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MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW

OF THE COUNTRY PARTNERSHIP STRATEGY

FOR

REPUBLIC OF IRAQ

FOR THE PERIOD FY13-FY16

MAY 1, 2015

**Iraq Country Management Unit
Middle East and North Africa Region**

**International Finance Corporation
Middle East and North Africa Region**

**The Multilateral Investment Guarantee Agency
Middle East and North Africa Region**

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CURRENCY EQUIVALENT

Unit of currency = Iraqi Dinar

1 US\$ = 1240 ID (as of March 9, 2015)

Fiscal Year

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CCTs	Conditional Cash Transfer
CPS	Country Partnership Strategy
CSOs	Civil Society Organizations
ESCRP	Emergency School Construction and Rehabilitation Project
ESW/AAA	Economic and Sector Work / Advisory Services and Analytics
EITI	Extractive Industries Transparency Initiative
FY	Fiscal year
GAP	Governance Action Plan
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GOI	Government of Iraq
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFI	International Foreign Investment
IMF	International Monetary Fund
INES	Integrated National Education Strategy
ITF	Iraq Trust fund
ISIS	Islamic State of Iraq and Syria
KRG	Kurdistan Regional Government
M&E	Monitoring and Evaluation
MDTF	Multi Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
MOLSA	Ministry of Labor and Social Affairs
MOP	Ministry of Planning
MSMEs	Micro, Small and Medium Enterprises
NPL	Non-performing Loans
PDS	Public Distribution System
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PLR	Performance and learning Review
PPP	Public-Private Partnership
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprises
SOE	State-Owned Enterprises
SPBF	State and Peace Building Fund
TA	Technical Assistance
TEEP	Third Emergency Education Project
TOR	Terms of Reference
WBG	World Bank Group

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**PERFORMANCE AND LEARNING REVIEW
OF THE IRAQ COUNTRY PARTNERSHIP STRATEGY (FY13-FY16)**

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MAP: IBRD 33422

I. INTRODUCTION

1. **This Performance and Learning Review (PLR) Report is a mid-term assessment of the implementation of the IBRD/IDA/IFC/MIGA Country Partnership Strategy (CPS) for the Republic of Iraq for FY13–16** (Report No. 73265-IQ) that was discussed by the World Bank’s Group’s (WBG) Board of Executive Directors on December 18, 2012. Recognizing the challenges and uncertainties facing Iraq, the CPS was kept flexible by design. The economic, political, and security challenges Iraq has been facing over the past two years, especially the sharp decline in oil prices and the rise of the Islamic State of Iraq and Syria (ISIS), have reinforced this need for flexibility. This Report reviews implementation of the WBG country program during the past two years and proposes changes for the remaining CPS period. The CPF pillars and objectives are adjusted, and the CPF is extended by one additional year. The PLR will seek an increase in the CPS lending envelope for Iraq to accommodate the changed country circumstances, following the commitment of projects under preparation.

2. **Deterioration of the security situation coupled with the recent sharp decrease in oil prices and slow-moving economic reforms poses critical challenges.** Increased internal security shocks in the past year redirected government spending towards security amid the decline in oil revenues, the primary source of government financing, and led to delays in the country’s development plans. Through its lending program, the Bank has remained engaged in key economic sectors and public services such as electricity, irrigation, transport and water. In addition, a technical assistance program was put in place and financed through the Iraq Trust Fund (ITF), to strengthen capacity of government institutions. The ITF closed on December 31, 2014. Over the past five years, the International Finance Cooperation (IFC) investment portfolio increased ten-fold, starting from a low base, with most of the increase occurring during the period 2010-2013. Despite the worsening security and economic situation, IFC was able to maintain its portfolio over the last two years.

3. **Going forward, and taking into consideration the major shifts that have taken place, the CPS program will support Iraq’s efforts toward stabilization in the current fragile context, rebuild state institutions, and put the economy on a sustainable path of shared prosperity.** The Government of Iraq (GOI), as articulated in the Prime Minister’s acceptance speech to Parliament, has reform plans to build a more transparent government that delivers better services to the public. At the same time, a key challenge will be for the Government to stabilize those areas that have been liberated from ISIS control and to maintain overall stability in the country. A key, and longer term, development challenge for Iraq is the incremental rebuilding of the state institutions that were systematically weakened over the last twenty years, while adjusting to a major terms-of-trade shock and increased defense expenditures. For the remaining period of the CPS, the partnership will be dedicated to helping the government navigate these multiple challenges to its development plan and will be articulated around the following two axes: (i) 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 (ii) to address and help manage the country’s critical fiscal situation and increase opportunities for private sector investment. In order to accommodate these new priorities, plans for supporting traditional investment projects (in the areas of irrigation, water supply, and public financial management) will be re-visited and possibly postponed to FY17 or beyond. The revised CPS objectives are provided in the CPS results framework (Annex I).

4. **The Iraqi government recognizes the long-term vital importance of institution building,** although it will be a challenge to ensure that the urgent security and fiscal stresses will not divert the government from engaging in the needed reforms towards better governed institutions and better services. Some of these reforms, such as the replacement of fuel subsidies with cash transfers or a rationalization of the civil-service payroll (e.g. weeding out ghost workers), will improve the fiscal situation. The new Government, in place since September 2014, has expressed strong interest in the Bank Group’s support, both financial and advisory, to help them tackle these challenges. In view of the considerable change in circumstances, the CPS is being extended by one year, through FY17, to better align with the timeframe of

the new Government and its priorities as per the FY14-18 development plan and to capture initial results from the new program that is now under preparation.

5. **The upcoming Systematic Country Diagnostic (SCD) programmed in FY16, will identify the medium and longer-term constraints towards achieving the World Bank’s strategic goals of ending extreme poverty and promoting shared prosperity.** As the WBG strengthens its engagement with Iraq, this PLR will lay the groundwork for the SCD, and will serve as a launch pad for the new Country Partnership Framework (CPF). Based on consultations with the government, development partners, the private sector, civil society, as well as the Bank knowledge of Iraq, the challenges of human development, notably in education and poverty, and the much needed strengthening of the Iraqi private sector are expected to figure prominently in both upcoming WBG strategic instruments. By the same token, and given Iraq’s central, geostrategic location, the promises of broader regional synergies are present, and will be promoted through large, trans-border infrastructure and trade facilitation engagements, as well as an effort to work on harmonization of business practices, regulations and legislation.

6. **The WBG engagement in the FY16-17 period will ramp up support in response to increased Government demand,** while reflecting lessons learned during the first three years of implementation. Using IBRD lending and IFC investments, the Bank Group will increase its engagement through a robust program focused on supporting service delivery, especially in those areas impacted by ISIS, as well as potential reform-based financing and dialogue to tackle fiscal challenges. MIGA engagement is expected to support investments as appropriate. Also, helping improve the investment climate and strengthening the private sector for greater participation can help alleviate the fiscal pressures facing Iraq. A technical assistance program aimed at strengthening capacity and driving reforms, partly through reimbursable advisory services (RAS), which started with the Kurdistan Regional Government (KRG), will be strengthened. Assuming no further significant deterioration in the operating environment, IFC expects an increased program in Iraq over the remaining CPS period. Equally important will be to ensure the quality of the three ongoing IDA/IBRD financed projects amounting to US\$584 million. The CPS Results Framework has been revised to reflect intended outcomes for the remaining years of the CPS.

7. **The WBG will need to take considerable risks to work towards its objectives of poverty reduction and shared prosperity in a fragile and conflict-ridden environment.** Following some of the World Development Report 2011 on Conflict, Security and Development recommendations, the program will take a variable geometry approach; and program implementation will take place at a pace determined by circumstances on the ground. It will opportunistically target specific, relatively stable areas of the country, or places that have been destroyed by conflict but are now relatively secure, and design operations with a view to scaling them up and enlarging them to cover wider areas of the country when the situation allows. The Bank Group will also accept, within appropriate security parameters, to operate in low-intensity conflict situations for an extended period of time, and to take on the additional transaction costs of doing business in such fluid and unstable environments, including longer implementation time and the need for closer support through the presence of teams on the ground where the security environment allows.

II. COUNTRY CONTEXT

8. **The country context has changed since the CPS was presented. The security situation has worsened and the price of oil, which accounts for 99 percent of exports, has fallen. However, a new parliament and a more inclusive government are in place and a new president was elected.** The new government, which assumed office in 2014, has had to face many challenges. These include continuing pressures on the country’s political structure, military crises and increasing violence in many parts of Iraq, and a difficult economic situation due to the decline in oil prices. The regional and international context has also dramatically changed since the CPS was presented, most notably with the emergence of the Islamic State of Iraq and Syria (ISIS) and the return of international powers to support the GOI fight against terrorism. The new government also re-established relations with some key partners in the region, especially the Gulf countries. This renewed attention to Iraq has assisted the government in its fight against ISIS but

to date, has not had direct impact on the development agenda of the country. Most bilateral donors that were supporting Iraq through grants have not returned as yet.

9. **Iraq's insurgency has escalated dramatically, worsening the humanitarian situation and posing a fundamental challenge to the country's territorial integrity.** Recent advances by ISIS have thrown parts of Iraq into violent chaos and instability. ISIS controls nearly one third of Iraq's territory including major cities such as Mosul, Tel Afar and Fallujah. This already complex political, social, and security context is exacerbated by regional dynamics, especially the Syrian conflict and resulting flow of refugees, internally displaced persons (IDPs) and armed groups in and out of the country. Escalating violence is threatening the development of non-oil economic activity in much of the country. The interruption in supply lines and distribution systems has had serious impacts on the private sector and on citizens' access to vital goods. The country is now coping with nearly 3.5 million IDPs, of which around 2.5 million were added in 2014. Approximately 46 percent of these IDPs plus 250,000 Syrian refugees fled to the Kurdistan Region of Iraq (KRI), increasing its population by 28 percent in a matter of months. After Northern Iraq, the largest number of IDPs are in Anbar province in the west (400,000); Kirkuk in the center (350,000); and Baghdad (310,000). Most were displaced by the 2014 conflict with ISIS. The stabilization cost of the IDPs is adding to an already stressed budget.

10. **The new Iraqi government faces multiple challenges.** Iraq's new Prime Minister has the daunting task of unifying a deeply divided country. In November 2014, Baghdad and the KRG reached a formal agreement to end a yearlong oil export and budget dispute. In January 2015 the Iraq Parliament approved the country 2015 budget, which includes a provision allowing for the borrowing of up to US\$2 billion from the World Bank.

Economic Status

11. **Economic growth is declining due to multiple shocks.** The insurgency is heavily affecting economic activities in the country, including trade and investment. Iraq's economy contracted by 0.5 percent in 2014 due to regional conflict despite better than expected oil export output. Crude oil exports accounted for 36.5 percent of the country's GDP, 99.6 percent of exports, and 91 percent of fiscal revenues in 2014. Because of this high degree of oil dependency, production and international oil prices essentially drive the Iraqi economy which makes it exceptionally vulnerable to external shocks. The inflation rate was 2.2 percent in 2014.

