of the environment, the Environmental ESF Standards are not relevant with the current information at hand. The project rather focuses on public financial management, capacity building and technical assistance thus there are little if not any environmental risks. Based on this, the environmental risk is rated as low.

Social Risk Rating  Moderate
The expected social impacts of the project will be positive. The Project will involve institutional strengthening and capacity development related to economic governance, which are not likely to cause negative social impacts. However, there might be possibilities of social risks relating to social exclusion particularly the vulnerable or disadvantaged groups, labor and working conditions, stakeholder risks, conflict or security, and institutions and capacity. Thus the social risk is rated as moderate.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:
The project will provide the Government of Iraq with technical assistance, and associated knowledge and learning, change management, and capacity development activities in the areas of PFM coordination and communication, accountability and management of public resources (payroll, procurement, supervision of non-financial SOEs), and legal, fiscal transparency and anti-corruption aspects. Positive social impacts are foreseen through improved financial management institutions contributing to better service delivery, enhanced accountability, and reduced corruption.
Transparent and accountable management of public resources will also lead to increased civic confidence in government agencies. Given that the zone of influence and impact of this project is very specific to public financial management there are no environmental impacts that are identified at this stage given the information at hand. The adverse social impacts of the project are minimal. However, viewed from the broader perspective of security and other challenges in the country, the implementation of the activities under Component 1 have social risks, such as the risks of exclusion of certain civil servants from targeted institutions due to inefficiencies in outreaching to these groups to ensure their participation in the payroll reform, or by unconscious discrimination/practices under the current or new systems. There might also be risks of exclusion among certain categories of people in accessing public services due to under-information of the reform or their vulnerabilities (i.e., women, children, and minorities). Possible social risks also include labor and working conditions, stakeholder, and institutions and capacity.

**ESS10 Stakeholder Engagement and Information Disclosure**

A Stakeholder Engagement Plan (SEP) will be prepared and it will be updated as and when necessary in implementation. Preliminary stakeholder mapping was conducted. Project affected parties could include all civil servants, sector and departments within the 13 federal and regional government institutions and the two PMTs. Other interested parties could include other federal and regional government institutions, public and private investors including State Owned Enterprises (SOEs), World Bank/ European Union technical team, other multilateral or bilateral partners, Non-State Actors, civil society, labor unions, etc. This SEP will identify stakeholders to be consulted during project life-cycle, establish an approach for stakeholder engagement, ensure appropriate project information disclosure, and delineate a plan for future participatory activities which can be considered in tandem with planned project-level citizen engagement activities. The project will also establish a grievance redress mechanism.

**B.2. Specific Risks and Impacts**

A brief description of the potential environmental and social risks and impacts relevant to the Project.

**ESS2 Labor and Working Conditions**

The PCU will include direct workers (i.e., PCU director, staff from the Steering Committee, consultants hired by the borrower), who will need to meet requirements for terms and conditions of employment, non-discrimination and equal opportunity, worker’s organizations, child and forced labor, grievance mechanism, and occupational health and safety (OHS). Civil servants from the 13 government institutions as well as the PCU working in connection with the project either full-time or part-time will remain subject to the terms and conditions of their existing public sector employment or agreement, unless there has been an effective legal transfer of their employment or engagement in the project. For civil servants, only prevention for child and forced labor and OHS will apply. Workers under sub-components 2.1, 2.2 and 2.3 are not subject to ESS2, as this sub-component is to be executed on behalf of the recipient. ESS2 could also be relevant if any of the institutional reforms have an impact on worker-related issues, such as retrenchment or hiring practices.

**ESS3 Resource Efficiency and Pollution Prevention and Management**

The project shall not be financing activities that cause pollution risks. This ESS is not expected to be relevant to the project.
ESS4 Community Health and Safety
The project shall not be financing activities that affect community health and safety. This ESS is not expected to be relevant to the project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
The project is not financing activities that involve land acquisition, restrictions on land use, or involuntary resettlement. This ESS is not expected to be relevant to the project.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
The project shall not be financing activities that would impact biodiversity or sustainable managment. This ESS is not expected to be relevant to the project.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
There are no Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities in the project area, and therefore this ESS is not considered relevant to the project.

ESS8 Cultural Heritage
Not relevant at this stage, as the project will not finance activities that will affect cultural heritage.

ESS9 Financial Intermediaries
This ESS is not expected to be relevant to the project.

B.3 Other Relevant Project Risks
Institutional capacity and stakeholder risks: The main risk factors and agreements with the GoI to mitigate them are discussed in section II.F (Lessons Learned). Change management efforts will be carried out with the active support of senior leaders and operational managers of the implementing agencies. The M&E mechanisms will be actively used to respond quickly to implementation bottlenecks

C. Legal Operational Policies that Apply
OP 7.50 Projects on International Waterways

OP 7.60 Projects in Disputed Areas
III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

<table>
<thead>
<tr>
<th>DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED</th>
<th>TIMELINE</th>
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<tbody>
<tr>
<td>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</td>
<td>09/2019</td>
</tr>
<tr>
<td>The Office of the Prime Minister will hire part-time Env and Soc Specialists within the Project Coordination Unit (PCU) to support the management of environmental and social risks. Each Project Implementation Unit (PIU) will have a designated Environment and Social (E&amp;S) Focal Point. The Project Manager (PM) at the PCU will ensure that at least one Env Specialist and one Soc Specialist are in place within the PCU prior to Grant Effectiveness. The cost of the E&amp;S specialists will be part of the</td>
<td></td>
</tr>
<tr>
<td>ESS 10 Stakeholder Engagement and Information Disclosure</td>
<td>05/2019</td>
</tr>
<tr>
<td>Stakeholder Engagement Plan (SEP) will be prepared.</td>
<td></td>
</tr>
<tr>
<td>ESS 2 Labor and Working Conditions</td>
<td>05/2019</td>
</tr>
<tr>
<td>Labor Management Procedures, to be prepared as part of the Borrower's ESCP.</td>
<td></td>
</tr>
<tr>
<td>ESS 3 Resource Efficiency and Pollution Prevention and Management</td>
<td></td>
</tr>
<tr>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>ESS 4 Community Health and Safety</td>
<td></td>
</tr>
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<td>ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</td>
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<td>ESS 8 Cultural Heritage</td>
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<td>ESS 9 Financial Intermediaries</td>
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B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:
Since the project will not rely on the borrower’s framework, there are no areas identified for use.

IV. CONTACT POINTS
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Borrower/Client/Recipient

Borrower: Ministry of Finance

Implementing Agency(ies)

Implementing Agency: Central Statistical Office
Implementing Agency: KRI Shura Council
Implementing Agency: Office of the Prime Minister
Implementing Agency: Federal Ministry of Finance
Implementing Agency: Federal Ministry of Planning
Implementing Agency: Federal State Council
Implementing Agency: Federal Board of Supreme Audit
Implementing Agency: KRI Commission of Integrity
Implementing Agency: KRG Ministry of Planning
Implementing Agency: KRI Parliament
Implementing Agency: KRI Board of Supreme Audit
Implementing Agency: Iraqi Council of Represetatives
Implementing Agency: Federal Commission of Integrity
Implementing Agency: KRI Ministry of Trade
Implementing Agency: General Secretariat of the Council of Minister
V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Klaus Decker, Roland Lomme, Salam Falah Almaroof

Practice Manager (ENR/Social) Pia Peeters Cleared on 26-Sep-2019 at 15:52:31 EDT

Safeguards Advisor ESSA Surhid P. Gautam (SAESSA) Concurred on 09-Dec-2019 at 14:21:26 EST