12. **Declining oil prices have confirmed that the fiscal framework was not resilient to shocks.** In 2013, even before the ISIS crisis and the oil price shock, Iraq's budget slipped into a deficit of 6 percent of GDP, the first since 2010. This deficit materialized mostly as a result of increased defense spending, wages, and subsidies. Iraq operated without an approved budget in 2014. Instead, spending was funded on the basis of 2013 actual disbursements plus ad hoc additional commitments approved by Cabinet. As the year progressed, security spending took precedence over all other discretionary items. Consequently, the fiscal deficit accounted for 5 percent of GDP in 2014. Iraq's draft budget for 2015 provides for 150 trillion Iraqi Dinars, of which 17 percent is allocated to KRG as per the constitution, and about 23 percent to defense and security. Budget deficit will amount to US\$24 billion (10 percent of GDP) in 2015, and it is expected that the borrowing requirements will return to the 2014 range. The government would seek to increase reliance on external financing for its capital program (especially through export credit agencies and bilateral/multilateral finance) including borrowing from the Bank. However, even under optimistic external funding scenarios, this could not sustain the full capital program. The International Monetary Fund (IMF) current engagement with Iraq is under Article IV consultations, although a Rapid Financing Instrument (RFI) equivalent to 50 percent of quota (around US\$830 million) is under consideration.

Iraq: Economic Indicators, 2009-2014

Indicator	CPS Projections		Actual						
	2013	2014	2009	2010	2011	2012	2013	2014	2015 (p)
Output and prices									
Real GDP growth (percentage change)	14.7	12.0	5.8	5.5	10.2	10.3	4.2	-0.5	-1.0
Consumer prices (period average)	6.0	4.5	-2.2	2.4	5.6	6.1	1.9	2.2	3.0
Public finance									
Overall fiscal balance (inc. grants) (in percent of GDP)	-1.5	3.5	-12.7	-4.2	4.7	4.1	-5.9	-4.9	-10.6
Gross public debt (in percent of GDP)	19.5	15.4	84.0	51.0	39.5	33.7	31.5	33.4	52.8
External sector									
Current account balance (in percent of GDP)	2.2	4.7	-8.0	3.0	12.0	6.7	2.1	-2.8	-8.3
Gross official reserves (in months of imports)	7.2	7.8	9.5	10.6	9.3	9.8	10.5	10.7	8.4

Source : IMF; and Iraqi authorities.

13. **As a result, the macroeconomic framework is more challenging than the baseline scenario presented in the CPS.** Growth is sharply lower, while projected moderate fiscal deficits are now larger and less likely to be reversed. With continued borrowing needs and lower nominal GDP, the projected decline in the public debt has not materialized. Nevertheless, Iraq's external debt level has remained stable at around 25 percent of GDP (2014), which is low by MIC standards. High oil revenues up to June 2014 provided sufficient liquidity to permit a significant amount of domestic financing of investment, and in any event Iraq has limited capital market access e.g. it does not have a credit rating. Going forward, however, external financing needs have increased.

Trends in Poverty Reduction and Shared Prosperity

14. **Iraq made some progress in reducing absolute poverty and improving shared prosperity from 2007 to 2012.** The improvement in welfare distribution in Iraq is reflected in the decline in poverty, which fell from 23.6 percent in 2007 to 19.8 percent in 2012, a 3.8 percentage point decline. A similar trend is evident when using the official poverty line, which records a decline in headcount rates from 22.4 percent in 2007 to 18.9 percent in 2012. In rural Iraq, poverty declined by 8 percentage points, as compared with a much smaller decrease of 2.5 percentage points in urban areas.

15. **This pattern of poverty reduction has been accompanied by a greater spatial concentration of poverty.** In 2007, half of Iraq's poor lived in five governorates – Baghdad, Basrah, Nineveh, Babil and Thi-Qar. By 2012, while Baghdad's poverty remained at around 19 percent, Nineveh almost doubled its share of the poor to 15.7 percent. Three southern governorates, Thi-Qar, Qadisiya and Missan, with 10 percent, 7 percent and 6.7 percent of the poor respectively, now account for almost a quarter of the country's poor. In 2012, 58 percent of Iraq's poor lived in these five governorates, compared to 40 percent in 2007.

16. **Private-sector jobs, one of the most powerful ways of escaping poverty, have been elusive in Iraq.** During 2007-2012, 80 percent of new jobs were in the public sector. A third of men and 90 percent of women (between the ages of 15 to 64) are neither employed nor looking for work. The female participation rate is just 12 percent of the labor force. The Public Distribution System (PDS) remains the primary safety net for the poor, providing more than 60 percent of the calories consumed by the poor, despite some progress in developing transfer programs.

17. **Iraq's youth have been disproportionately affected by over a decade of conflict and growing sectarian struggle.** People under the age of 18 account for over 50 percent of the population, and approximately a third of Iraq's population are between 15 and 29 years. Conflict has significantly limited their educational and employment opportunities. Combined with low rates of labor force participation this indicates strong discouragement among youth. The country is lacking programs that aim to support economic opportunities and job creation. Experience in other countries has shown, unemployed or idle youth are more easily recruited by violent, extremist causes.

18. **The recently completed Poverty and Inclusion assessment highlights significant gender challenges, which the current security situation is likely to exacerbate.** Early motherhood is associated with poor nutritional outcomes for children (stunting rates). With regard to education, significant gender disparities exist in gross enrollment at each education level. Despite these odds, among the few girls who make it to secondary and tertiary level, net enrollment rates are slightly higher among girls than boys, suggesting that they are more successful in completing each level on time. Only 15 percent of adult Iraqi women of working age participate in the labor force, well below the already low rates of female labor force participation in the Middle East and North Africa region of around 25 percent. Participation of women in the labor force varies sharply by education. Well-educated Iraqi women are at least six times as likely to work or to be looking for work compared to the vast majority of Iraqi women. Almost all women who work in agriculture have low levels of education, while almost 90 percent of women employed in the public administration sector have secondary and higher education. A significant gender wage gap further disincentivizes female labor force participation.

19. **New estimates of poverty for 2014 based on a micro-simulation approach suggest that the twin crises of the Islamic State militancy and the decline in oil prices have increased poverty by 7 percentage points (or an additional 2.2 million people below the poverty line) relative to a scenario without these two negative shocks.** In other words, without the crises, the simulation exercise predicts that Iraq's poverty rate would have fallen to 15 percent from 18.8 percent in 2012. Instead, it is estimated that poverty may have increased to 22 percent, or close to 2007 levels, thus losing the welfare gains of the relatively stable 2007 to 2012 period.

III. SUMMARY OF PROGRAM IMPLEMENTATION

20. **The CPS sets 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.** Due in part to uneven commitment of the previous government and extenuating external circumstances, the overall performance toward CPS outcomes to date has been mixed, with achievements in transport and logistics, poverty assessment, social protection, water and in the development of sector strategies for education and energy. However, little progress has been witnessed on the energy availability side and modest progress has taken place on reforms, improvements in the business environment, and the upgrade of the financial sector. The results framework and progress towards CPS pillars can be found in Annexes I and II.

Progress towards CPS Outcomes

Pillar I: Improving Governance

21. **Progress in improving fiscal discipline has been limited.** Given the slow pace of structural reforms, the Bank was unable to contribute to improved economic governance, to strengthen efficiency, effectiveness and transparency in the use of public resources and in aligning the budget with national priorities. The 2013-2014 Governance Action Plan (GAP) was approved by the government but only partially implemented. Economic dialogue continued to take place through the poverty assessment and the capacity building activities financed through the ITF, and in KRG through a growth diagnostic and multi-sectoral work done on the impact of the ISIS and Syrian crises.

22. **The Bank has, however, successfully helped Iraq's move towards becoming an Extractive Industries Transparency Initiative (EITI) compliant country.** Through a grant the Bank Group was able to support Iraq's publishing of four annual EITI reports for 2009, 2010, 2011 and recent completion of the 2012 report. These reports reconcile revenues from oil and gas and are disseminated in events across Iraq with substantial participation from civil society at large, including academia, and individual experts.

23. **Steps have been taken towards strengthening Public Financial Management (PFM) although the experience has been mixed.** While the PFM technical assistance (TA) project, completed in August 2013, fell short of its objectives, support to the Federal Board of Supreme Audit was successful. Also, through the ITF, a system requirement study of the Iraq budget system was finalized and the design and specifications of the needed information system to automate the budget preparation and execution has been developed. Also on the capital budget execution, the Public Investment Management assessment provided the basis for preparing and implementing a roadmap to enhance the efficacy of investment budget management, feasibility and selection of projects in particular, to levels consistent with international benchmarks, and in accordance with the country's strategic objectives. Also, seven sector-specific standard bidding documents were prepared and disseminated.

24. **IFC engaged at both the firm and market level to strengthen corporate governance practices and improve firm productivity.** A Corporate Governance Assessment was completed for one of the largest local banks and a Project Services Agreement was signed with a local agribusiness company. At the market level, IFC signed two cooperation agreements with the Women Empowerment Organization and M Select to conduct trainings and enhance knowledge of senior management, about the best corporate governance practices. To increase overall awareness of issues relating to corporate governance, IFC partnered with a local university and held seminars and workshops.

Pillar II: Supporting Economic Diversification for Broadly Shared Prosperity

25. **The Bank has made modest progress in helping the Government to strengthen the supervisory framework for financial intermediaries and capacity of financial institutions.** Bank Group support was through analytic and technical assistance with two key pieces of analytical work prepared -- the Investment Climate Assessment and an Iraq Financial Sector Review, and through direct engagement where the reengineering of the construction permits process was implemented. Through its Construction Permit Reform project, IFC helped simplify the number of procedures from 27 to 9 and reduce the number of days to issue a permit from 130 to 24 as well as advised the government on developing new permitting laws. Support was also provided to the implementation of the state-owned enterprises (SOE) Reform Roadmap of the Government of Iraq including the preparation of key policy notes and technical research with focus on strengthening capacity of ministries to oversee and lead SOE reforms. The World Bank provided significant support for establishing the SOE Asset Valuation Department within the Ministry of Finance (MOF). It also supported the establishment of a bilingual printed and online magazine in Arabic and English focusing on women's economic empowerment.

26. **MIGA supported two investments in Iraq in FY14, in the telecom and manufacturing sectors.** MIGA's total portfolio now stands at US\$11.8 million.

27. **The Bank Group has made modest progress in building the capacity of Iraq's Central Bank to implement the Banking Reform Strategy Action Plan and develop the Public Credit Registry.** The Bank supported reforms at the two state owned banks including adoption of new organizational structures, establishment of new departments (Risk Management and Human Resources), and training provided to 682 staff. This support resulted in having the provisions against Non-Performing Loans (NPLs) in the two banks reaching 20 percent, while lending to the private sector increased from four to six percent and the capital adequacy ratio for both banks has increased from zero percent in baseline year 2006 to four percent in 2012. These changes resulted in reduction in the risk of both banks. Also a microfinance study was prepared in support to the introduction of microfinance to the Iraq economy. IFC conducted a credit reporting assessment and held awareness raising workshops for public and private partnerships (PPP) in the areas of credit reporting, secured lending, and leasing.

28. **The energy (electricity, gas and oil) sector remains a priority, though progress has been mixed on the reform and investment front.** The Government has invested significantly in new generation capacity to increase electricity production, which remains a priority. However, progress on reforms has

been slow and the sector continues to suffer from growing fiscal issues (particularly, in the electricity sector where high losses and below cost-recovery tariffs are significantly impacting revenues) and significant financing is still needed in expanding the electricity network to improve service delivery. The Bank has enjoyed strong strategic engagement in the energy sector in addressing these challenges and successfully completed rehabilitating major hydro power plants in KRG and supported the reform agenda by the development of the Iraq National Energy Strategy (INES). The Bank also has provided technical assistance supporting the implementation of INES, including capacity building in natural gas pricing and model contracts, private sector participation in energy sector development and electricity distribution reforms.

29. **Efforts to strengthen the country's trade logistics infrastructure have made some modest progress, mostly through Bank lending and TA, and IFC investments.** During the past two years, IFC committed (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. IFC mobilized US\$8.3 million from MIGA to support this joint investment. The Transport Corridor Project approved by the Bank in December 2013 was slow to start due to effectiveness delays as the project became effective only in March 2015. However, importantly, the transport sector master plan has been finalized and is being used to identify priority investments in the sector.

30. **The Bank-financed water projects largely proceeded as planned and the project targets have been surpassed. However, overall progress in the water sector is slow notwithstanding the fact that the sector receives large government transfers.** Due to much higher than estimated project costs (reflecting contractors' risk premium working in Iraq) and limited skills to manage international contracts it is likely that not all anticipated objectives of the on-going Bank-financed water project will be achieved.

31. **Manufacturing, services and financial markets are other key sectors where IFC has engaged through investment and advisory activities to support diversification of the economy and the private sector.** In FY13, IFC committed US\$70 million in the Lafarge Karbala cement plant and committed US\$8 million equity to Ecocem, IFC's first PPP in Iraq. This project will provide sustainable solutions to Sulaimania's municipal waste by building a greenfield sanitary landfill and a mechanical bio-treatment facility to process municipal household waste that would be used as fuel for cement plants. In the services sector, IFC invested US\$14 million to build a greenfield extended stay hotel to accommodate business needs and support employment creation. Also, the IFC has 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.

Pillar III: Improving Social Inclusion and Reducing Poverty

32. **With World Bank support, Iraq has now completed two rounds of household surveys,** which has culminated in a new poverty and inclusion assessment and a new poverty map (FY15). The government plans to use these and other insights to develop a new strategy for poverty reduction and inclusion in light of the current crisis.

33. **Bank support for the education sector included the development of a National Education Strategy, institutional capacity building and provision of school infrastructure, partially meeting the CPS targets.** The Bank-financed TA projects made notable contributions to the GOI's initiative in the development and implementation of the Iraq National Education Strategy, and to the capacity development of the Iraq's technical and vocational education sector. The Bank-financed projects contributed to increased student access to better learning environments through rehabilitated schools, new schools and classroom extensions. Worsening security conditions towards the end of the Third Emergency Education project precluded the achievements of teacher training and curriculum development. Iraq also benefited from the

Bank's TA in the areas of university governance, workforce development, early childhood development, and teacher policies.

34. **The Bank's health sector dialogue lost momentum and activities are decreasing.** This was the result of the discontinuation of the health dialogue with the government and closure of the project due to the deterioration of the security situation and the emphasis of the Government on World Bank support to infrastructure and other areas going forward. However the health engagement on the project level did result in health care centers being refurbished and equipped.

35. **The Social Safety Net Reform program made significant contribution to strengthening the country's safety net system.** Social protection programs cover two broad sectoral areas: (i) non-contributory cash transfer programs administered by the Ministry of Labor and Social Affairs (MOLSA); and (ii) contribution-based social insurance programs that are either run by the Ministry of Finance (for the public pension scheme) or MOLSA (for the private sector pension scheme). MOLSA has championed, with support from the World Bank, the new Social Protection Law for Iraq (Law 11/2014), which uses poverty and means testing as the primary targeting mechanism. In terms of pensions, GOI, with support of the World Bank, has developed a strategy for integration of the pension scheme and expansion of coverage. This strategy is currently under discussion at the level of the Prime Minister and a government request to continue the support was received by the Bank.

36. **The rapid Economic and Social Impact Assessment which the Bank undertook to measure the impact of the displacement into KRG** due to the Syria and ISIS crises is a first step to responding to the urgent needs while addressing longer-term impact of potential protracted displacement due to the conflicts in the region. This assessment was performed in response to the KRG request for Bank assistance in quantifying the cost of the IDPs on the host communities.

IV. PORTFOLIO PERFORMANCE AND EMERGING LESSONS

37. **The indicative lending envelope outlined in the CPS FY13-16 is US\$600-900 million.** In December 2013, US\$355 million in IBRD lending for the Transport Corridors Project was approved. To date, the active World Bank portfolio in Iraq consists of five investment operations for a total net commitment of US\$588 million (one IBRD loan, two IDA credits and two small grants financed by the Extractive Industries Transparency Initiative (EITI) and the Japan Social Development Fund).

Portfolio Status Indicators by Year

Fiscal year	# Proj	Net Comm Amt	Tot Disb	# Proj At Risk	% At Risk	# Prob Proj	% Prob Proj	Proact Proj	Actions #	% Proactivity
2012	20	831.2	407.8	4	20	3	15	5	2	40
2013	11	539.7	245.7	4	36	3	27	3	1	33
2014	5	588.0	118.0	1	20	1	20	3	3	100
2015	5	588.3	129.2	3	60	1	20	2	2	100

38. **Iraq's portfolio performance has improved slightly as the bulk of problem projects have closed, from 29 percent of commitments in problem status in October 2012 when the CPS was prepared to 21 percent as of March 2015.** Since the Iraq CPS was prepared in October 2012, a total of 24 projects have closed of which 19 were financed by the ITF, three by IDA and two by the State and Peace Building Fund. The ITF closed in December 2014 (see Annex VI). As of March 31, 2015, a total of US\$129 million had disbursed from the total active portfolio valued at US\$588 million. The disbursement ratio improved from FY12 to FY14 and then sharply dropped in FY15: FY12 at 17.2 percent; FY13 at 22.1 percent; FY14 at 31 percent; and FY15 at 2.3 percent to date. The decline in disbursement ratio in FY15 is due to the delayed effectiveness of the US\$355 million Transport Corridors Project. Even though the World Bank's Board approved the project in December 2013, the Iraqi Parliament only approved it in January 2015, through ratification of Iraq's budget, which exceptionally did not happen in 2014. The Bank

anticipates a sharp jump in disbursements now that this project is effective, given the advance work done in preparing bidding documents and procurement preparation. Despite the unfavorable operating environment in Iraq and implementation challenges such as security, delayed effectiveness, monitoring and evaluation, project management, safeguards and slow disbursement, the proactivity index in FY14 and FY15 improved (see Portfolio Status Indicators).

39. **During the CPS period, 14 projects exited the portfolio of which 11 were reviewed and evaluated by the WBG's Independent Evaluation Group.** Five projects received unsatisfactory ratings in outcomes while six projects' outcomes were rated as satisfactory. These ratings reflect the extremely challenging operating environment in Iraq over the past decade that included long periods during which Bank teams were unable to visit their projects due to security concerns, as well as uneven commitment on the government side due to political economy issues and pressing concerns that transcended the Bank-supported portfolio. It is noteworthy that despite this difficult environment many of the project outcomes were achieved, and Iraq's Ministry of Finance and the World Bank share a common desire to ensure that Iraq has a well performing portfolio going forward. Towards this end, the government and the Bank will examine candidly key constraints impeding project performance, and this Performance and Learning Review serves as a useful tool to draw lessons from project implementation.

40. **Broad technical assistance support was delivered during the CPS period** that included policy advice to the Iraqi government on fiscal policy and management issues and organization of study tours and workshops including participants from various private and public sector entities. This TA was performed under the ITF that closed on December 31, 2014. Despite this support, the actual progress on fiscal management has been limited.

41. **IFC's portfolio continues to hold up well with marginal impact from the ongoing crisis.** The committed portfolio stands at around US\$223 million at present, largely concentrated in manufacturing and telecommunications, and there are no NPLs in these sectors. Since the banking sector has come under pressure due to the lack of liquidity, IFC is working closely with its financial sector clients in the country to assess their needs. IFC's clients in other sectors including telecommunication, manufacturing and services have been marginally affected to date. The impact on the advisory portfolio has been high with delays in implementation, especially projects focused on risk management, SME banking, and corporate governance.

42. **MIGA's portfolio is too young to evaluate at this time, but early indications are that the projects supported are performing satisfactorily.**

43. **The implementation environment has been challenging.** Virtually all Bank-supported projects had major delays in implementation and disbursement, requiring closing date extensions. Conditions on the ground continued to hamper mobility of Bank staff and Project Management Teams, consultants and contractors. Security conditions also have discouraged local and international contractors from bidding and have substantially increased project costs, in some cases halting the implementation of activities in severely affected areas. Procedures and institutional capacity constraints in line ministries (e.g. unclear lines and limited delegation of authority, inefficient review, approval, and oversight procedures) further impede project implementation, delaying decision-making, reporting, and follow up. Contract management has also been a continuing problem in Iraq. Shortened preparation of projects that were prepared using expedited emergency procedures, yet combined with sometimes complex design and overly ambitious targets resulted in project implementation delays as work normally done during the preparation stage was pushed to implementation. Turnover on both the Bank and Government sides also led to some disruptions in continuity. Under the current environment, it has become more challenging for IFC to successfully launch its syndication's efforts to mobilize funds for large infrastructure projects in Iraq.

44. **Continuous efforts have been made to strengthen World Bank Group portfolio performance.** This includes heightened supervision and regular updates and discussions. The Bank's Fiduciary

Monitoring Agent supports project supervision efforts through physical verification and monitoring of procurement and financial management. Virtually all projects in the Iraq portfolio have been restructured at least once to address issues as listed above and given that most projects needed to be extended in order to reach their objectives. As most projects were closing by the end of 2014, the focus was on ensuring that projects disburse existing funds and had monitoring and evaluation systems in place to assess progress towards meeting their development objectives. Going forward, the Bank will be more selective on where the Bank projects operate, both to ensure better implementation and to achieve higher impact. The IFC also conducted strong and proactive portfolio management.

45. **With a new IBRD program being developed, the PLR is an opportunity for the World Bank Group and the GOI to reflect on how they will work together differently.** In this context, it is important to recognize that working in a fragile environment where risks are high at all levels, requires a different approach, combining flexibility and a close engagement stance. While using expedited procedures can help with faster approvals, it can come at the expense of considered project design, with what is normally done during project preparation pushed to implementation. Importantly, the achievement of development outcomes requires close Bank engagement and support through all stages of project implementation. The PLR is also an opportunity for IFC to examine its current strategy in Iraq with a view to: (i) identifying sectors and clients that would need extra support during this uncertain time; and (ii) undertaking business development efforts with regional investors who may have an interest in investment opportunities in Iraq with a focus on infrastructure (power in particular), manufacturing, agri-business, and services despite the challenging environment. This builds on IFC's existing successful South-South investments in Iraq, which has helped in attracting investment flows into the country as well as promoting regional integration.

46. **Iraq's political complexities coupled with security issues increase the implementation risks.** While the Bank is starting a new phase of IBRD lending in Iraq, the country context remains fragile, unpredictable and complex. As the first group of projects was approved beginning in 2004, Iraq's operational environment affected the performance and quality of the portfolio whose overall risk rating ranged from moderate to high. However, despite these challenges, the Bank continued its support to the GoI, addressed the various issues and adjusted the program as needed. The Bank has also learned from the experience of providing implementation support in Iraq over the past decade. It should also be acknowledged that the Bank will have to adapt to situations of low to high intensity conflict and fragility. Through its engagement, the Bank can also play a constructive part in fragility containment, by helping with the delivery of services and working through state institutions to reinforce their capacity. There is a need to recognize that until sustained peace and stability are achieved, the results, impact and success of the Bank's program may only be marginal. Paying attention to how the Bank operates and the conditions under which it will operate continue to be essential. Similarly, IFC has continued to support private investments in Iraq, looking for opportunities to support the domestic private sector while leveraging the interest of regional investors having risk appetite in entering volatile Iraqi markets. Despite the difficult operating environment, IFC has been able to significantly grow its program in Iraq and maintain a healthy portfolio thanks to strong due diligence on sponsors, knowledge of the local market (especially since the establishment of field presence in Baghdad alongside the World Bank), and intensive portfolio management.

47. **Based on these lessons, the following actions will guide Bank-financed projects in Iraq.**

Project design:

- Adequate counterpart ownership and commitment to the project's objectives and results; Selected projects, to be financed by IBRD, are from the Government Development Plan and from the Ministry of Planning (MOP) capital projects pipeline (demand driven).
- Keep project design simple and flexible.
- Avoid delays linked to conditions of effectiveness. If needed, teams could apply disbursement conditions that are linked to specific project components allowing for maximum flexibility in project implementation.

- Implementation readiness, ensure technical designs and terms of reference for technical assistance are ready and where possible, prepare/launch procurement processes in advance of WBG approval.
- Design and support citizen engagement and reporting mechanisms using Information and Communication Technologies that could help identify implementation shortcomings; this will be included in the Third Party Monitoring Agent TORs.
- Ensure close support by Bank teams to the counterparts during the preparation phase. Conduct joint visits by Bank teams and Iraqi counterparts to project sites to ensure full understanding of technical and safeguards requirements.
- Choose strong private sector sponsors with a credible track record and/or leverage investments from experienced regional investors with an appetite for high risk.

Implementation:

- Close monitoring and rapid identification of bottlenecks and solutions. Conduct periodical Portfolio Reviews with the government to deal with implementation issues in a timely manner.
- Intense implementation support to project counterparts.
- Complement institutional capacity with consultancy expertise, e.g. for project/contract management.
- Mobilize TA to Iraqi institutions in project/contract management early in implementation.
- Ensure close monitoring of citizen engagement mechanism as part of contract supervision.
- Accept that working in fragile countries requires a different approach to implementation where the risks are higher than in other environments.
- The Fiduciary Monitoring Agent worked well. Going forward to modify the scope of work to include safeguards, assets existence, assets quality and citizens feedback on the projects outputs and outcomes.
- Close monitoring, supervision and project preparation support to private sector clients.

Box 1: What will we do differently?

With the closure of the Iraq Trust Fund and IDA-financed projects, several lessons have been drawn and already been utilized in preparing the first IBRD investment loan to Iraq (i.e. Transport Corridor Project).

- *For project selection*, move from a supply driven model, followed initially under ITF operations, to a more demand driven model closely informed by government priorities and needs as defined in the government development plan. Ensure strong political and technical ownership before moving forward with new operations under IBRD terms. Likewise a move toward RAS, starting with KRG, should ensure higher relevance and linkages with Government priorities. Engage in fewer areas where needs are the greatest and where the WBG has the most comparative advantage and impact. Support activities that will be selected from the government development plan and from the MOP pipeline of capital projects. Select projects that will contribute to rebuilding state institutions, especially in areas where the security threat has diminished, and supporting the country's resilience to economic shocks. Support cross border operations with regional impact. Support private sector development in Iraq, through IFC, including the Kurdistan Region of Iraq and the Southern Governorates in the areas of upstream power, agribusiness, and logistics sectors. Support the diversification of the economy to create jobs with a focus on supporting local private sector players as well as encouraging regional/international investors to enter sectors where impact is high.
- *On project design*, focus on implementation readiness (e.g., advance procurement) so projects start quickly. Place greater focus on results and M&E.
- Institutionalize the Bank-financed projects within the government systems--these projects to be part of the capital projects agreed with the sector ministries, MOP and to be endorsed by the MOF.
- Work with the government on accelerating effectiveness, including building stronger relations with the Parliament's budget committee.
- Deploy the new WBG structure of global practices and WB-IFC-MIGA to bring the Bank's sectoral expertise to help resolve Iraq's development challenges. Practice managers and project teams will travel to Iraq to foster dialogue and chart the course ahead.

V. ADJUSTMENTS TO COUNTRY PARTNERSHIP FRAMEWORK

48. **A number of changes have taken place since the presentation of the CPS, which warrant some adjustments to the CPS pillars for the remainder of the CPS period.** Most important of these changes include: (i) a drastic deterioration in the security situation in certain areas of Iraq that have been taken over by the Islamic State of Iraq and Syria (ISIS); (ii) plummeting oil prices which have significantly affected Iraq's fiscal balances; and (iii) on a positive note, the formation of a new government with a clear reform and development agenda as well as an understanding of the importance of inclusive policies for the stability of the country. From the Bank's side, the ITF has closed, and the exceptional IDA (concessional lending) allocation is almost fully utilized with only two remaining projects closing within the next seven months.

49. **In response to the changed circumstances, and with a view to countering violence, extremism and instability, the goal of the CPF will 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 those areas affected by ISIS, and addressing the country's emergent fiscal crisis.** The GoI has articulated in the Prime Minister's acceptance speech to Parliament its reform plans for a more transparent government that delivers better services to the public. At the same time a key focus is on stabilization of those areas that have been liberated from ISIS control and to maintain overall stability in the country. For the remaining CPS period, in response to the changes, the partnership will be centered on: (i) delivering basic public services, especially in areas where the security threat has diminished, reducing poverty, and enhancing citizen's trust in government institutions, and (ii) addressing and helping to manage the country's critical fiscal situation, and helping to increase opportunities for private investors. The new Government, in place since September 2014, has expressed strong interest in the Bank Group's support, both financial and advisory, to help them tackle these challenges.

50. **Interwoven within these two objectives is a crosscutting theme focusing on governance as an integral part of the engagement.** This means systematically identifying ways to enhance the transparency and efficiency of public institutions and systems. This cross cutting theme will be addressed by supporting the PFM agenda as well as through components in all new operations that will specifically focus on strengthening governance.

51. **The Bank will engage with the government in responding to the emerging challenges resulting from the instability and violence plaguing the country.** Specifically, the Bank will look into options to assist the GOI with the reconstruction of the areas liberated from ISIS through carrying out economic and social needs assessments, and restoring services to the people. Providing government services to areas that have been liberated from ISIS control will contribute to those populations' sense of inclusion, will strengthen the legitimacy of the state, and will help people return to normal life, thus aligning with this PLR's first strategic pillar. The recent work the Bank has done on poverty provides the evidence needed to support policies that enhance inclusion of marginalized groups.

52. **The Bank will also support Iraq in maintaining a sound macroeconomic framework, which is a precondition for an effective reform agenda and is necessary to maintain stability in the country.** In the wake of the fiscal crisis, the budget has been constrained to funding just four basic items: the civilian public sector workforce, security forces, subsidies, and payments to international oil companies under technical service contracts. During the first half of 2015, even these obligations can only be partly met, while state-owned banks are funding the SOE sector. This environment is not encouraging private sector development or the development of a more diversified financial and private sector. If left unaddressed, public spending will abruptly switch from the current cash rationed budget to a fiscal crisis where basic obligations cannot be met, and confidence in the exchange rate and banking system will be profoundly undermined. The economic crisis could lead to rising dissatisfaction and an aggravation of the already difficult political situation, thereby increasing the country's fragility and susceptibility to conflict. At the same time, the currently low price of oil represents an opportunity to reduce subsidies, since the effect on market prices will be limited. Likewise, progress on SOEs reforms would undoubtedly help the fiscal

balance. In this context, the Bank will explore the possibility of a policy-based operation to support macro-economic stabilization and to help avoid further deterioration in the economic and social situation in the country.

53. **In order to accommodate the shift towards addressing the immediate needs of the country, both in terms of emergency service delivery and fiscal support, plans for supporting traditional investment projects (in the areas of irrigation, water supply, and public financial management) will be re-visited and possibly postponed to FY17 or beyond.** The Bank may also need to increase the IBRD envelope beyond the originally-envisaged CPS program amount. The CPS envisaged IBRD lending of between US\$600-900 million over FY13-16, and \$355 million has been committed to date for the Transport Corridors project. The Government included in the 2015 budget law a provision authorizing the borrowing of up to US\$2 billion from the World Bank, reflecting a renewed interest in partnering with, and a new willingness to seek financing from, IBRD. Discussions are ongoing with government, and Bank teams are currently being fielded to Iraq, to define the parameters of the emergency service delivery project and the possible policy-based lending engagement. Depending on the outcome of these discussions and decisions regarding the sequencing of pipeline infrastructure investment projects, there may be a need to seek upward flexibility in the IBRD lending envelope.

54. **IFC and MIGA intend to complement the Bank's program and will look for opportunities to expand their engagements in Iraq.** Assuming no further deterioration in the operating environment, IFC aims to strengthen its investment program (with annual investment commitments possibly averaging around US\$150-300 million) and focus more on strategic sectors such as infrastructure with a special focus on power, manufacturing, agribusiness, and financial services to help the economy diversify away from the oil sector and support job creation. Mobilizing financing from regional investors and other IFIs will also remain a focus area in order to support South-South investments, as has been the case in the past. IFC will continue to provide advisory support in the areas of financial infrastructure, capacity building of the private banks, corporate governance, and PPP transactions. MIGA continues to be active in Iraq and is considering partnering with IFC in a major power project. Several investors have expressed interest in MIGA's services in the country.

55. **The Bank Group's analytical and advisory program will support GOI in designing, communicating and implementing economic and sectoral policies.** The Economic and Social Impact Assessment of the Syria and ISIS crises for the KRG in late 2014 not only measured the cost of the refugees and IDPs on the hosting communities but developed complementary analytical reform roadmaps in sectors such as infrastructure, power, water, agriculture and social development. Other analytical pieces will continue to be delivered such as Public Expenditure Reviews (PERs) for key sectors to better understand the economic implications of increased expenditures by the government. One notable shift is that RAS will be an option to the Iraqi government to seek Bank support in reform areas. The Bank will make a conscious effort to ensure timely in-country dissemination of AAA using opportunities to stimulate and inform debate and policy dialogue on reforms and other critical development issues. IFC will continue to provide advisory support in the areas of financial infrastructure, capacity building of the banking/MSME sector, corporate governance, as well as support the government promote PPPs in collaboration with IBRD.

56. **The Government of Iraq has requested a micro simulation exercise to estimate poverty rates for 2014, which the World Bank is undertaking.** In conjunction, survey data from 2014 and a new IDP survey will be analyzed to inform government policies and donor-financed programs.

57. **The World Bank Group's program will be geared up towards strengthening partnerships, through joint and parallel financing, and sharing of knowledge and with other donors.** The Bank has developed a parallel financing scheme with the Islamic Development Bank as part of the Transport Corridors project. Joint preparation missions have been and continue to be instrumental in ensuring coherent and complementary support to the Iraqi transport sector institutions.

58. **As outlined above, the rationale for extending the CPS period by one year is threefold:** (i) the drastically changed circumstances, the oil price shock and ISIS insurgency, with the advent of a new government with a new development plan and which is looking for a more robust WBG engagement to help in advancing the reform agenda and to partially finance it; (ii) changed terms of financing, from the ITF and IDA allocation to an IBRD-financed program; and (iii) the need to give time and space to the first Iraq SCD, the start of which is programmed in FY16, and which together with this PLR will constitute the underpinning of the next CPF.

VI. RISKS TO CPS PROGRAM

59. **Overall, the risks assessed in the CPS remain valid.** However, political uncertainty, the regional context of the crisis, the decline in the oil prices, and worsening security in some areas of the country over the past year have raised the risk levels in Iraq.

60. **Political risks will likely continue in the foreseeable future.** The complex dynamics that characterize the social fabric and political landscape in Iraq need to be acknowledged as well as the impact of regional geopolitics on the internal dynamics and their role in the country's performance. 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 (including parliament, civil society and academia) on the trade-offs involved in the critical policy choices that lie ahead.

61. **Macroeconomic risks and external shocks such as the reduction in oil prices will continue to face Iraq;** and require further strengthening of the social safety nets systems to protect the vulnerable.

62. **The security situation remains volatile.** The Bank Group will continue to strengthen security assessments and its management of programs to ensure flexible implementation arrangements that take into account access restrictions and quickly adapt to changing circumstances on the ground. Third Party Monitoring will be engaged, in areas of limited access to Bank teams. This will enhance the supervision of Bank financed operations and reduce the corruption risk associated with supervision constraints. The identified risks will also continue to dampen investor sentiment in Iraq, although IFC's ability to significantly grow its portfolio over a short period of time indicates strong potential for attracting private sector players into Iraq.

63. **The WBG office housed in the British Embassy and security arrangements currently provided by a third party will continue to constitute a constraint.** The limitation, due to security risk, in commuting within Baghdad and visiting government ministries and projects sites may impact the pace at which the WBG financed operations are being prepared and implemented. The WBG will encourage meetings at secure premises within the International Zone and use of videoconference facilities.

64. **Portfolio performance has been hampered by implementation challenges, notably slow disbursement, security constraints, and technical capacity.** The Bank will mitigate these risks by paying closer attention to the realism of the results framework and M&E and making adjustments as needed. IFC will continue its proactive portfolio management using the support of regional portfolio teams. Moreover, three Global Practice Program Leaders in the World Bank's Beirut office will now provide a link between Iraq and Global Practice staff to bring Bank Group solutions closer to Iraq.

Systematic Operations Risk-rating Tool (SORT)
Iraq Performance and Learning Review

Risk Categories	Rating (H, S, M or L)
1. Political and governance	H
2. Macroeconomic	H
3. Sector strategies and policies	S
4. Technical design of project or program	S
5. Institutional capacity for implementation and sustainability	H
6. Fiduciary	H
7. Environment and social	H
8. Stakeholders	H
9. Other (<i>Risk of IDPs caused by the ISIS crisis and spillovers from the Syrian conflict</i>)	S
Overall	H

Annex I: Revised CPS Results Framework (FY13-FY17)

CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Milestones	World Bank Group Program
PILLAR 1: Strengthening public service delivery in Iraq		
Outcome Area 1.1: Strengthened infrastructure services		
<p>1.1.1 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); and <u>Baseline:</u> 0 <u>Target:</u> 35% (2017)</p> <p>Reduced and 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>1.1.2. Number of beneficiaries from rehabilitated <u>irrigation and drainage water services</u> <u>Baseline:</u> 0 <u>Target:</u> 52,750 (2016)</p> <p>1.1.3. <u>Electricity/Energy:</u> Increased available generation capacity (MW) in power plants supported by WBG <u>Baseline:</u> 410 MW (2012) <u>Target:</u> 920 MW (2015)</p>	<ul style="list-style-type: none"> • Roads Rehabilitated, Non-Rural <u>Baseline:</u> 0 km <u>Target:</u> 100 km (2017) • 97,000 hectares of improved irrigated and drainage areas by mid-2013 up from 70,000 hectares in 2008 (Achieved) • 308,000 man-days employment created by 2013 up from 111,400 (2011) in labor intensive works (Achieved) • Iraq National Energy Strategy (INES) being implemented in the oil, gas and electricity sectors, and influencing development of linked industries (Achieved) • Hartha Power Station Units 2 and 3 restored and Dokan and Derbandikhan hydropower plants rehabilitated by 2015 (In progress) • Gas pricing and gas master system design studies completed (in support of INES recommendations) (Achieved) 	<p>Completed Activities: Regional ESW Economic Complementarity and Deeper Regional Integration: Iraq, Turkey and Mashreq; Emergency Community Infrastructure Rehabilitation Additional Financing (ITF); Dokan & Derbandikhan Emergency Hydropower (IDA); Emergency Electricity Reconstruction TA (ITF); Gas Pricing Study TA; Integrated National Energy Strategy TA; Electricity IPP TA; Petroleum Distribution and Retail Strategy TA; Emergency Road Rehabilitation (IDA)); Iraq Transport Sector Master Plan and Road Asset Management System</p> <p>Ongoing Activities: Emergency Electricity Reconstruction (IDA) Roadmap for Reform of Electricity Distribution Sector (PPIAF) Best Practice in Public Procurement in the Power Sector (ESMAP) Electricity Distribution Investment and Reform Poverty Impact Assessment (PSIA TF) Energy Efficiency Strategy (ESMAP) Transport Corridors Project (IBRD) Investments in telecom, logistics/transport (IFC) Investments in manufacturing- cement (IFC)</p> <p>Planned Activities: Electricity Distribution Reform and Investment Project (IBRD) Gas Sector Development Support (RAS) Irrigation and Drainage Improvement Project (IBRD) Potential new investments/PPPs in infrastructure, including in power (IFC)</p>

CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Milestones	World Bank Group Program
Outcome Area 1.2: Improved delivery of health, education, and water supply services		
<p>1.2.1. <u>Health</u>: Percent pregnant women receiving: (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: 84% (2013)</p> <p>(ii) Iron Supplements Baseline: 26.1% (2012) Target: 50% (2013) Actual: 95% (2013)</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) <i>Of which</i>: 32,963 female students have benefited</p> <p>(ii) Number additional seats available, resulting from newly built schools to reduce overcrowding <u>Baseline</u>: 0 <u>Target</u>: 32,640 (2014) Actual: 59,040</p> <p>1.2.3. <u>Water</u>: Number of people benefitting from rehabilitated water supply systems under WBG supported program (number) <u>Baseline</u>: 0 (2005) <u>Target</u>: 815,000 (2013)</p>	<ul style="list-style-type: none"> • 12 primary health care facilities refurbished and equipped by mid-2013 (Achieved) • Children age 0-5 years with health cards increase from 60.1% in 2012 to 95% in 2013 (Achieved) • Education Sector Strategy for education and higher education developed and launched by 2013 (Achieved) • Data collection completed and a report produced for the University Governance Score Card by 2013 (Achieved) • 20 master trainers and 120 trainers successfully trained (able to provide satisfactory training for teachers) by 2013 (Achieved) • 10 rehabilitated water supply systems operational (Achieved) 	<p>Completed Activities: <i>Completed since CPS</i> Emergency School Construction & Rehabilitation (ITF) Third Emergency Education Project (IDA) Regional Health Project (ITF) Institutional Strengthening and Capacity Building for the Education Sector (TA) Capacity Building for the Implementation of the National Education Strategy (TA) Support for KRG Education (TA) Capacity Building Support to the Ministry of Education's Vocational Education Sector (TA) Household Survey & Policies for Poverty Reduction & TA (ITF); Emergency Baghdad Water Supply (ITF); Emergency Water supply, Sanitation and Urban Reconstruction (ITF)</p> <p>Ongoing Activities: Emergency Water Supply (IDA)</p> <p>Planned Activities: Water Supply & Sewerage (Baghdad) (IBRD)</p>

CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Milestones	World Bank Group Program
Actual: 1,300,000 (2013)		
PILLAR 2: Addressing the country's fiscal situation and increasing opportunities for private sector investment		
Outcome Area 2.1: Improved transparency of oil revenue management and efficiency of public spending		
<p>2.1.1. Iraq conducting itself as an Extractive Industries Transparency Initiative (EITI)-compliant country <u>Baseline:</u> 1 EITI report¹ <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>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>	<ul style="list-style-type: none"> • Issuance of two annual EITI Reports by 2014 (Achieved) • Public Expenditure Reviews carried out in at least two key sectors (expected to be Water and Wages) (In progress) • New budget instructions approved and guidelines ready by mid-2013 (Not achieved) • Standard bidding documents finalized and used by the target ministries (Achieved) • Public procurement bulletin board (website) housed within Procurement Regulatory Agency established by 2016 (In progress) • Foundational training provided to the Board of Supreme Audit (BSA) to improve audit reporting (Achieved) • Requirements for enhancing and automating public financial management systems, procedures and controls in place (Achieved) 	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Country Economic Memorandum (CEM) Phase I: Oil Revenue Management for Economic Diversification • Public Expenditure Review: Toward more efficient spending for better service delivery in Iraq. • PFM Reform & TA (ITF) • Second Capacity Building TA (ITF); • Household Survey & Policies for Poverty Reduction & TA (ITF) • Poverty Assessment ESW • KRG Procurement Reform (TA) • Serving Citizens Better - Managing Baghdad Water Supply and Sewerage With Rapid Results (ITF + ESW) • PFM (TACBF): IFMIS preparation, PIM diagnostic, Internal Control diagnostic, Board of Supreme Audit <p>Ongoing Activities: Extractive Industries Transparency Initiative Support (EITI)</p> <p>Planned Activities: Public Financial Management Reform Cap Bldg (IBRD) Support to MoF Reforms (TA)</p>

¹ For year 2009, which reconciled about US\$41 billion in revenue from oil and gas, validated in a timely manner.

CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Milestones	World Bank Group Program
Outcome Area 2.2: Achievement of one or more features of the Governance Action Plan		
<p>2.2.1. Governance Action Plan to achieve greater transparency, accountability, participation under implementation <u>Baseline:</u> Draft Governance Action Plan prepared <u>Target:</u> Achievement of one or more key features of the Governance Action Plan</p>	<ul style="list-style-type: none"> • Governance Action Plan approved by the Council of Ministers (Achieved) 	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Second Capacity Building TA (ITF) • Corporate Governance Assessment completed for a local bank (IFC) <p>Planned Activities: Public Financial Management Reform Cap Bldg. (IBRD) Advisory support to clients on corporate governance (IFC)</p>
Outcome Area 2.3: Strengthened approaches to an improved business environment		
<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</p> <p>2.3.2. Strengthened capacity to restructure State Owned Enterprises (SOEs)² <u>Baseline:</u> Time-bound Action Plan to implement strategy to reform SOEs <u>Target:</u> Implementation of time-bound Action Plan on track <i>Moving forward, the Government informed the Bank that the UN is leading the work on the SOE reforms, however certain milestones had been achieved through the Bank's work on PSD.</i></p>	<ul style="list-style-type: none"> • Reengineered (simplified) process of the Construction Permitting in Baghdad, Basra and Erbil, and capacity building for the agencies involved (Achieved) • Establishment and operation of SOE Asset Valuation Unit within the Ministry of Finance by 2014 (Partly achieved) • Public-Private Dialogue (PPD) with focus on improving the business enabling environment and gender issues (Achieved) 	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Report CEM Phase I: Oil Revenue Management for Economic Diversification <p><i>Completed since CPS</i> PSD Trust Fund with DFID, SIDA and US support (including support for implementation of PPPs, and for regulatory reform, including Doing Business areas, sector specific reforms and advising GoI on how to improve draft legislation prepared by ministries; Regional ESW Economic Complementarity and Deeper Regional Integration: Iraq, Turkey and Mashreq)</p> <p>Ongoing Activities: Construction Permit Reform Project (IFC) Investments in manufacturing (IFC) Investment Climate Regulatory Reform Intervention (IFC) Investments in services sector (IFC)</p> <p>Planned Activities: Support to Doing Business Indicators (TA)</p>

² 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 Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Milestones	World Bank Group Program
		Support potential South-South investments in key sectors (IFC)
Outcome Area 2.4: Strengthened supervisory framework for financial intermediation and capacity of financial institutions		
<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>	<ul style="list-style-type: none"> • Completion of Phase 1 of the Banking Reform (State owned banks) Strategy Action Plan; 2013 (In progress) 	<p>Completed Activities: <i>Completed since CPS</i> Banking Sector Reform (ITF); Financial Infrastructure, microfinance & SME training (IFC)</p> <p>Ongoing Activities: Advisory Services for Improving Financial Infrastructure & SME Support (IFC) Investments in financial institutions (IFC)</p> <p>Planned Activities: Financial Sector Support TA Capacity building, risk management and financial infrastructure support to FI (IFC)</p>
Outcome Area 2.5: Strengthened capacity to develop, manage and monitor social protection reforms		
<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>2.5.2. Analytical foundations for poverty reduction strengthened <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>	<ul style="list-style-type: none"> • Social Safety Net (SSN) Information System in place with a central SSN Beneficiary Database by mid-2013 (Achieved) • New targeting mechanisms and cash transfer methods in place with better targeting of the poor, including female-headed households (i.e. CCTs) in place (mid-2014) (Achieved) • Pension administration information system designed by 2013 (Achieved) • Social Security System is merged with the State Pension Fund, in terms of policies and benefits and is administered by the National Board of Pensions by mid-2013 (In progress) • Agreed roadmap for reform of Public Distribution System (PDS) improved design and management of the PDS by 2014 (Not achieved) • IHSES 2012 completed (Achieved) • Poverty and Inclusion Assessment 2007-2012, including gender disaggregated data (Achieved) • Poverty Map completed (In progress) • Poverty measurement methodology revised (Achieved) 	<p>Completed Activities: <i>Completed since CPS</i> Emergency Social Protection (ITF); Pension Reform Implementation Support TA (ITF); Rationalization of the Public Distribution System Reform TA (ITF); Social Safety Net Technical Assistance (financed by TACBF); Poverty Assessment; Poverty Map Consultative Service Delivery Program (Phase 2) (SPBF)</p> <p>Planned Activities: Support to the Social Protection Strategic Framework (IPF) Support to Phase two of Pension Reform (PRISTA II). Iraq Crisis Response TA to build analytical capacity for a policy response to poverty in the context of the current crisis.</p>

Annex II: Original CPS Results Framework and Progress to Date

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
PILLAR 1: IMPROVING GOVERNANCE				
Government's Key Objectives:				
<ul style="list-style-type: none"> • Create fiscal discipline to strengthen efficiency; effectiveness and transparency in the use of public resources as well as aligning the budget with national priorities • Improve governance, in modernizing the public sector, strengthening transparency and accountability, and combating corruption 				
Outcome Area 1.1: Improved transparency and efficiency of oil revenue management and public spending				
<p>1.1.1. Iraq conducting itself as an Extractive Industries Transparency Initiative (EITI)-compliant country <u>Baseline:</u> 1 EITI report³ <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>1.1.2. Implementation of sector Public Expenditure Review (PER) recommendations focused on improved efficiency of public spending <u>Baseline:</u> None <u>Target:</u> At least two key recommendations implemented</p>	<ul style="list-style-type: none"> • Issuance of two annual EITI Reports by 2014 • Medium-term Expenditure Framework (MTEF) incorporating prudent oil price and production projections • Public Expenditure Reviews carried out in at least two key sectors (expected to be Water and Wages) 	<p><i>Revised.</i> 1.1.2. Implementation of sector PER recommendations focused on improved efficiency of public spending <u>Baseline:</u> None <u>Target:</u> At least <i>one</i> key recommendation implemented</p>	<ul style="list-style-type: none"> • Met. With WB support, IEITI published 4 annual reports for 2009, 2010, 2011 and 2012 on time and within budget. The 2013 report is expected to be published by December 30, 2015. There have been serious improvements during 2013, 2014 by adapting new EITI standards. • Not met. Iraq does prepare a medium-term fiscal framework (3 year revenue and spending projections) but it is not operational. • <i>Progress toward 1.1.2 result.</i> PER recommended increased collection rates in electricity sector. 2015 budget includes an article requiring MoE to boost collection rates and an associated initiative is being overseen by the Prime Minister's Office. • In progress. PER started in Water. 	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Country Economic Memorandum (CEM) Phase I: Oil Revenue Management for Economic Diversification • Public Expenditure Review: Toward more efficient spending for better service delivery in Iraq. <i>Completed since CPS</i> • PFM Reform & TA (ITF) • Second Capacity Building TA (ITF); • Household Survey & Policies for Poverty Reduction & TA (ITF) • Poverty Assessment ESW • KRG Procurement Reform (TA) • L4R: Serving Citizens Better - Managing Baghdad Water Supply and Sewerage With Rapid Results (ITF + ESW) • PFM (TACBF): IFMIS preparation, PIM diagnostic, Internal Control diagnostic,

³ For year 2009, which reconciled about US\$41 billion in revenue from oil and gas, validated in a timely manner.

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
	<ul style="list-style-type: none"> • New budget instructions approved and guidelines ready by mid-2013 • Standard bidding documents finalized and used by the target ministries • Public procurement bulletin board (website) housed within Procurement Regulatory Agency established by 2013 • Annual PRS monitoring reports with a focus on gender indicators using Household Survey data 	<ul style="list-style-type: none"> • <i>Revised.</i> Public procurement bulletin board (website) housed within Procurement Regulatory Agency established by 2016 • <i>Dropped.</i> • <i>New Milestone.</i> Foundational training provided to the Board of Supreme Audit (BSA) to improve audit reporting • <i>New Milestone.</i> Requirements for enhancing and automating public financial management systems, procedures and controls in place 	<ul style="list-style-type: none"> • No progress to date, will be part of the PFM engagement with the MOF • Met. Standard bidding documents finalized in August 2013, disseminated to all implementing agencies requesting feedback in 2014 and published on MOP web site for the use of the ministries. MOP is planning to mandate those documents in March 2015 • Not met. The TOR and road map for the public procurement bulletin board was developed. MOP requested budget allocation to implement in 2014 however budget was not approved until 2015. This may not happen until 2016. • No progress as yet. No budget was approved for 2014 and the 2015 budget does not refer to the poverty strategy. • Met. BSA foundational training conducted: 15 Master Trainers; 380 Auditors trained; 9 pilot audits conducted. • Met. Comprehensive IFMIS System Requirements Study, Public Investment Management Assessment and Action Plan, and Internal Audit Charter/Manual, all completed 	<p>Board of Supreme Audit TA</p> <p>Ongoing Activities: Extractive Industries Transparency Initiative Support (EITI)</p> <p>Planned Activities: Public Financial Management Reform Cap Bldg (IBRD) Support to MoF Reforms (TA) Advisory support to clients on corporate governance (IFC)</p>

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
Outcome Area 1.2: Achievement of one or more features of the Governance Action Plan				
<p>1.2.1. Governance Action Plan to achieve greater transparency, accountability, participation and local governance under implementation <u>Baseline:</u> Draft Governance Action Plan prepared <u>Target:</u> Achievement of one or more key features of the Governance Action Plan, such as the Access to Information Law</p>	<ul style="list-style-type: none"> • Governance Action Plan approved by the Council of Ministers 	<p><i>Revised.</i> 1.2.1. Governance Action Plan to achieve greater transparency, accountability, participation and local governance under implementation <u>Baseline:</u> Draft Governance Action Plan prepared <u>Target:</u> Achievement of one or more key features of the Governance Action Plan</p>	<ul style="list-style-type: none"> • Met. Governance Action Plan approved by Council of Ministers <p><i>Progress toward Results/Outcomes</i></p> <ul style="list-style-type: none"> • Four out of twelve GAP Policy Actions implemented: (1) Setting up an Open Budget Committee at the Ministry of Finance and relevant training; (2) Guidelines to Ministries for Preparing a 3-Year Budget Strategic Plan, and 3-Year Budget Strategic Plans (2015-17) in Ministry of Industry & Minerals and in Ministry of Construction & Housing; (3) Regulatory Policy and Delivery Review; Report submitted to PMAC on Management of Excess and Inactive SOE Employees. 	<p>Completed Activities: <i>Completed since CPS</i></p> <ul style="list-style-type: none"> • Second Capacity Building TA (ITF) • Corporate Governance Assessment completed for a local bank (IFC) <p>Planned Activities: Public Financial Management Reform Cap Bldg. (IBRD)</p>
PILLAR 2: SUPPORTING ECONOMIC DIVERSIFICATION FOR BROADLY SHARED PROSPERITY				
	<p>Government's Key Objectives:</p> <ul style="list-style-type: none"> • Diversify the economy through increased participation by other sectors in GDP, particularly the production, agriculture and industrial sectors, as well as tourism • Enhance the private sector's developmental role, the partnership between the private and public sectors, and promoting an environment that encourages investment • Lay the foundations for the rehabilitation of state-owned facilities • Strengthen Iraq's geographical presence as a link between East and West, and meet the demand for transit cargo transport by building an efficient infrastructure • Meet residential and industrial electricity demand and ensure efficient and effective management of electricity sector investment and operations 			

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
Outcome Area 2.1: Strengthened approaches to an improved business environment⁴				
<p>2.1.1. Time taken to deal with construction permits <u>Baseline:</u> 187 days (Doing Business 2013) <u>Target:</u> To be determined as part of IFC's Investment Climate Regulatory Reform intervention focused on construction permitting</p> <p>2.1.2. Strengthened capacity to restructure State Owned Enterprises (SOEs)⁵ <u>Baseline:</u> Time-bound Action Plan to implement strategy to reform SOEs <u>Target:</u> Implementation of time-bound Action Plan on track</p>	<ul style="list-style-type: none"> • Reengineered (simplified) process of the Construction Permitting in Baghdad, Basra and Erbil, and capacity building for the agencies involved • Business Planning and performance contracts for Directors General (DGs) of each SOE by 2014 • Establishment and operation of SOE Asset Valuation Unit within the Ministry of Finance by 2014 • Recommendations of KRG Regulatory Capacity Review, including establishment of Regulatory Reform Unit within KRG Ministry of Planning implemented by 2014 • Regulatory Capacity Review report for Basra Governorate by 2014 • Public-Private Dialogue (PPD) with focus on improving the business 	<p>2.1.1. <i>Revised.</i> 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</p> <p>• 2.1.2. <i>Dropped:</i> Moving Forward, the Government informed the Bank that the UN is leading the work on the SOEs reforms.</p>	<ul style="list-style-type: none"> • Met. Reengineered (simplified) process of the Construction Permitting in Baghdad, Basra and Erbil, and conducting a Capacity Building for Operations and Management Level. Developing and Deploying a Construction Permits Automation System in Baghdad and Erbil " Expected by May 2015" • Partially met. Business plans implemented by MIM and MOCH (which cover 80 out of 180 SOEs in Iraq). Training to key staff in MIM and MoCH on performance management including target setting and collection of data for performance reviews. • Met. Asset Valuation Department established within Ministry of Finance established in Nov 2012. Became fully operational in 2013, now with 12 staff • Not fully met. The KRG authorities endorsed the recommendations of the Regulatory Capacity Review in KRG, however, they were not implemented due to other priorities • Not met. Regulatory Capacity Review for Basra launched in 2014 but not completed due to change in government, with different priorities. 	<p>Completed Activities:</p> <ul style="list-style-type: none"> • Report CEM Phase I: Oil Revenue Management for Economic Diversification <p><i>Completed since CPS</i> PSD Trust Fund with DFID, SIDA and US support (including support for the implementation of PPPs, and support for regulatory reform, including for Doing Business areas, sector specific reforms and advising Government of Iraq on how to improve draft legislation prepared by ministries; Regional ESW Economic Complementarity and Deeper Regional Integration: Iraq, Turkey and Mashreq)</p> <p>Ongoing Activities: Construction Permit Reform Project (IFC) Investments in Manufacturing (IFC) Investment Climate Regulatory Reform Intervention (IFC) Investments in services sector (IFC)</p> <p>Planned Activities: Support to Doing Business Indicators (TA)</p>

⁴ Outcome areas 2.2 and 2.3 on the financial sector and infrastructure as well as governance under Pillar 1, contribute to Outcome area 2.1 Strengthened approaches to an improved business environment. However, separate outcomes are included given the Bank Group's support to these areas.

⁵ 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

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
	enabling environment and gender issues		<ul style="list-style-type: none"> Met. A PPD platform was supported through the establishment of the Private Sector Development Center (PSDC) with continuous consultation from the Bank (100% self-sustained NGO now). PSDC supports improving the business enabling environment and gender issues, as reflected by its publication of the magazine Nina focusing on women's economic empowerment. PSDC and Nina are now self-financing/sustaining. 	Support potential South-South investments in key sectors (IFC)
Outcome Area 2.2: Strengthened supervisory framework for financial intermediation and capacity of financial institutions				
<p>2.2.1. Compliance by the Central Bank of Iraq with Basel Core Principles <u>Baseline:</u> No <u>Target:</u> Yes</p> <p>2.2.2 Public Credit Registry hosted by the Central Bank of Iraq functioning <u>Baseline:</u> Public Credit Registry does not exist <u>Target:</u> Yes (2016)</p>	<ul style="list-style-type: none"> Completion of Phase 1 of the Banking Reform Strategy Action Plan Development of a Public Credit Registry hosted by the Central Bank of Iraq (IFC) 	<i>Dropped.</i>	<p><i>Progress toward result 2.2.1.</i> In progress. Goal may be achieved if provided sufficient technical and financial support.</p> <ul style="list-style-type: none"> Dropped as Central Bank of Iraq proceeded with credit reporting project with USAID. Prior to dropping this engagement, IFC had completed a credit reporting assessment and report detailing findings and recommendations, as well as workshops for public and private stakeholders in credit reporting, secured lending, and leasing. 	<p>Completed Activities: <i>Completed since CPS</i> Banking Sector Reform (ITF); Financial Infrastructure, microfinance & SME training (IFC)</p> <p>Ongoing Activities: Advisory Services for Improving Financial infrastructure & SME Support (IFC) Investments in financial institutions (IFC)</p> <p>Planned Activities: Financial Sector Support TA Capacity building, risk management and financial infrastructure support to FI (IFC)</p>

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
Outcome Area 2.3: Strengthened infrastructure services				
<p>2.3.1. Improved clearance time of imports from and <u>transit trade</u> via Turkey at Ibrahim Khalil <u>Baseline and target:</u> To be defined during project preparation of Trade and Transport Corridors (IBRD)</p> <p>2.3.2. Number of beneficiaries from rehabilitated <u>irrigation and drainage water services</u> by mid-2013 <u>Baseline:</u> 0 <u>Target:</u> 52,750 (2016)</p> <p>2.3.3. <u>Electricity/Energy:</u> Increased available generation capacity (MW) in power plants supported by WBG <u>Baseline:</u> 410 MW (2012) <u>Target:</u> 920 MW (2015)</p>	<ul style="list-style-type: none"> • A Program to reduce trade and transport barriers along Iraq’s main trade corridors and major border crossing with Turkey in place by end 2013 • 97,000 hectares of improved irrigated areas by mid-2013 up from 70,000 hectares in 2008 • 308,000 man-days employment created by 2013 up from 111,400 (2011) in labor intensive works • Iraq National Energy Strategy (INES) being implemented in the oil, gas and electricity sectors, and influencing development of linked industries • Hartha Power Station Units 2 and 3 restored and Dokan and Derbandikhan hydropower plants rehabilitated by 2014 • Gas pricing and gas master system design studies completed (in support of INES recommendations) 	<p>2.3.1. <i>Revised.</i> Improve road transport connectivity and safety on selected road sections along Expressway 1 and the North-South transport corridor in Iraq as evidenced by reduced travel time on Expressway No. 1 (Nasiriya – Rumaila) from 1.75 hour to 1.50 hour (2019--<i>travel time reduction cannot be shown for 2017 as time saving will be experienced once the entire road is rehabilitated</i>), and travel Time on North-South Corridors in KRG from 0.75 hour to 0.50 hour (2019); and reduced traffic fatalities on Expressway No. 1 by mid-2013 from 113 to 100 (2017).</p> <p><i>Milestones:</i> Percentage of Roads in good and fair condition (along 280 km of Expressway No.1) by mid-2013 <u>Baseline:</u> 0 <u>Target:</u> 35% (2017)</p>	<ul style="list-style-type: none"> • Surpassed. The 97,000 ha target of improved irrigation and drainage has been surpassed and reached 119,288 ha at completion of the ITF-financed Emergency Community Infrastructure Rehabilitation Project (ECIRP) and follow-up additional financing • Surpassed. The 308,000 man-day target of employment created has been surpassed and reached a value of 323,538 man-days at the completion of the ECIRP and AF-ECIRP. • Met. Iraq National Energy Strategy (INES) completed and endorsed across Government. Now being implemented in oil, gas, and electricity sectors and linked industries. • In progress. Hartha Power Station Units 2 and 3 (Emergency Electricity Reconstruction Project), making slow progress and now 70% complete. Dokan and Derbandikhan Hydropower now satisfactorily completed • Met. Gas Pricing Workshop and Pricing Studies now Complete. A gas master system design has been completed by Ministry of Oil in-house. 	<p>Completed Activities: <i>Completed since CPS</i> Regional ESW Economic Complementarity and Deeper Regional Integration: Iraq, Turkey and Mashreq; Emergency Community Infrastructure Rehabilitation Additional Financing (ITF); Dokan & Derbandikhan Emergency Hydropower (IDA); Emergency Electricity Reconstruction TA (ITF); Gas Pricing Study TA; Integrated National Energy Strategy TA; Electricity IPP TA; Petroleum Distribution and Retail Strategy TA; Emergency Road Rehabilitation (IDA); Iraq Transport Sector Master Plan and Road Asset Management System</p> <p>Ongoing Activities: Emergency Electricity Reconstruction (IDA) Transport Corridors Project (IBRD) Roadmap for Reform of Electricity Distribution Sector (PPIAF) Best Practice in Public Procurement in the Power Sector (ESMAP) Electricity Distribution Investment and Reform Poverty Impact Assessment (PSIA TF) Energy Efficiency Strategy (ESMAP)</p>

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
		Roads Rehabilitated, Non-Rural by mid-2013 <u>Baseline:</u> 0 km <u>Target:</u> 100 km (2017) Number of direct project female beneficiaries <u>Baseline:</u> 0 <u>Target:</u> 8500 (2017) • 97,000 hectares of improved irrigated <i>and drainage</i> areas by mid-2013 up from 70,000 hectares in 2008		Investments in telecom, logistics/transport (IFC) Investments in manufacturing-cement (IFC) Planned Activities: Electricity Distribution Reform and Investment Project (IBRD) Irrigation and Drainage Improvement Project (IBRD) Gas Sector Development Support (RAS); Potential new investments/PPPs in infrastructure, including in power (IFC)

PILLAR 3: IMPROVING SOCIAL INCLUSION AND REDUCING POVERTY

Government's Key Objectives:

- Reduce national poverty from 23 percent (2007) to 16 percent (2015)
- Construct and rehabilitate intermediate and secondary schools in villages and poor neighborhood
- Improve primary healthcare centers and accessibility by the poor and vulnerable
- Improve the targeting and the efficiency of social safety nets

Outcome Area 3.1: Improved delivery of health, education, and water supply services

3.1.1. <u>Health:</u> Percent pregnant women receiving: (i) antenatal care at primary health care facilities in Southern Iraqi Marshlands and Babil Governorate Baseline: 69.8% (2012) Target: 90% (2013)	<ul style="list-style-type: none"> • 12 primary health care facilities refurbished and equipped by mid-2013 • Children age 0-5 years with health cards increase from 60.1% in 2012 to 95% in 2013 	<i>Progress toward Results/Outcomes</i> 3.1.1. <u>Health:</u> Percent pregnant women receiving: (i) antenatal care at primary health care facilities in Southern	<ul style="list-style-type: none"> • Met. 12 primary health care facilities have been refurbished and equipped by end of May 2013 • Met. Children age 0-5 years with health cards increased from 60.1% in 2012 to 95% in May 2013 <i>Progress toward Results/Outcomes</i> <ul style="list-style-type: none"> • Not fully met. Percent pregnant women receiving antenatal care at primary health 	Completed Activities: <i>Completed since CPS</i> Second Emergency Primary Health Care Assistance (ITF); Third Emergency Education Project (IDA); Emergency School Construction & Rehabilitation (ITF); Institutional Strengthening & Capacity Building for the
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Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
(ii) Iron Supplements Baseline: 26.1% (2012) Target: 50% (2013)		Iraqi Marshlands and Babil Governorate Baseline: 69.8% (2012) Target: 84% (2013)	care facilities increased from 69.8% in 2012 to 84% by May 2013 <ul style="list-style-type: none"> Not fully met. Percent of pregnant women receiving iron supplements was 20.97 percent by end of 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. 	Education Sector TA (ITF); Household Survey & Policies for Poverty Reduction & TA (ITF); Youth Livelihoods Development in Southern Iraq (JSDF); Emergency Baghdad Water Supply (ITF); Emergency Water Supply, Sanitation & Urban Reconstruction (ITF)
<p>3.1.2. <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)</p> <p>(ii) Number additional seats available, resulting from newly built schools to reduce overcrowding <u>Baseline</u>: 0 <u>Target</u>: 32,640 (2014)</p> <p>3.1.3. <u>Water</u>: Number of people benefitting from rehabilitated water supply systems under WBG supported program (number)</p>	<ul style="list-style-type: none"> Education Sector Strategy for education and higher education developed and launch by 2013 Trained curricula developers successfully produce Curriculum Evaluation Manual and Curriculum Authoring Manual by 2014 Data collection completed and a report produced for the University Governance Score Card by 2013 20 master trainers and 120 trainers successfully trained (able to provide satisfactory training for teachers) by 2013 10 rehabilitated water supply systems operational 	<ul style="list-style-type: none"> <i>Dropped</i>. Trained curricula developers successfully produce Curriculum Evaluation Manual and Curriculum Authoring Manual by 2014 <i>Added</i> number of female students benefiting (32,963) <p><i>Revised</i>. 3.1.3. <u>Water</u>: Number of people benefitting from new or</p>	<ul style="list-style-type: none"> Met. Education Sector Strategy for education and higher education (INES) developed and launched in 2013; INES Results Framework produced in 2014. Not met. For curriculum development, milestones not met due to problems within the selected firms including inability to travel to Iraq, as well a sub-optimal procurement process. Met. Data collection completed and a country report produced on the University Governance Score Card. Met. 20 master trainers and 120 trainers successfully trained (able to provide satisfactory training for teachers) in 2014 <p><i>Progress toward Results/Outcomes</i></p> <ul style="list-style-type: none"> Not fully met. 56,171 students benefited from improved conditions of learning in new school buildings and classrooms. Surpassed. 59,040 additional seats available, resulting from newly built schools to reduce overcrowding. 	<p>Completed Activities: <i>Completed since CPS</i> Emergency School Construction & Rehabilitation (ITF) Third Emergency Education Project (IDA) Institutional Strengthening and Capacity Building for the Education Sector (TA) Capacity Building for the Implementation of the National Education Strategy (TA) Support for KRG Education (TA) Capacity Building Support to the Ministry of Education's Vocational Education Sector (TA) Emergency Water supply, Sanitation and Urban Reconstruction (ITF)</p> <p>Ongoing Activities: Emergency Water Supply (IDA)</p> <p>Planned Activities: Water Supply & Sewerage (Baghdad) (IBRD)</p>

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
<p>Baseline: 0 (2005) Target: 815,000 (2013)</p>		<p>improved access to water and sanitation under WBG supported program (number) Baseline: 0 (2005) Target: 1.4m (2016)</p>	<ul style="list-style-type: none"> Met. 10 rehabilitated water supply systems operational; 9 under the ITF and 1 under IDA projects <p><i>Progress toward Results/Outcomes</i></p> <ul style="list-style-type: none"> 1.3m benefiting from new or improved access to water and sanitation under WBG supported programs. 	
Outcome Area 3.2: Strengthened capacity to develop, manage and monitor social protection reforms and poverty reduction				
<p>3.2.1. <u>Social Safety Net Reforms</u>: Ineligible households excluded based on use of the central SSN Beneficiary Database Baseline: 0 (2011) Target: 57,000 (2013)</p>	<ul style="list-style-type: none"> Social Safety Net (SSN) Information System in place with a central SSN Beneficiary Database by mid-2013 New targeting mechanisms and cash transfer methods in place with better targeting of female-headed households (i.e., CCTs) in place (mid-2014) Pension administration information system designed by 2013 Social Security System is merged with the State Pension Fund, in terms of policies and benefits and is administered by the National Board of Pensions by mid-2013 Agreed roadmap for reform of Public Distribution System (PDS) improved design and management of the PDS by 2014 	<ul style="list-style-type: none"> New targeting mechanisms and cash transfer methods in place with better targeting of <i>the poor</i>, including female-headed households (i.e., CCTs) in place (mid-2014) <i>Dropped</i> 	<ul style="list-style-type: none"> Met. The SSN Information system is established and is being used for benefit payments. Met. Law 11/2014 issued in April 2014. Ministry has already begun geographical targeting using the poverty map. New law establishes new targeting mechanisms to minimize exclusion and inclusion errors using poverty as the criteria for targeting, including female headed households. CCTs operational manual completed. Met. The Contribution Management System and Pension Administration System have been designed. In progress. Pension systems not merged. Due to various factors, a new pension law was enacted (Law 9/2014). Currently there is an endorsed plan to merge the systems in the next three years. Analysis for merger mostly completed. Since country is experiencing conflict, the universal food ration is the main relief mechanism 	<p>Completed Activities: <i>Completed since CPS</i> Emergency Social Protection (ITF); Pension Reform Implementation Support TA (ITF); Rationalization of the Public Distribution System Reform TA (ITF); Social Safety Net Technical Assistance (financed by TACBF); Poverty Assessment; Poverty Map Consultative Service Delivery Program (Phase 2) (SPBF)</p> <p>Planned Activities: Support to the Social Protection Strategic Framework (IPF) Support to Phase two of Pension Reform (PRISTA II). Iraq Crisis Response TA to build analytical capacity for a policy response to poverty in the context of the current crisis.</p>

Original CPS Results, Outcomes, and Indicators <i>Results influenced by the WBG Program</i>	Original Milestones	Revised CPS Outcomes and Milestones	Progress to Date on Results/Outcomes/Milestones	World Bank Group Program (Tentative)
<p>3.2.2. Number of communities benefitting from CDD programs supporting core service provision <u>Baseline:</u> 25 communities (2012) <u>Target:</u> 100 communities (2014)</p>	<ul style="list-style-type: none"> • All Consultative Action Groups under CDD programs include 20% women and youth by 2014 	<p><i>Replaced.</i> 3.2.2. Analytical foundations for poverty reduction strengthened <u>Baseline:</u> 2007 poverty estimates and poverty line <u>Target:</u> 2012 official poverty estimates and poverty line announced by government New Milestones:</p> <ul style="list-style-type: none"> • IHSES 2012 completed • Poverty and Inclusion Assessment 2007-2012, including gender disaggregated data • Poverty Map completed • Poverty measurement methodology revised 	<p>New 3.2.2 result. Achieved in July 2013</p> <ul style="list-style-type: none"> • Met. Fieldwork completed January 2013; dataset ready March 2013) • Met. Completed 2014 • In progress. Poverty Map being finalized • Met. Completed June 2013 	

Annex III: New World Bank Group Program for the Period FY13–FY17

I. STRENGTHENING PUBLIC SERVICE DELIVERY IN IRAQ		II. ADDRESSING THE COUNTRY'S CRITICAL FISCAL SITUATION AND INCREASING OPPORTUNITIES FOR PRIVATE SECTOR INVESTMENT	
Ongoing Engagement			
	US\$ m		US\$ m
<u>IDA</u> Emergency Electricity Reconstruction Emergency Water Supply	124.0 109.5		
<u>IBRD</u> Transport Corridors Project	355.0		
Total	588.5		
<u>JSDF</u> Youth Livelihoods Development in Southern Iraq	2.7	<u>EITI</u> Extractive Industries Transparency Initiative	1.6
Total	2.7	Total	1.6
<u>IFC</u> Investments in Telecom		<u>IFC</u> Construction Permit Reform Project Investments in Manufacturing Investment Climate Regulatory Reform Intervention Advisory Services for Improving Financial Infrastructure & SME Support	
<u>Diagnostic & Technical Assistance</u> Energy Efficiency Action Plan (ESMAP) (TA) Electricity Distribution Sector Reform Support (TA) Roadmap for Reform in Public Procurement in the Power Sector (PPIAF) (TA) Best Practice in Public Procurement in the Power Sector (ESMAP) (TA)		<u>Diagnostic & Technical Assistance</u> Water Sector Public Expenditure Review (ESW) Public Expenditure Review Phase 2 (ESW) Economic and Social Impact Assessment KRG (ESW) Poverty Impact Assessment (PSIA) (TA) Poverty and Inclusion in Iraq (ESW)	
<u>RAS</u> KRG Shura Council Capacity Building (US\$1.0m) Total (US\$1.0m)		<u>RAS</u> Modernization of the Public Procurement System in KRG (US\$0.8m) KRG Economic Growth Diagnostics (US\$1.4m) Support for Dev't. of KRG Social Protection Framework (US\$0.8m) Total (US\$3.0m)	
Total Ongoing	591.2	Total Ongoing	1.6
Potential New Engagement			
<u>IBRD</u> ^{1/} Emergency Reconstruction, Stabilization / Dev't. Policy Lending / Investment Lending / and other World Bank Financial Instruments	tbc	<u>IBRD</u> ^{1/} Emergency Reconstruction, Stabilization / Dev't. Policy Lending / Investment Lending / and other World Bank Financial Instruments	tbc
<u>JSDF</u> Youth Livelihoods Development in Southern Iraq Phase 2		<u>Diagnostic & Technical Assistance</u> Support to Doing Business Indicators (TA) Financial Sector Support (TA) Support to MOF Reforms (TA) Pension Reform (PRISTA II) (TA) Poverty and IDP Surveys (TA)	
<u>RAS</u> Gas Sector Development Support Justice Reform in KRG Health Sector Reform in KRG Higher Education Reform in KRG		<u>RAS</u> Public Investment Management (PIM) in KRG Support to KRG Statistical Office	

1/ KRG portion is 17% of total lending.

Annex IV: Original World Bank Group Program for the Period FY13–FY16

I. IMPROVING GOVERNANCE		II. SUPPORTING ECONOMIC DIVERSIFICATION FOR BROADLY SHARED PROSPERITY		III. IMPROVING SOCIAL INCLUSION AND REDUCING POVERTY	
Ongoing Engagement					
	US\$ m		US\$ m		US\$ m
		<u>IDA</u>		<u>IDA</u>	
		Emergency Electricity Reconstruction	124.0	Emergency Water Supply	109.5
		<u>IBRD</u>			
		Transport Corridors Project	355.0		
		Total	479.0	Total	109.5
<u>EITI</u>		<u>JSDF</u>			
Extractive Industries Transparency Initiative	1.6	Youth Livelihoods Development in Southern Iraq	2.7		
Total	1.6	Total	2.7		
		<u>IFC</u>			
		Investment Climate Regulatory Reform Intervention			
<u>Diagnostic & Technical Assistance</u>		<u>Diagnostic & Technical Assistance</u>		<u>Diagnostic & Technical Assistance</u>	
Water Sector Public Expenditure Review (ESW)		Energy Efficiency Action Plan (TA)		Poverty and Inclusion in Iraq (ESW)	
Public Expenditure Review Phase 2 (ESW)		Electricity Distribution Sector Reform Support (TA)		Economic and Social Impact Assessment (ESW)	
<u>RAS</u>				<u>RAS</u>	
Modernization of the Public Procurement System in KRG (US\$0.8m)				KRG Economic Growth Diagnostics (US\$1.4m)	
KRG Shura Council Capacity Building (US\$1.0m)				Support for Dev't. of KRG Social Protection Framework (US\$0.8m)	
Total (US\$1.8m)				Total (US\$2.2m)	
Total Ongoing	1.6	Total Ongoing	481.7	Total Ongoing	109.5
Potential New Engagement					
<u>IBRD</u> ^{1/}		<u>IBRD</u> ^{1/}		<u>IBRD</u> ^{1/}	
Public Financial Management Cap. Bldg. Project (FY16)	30.0	Irrigation and Drainage Improvement Project (FY16)	140.0	Baghdad Water & Sewerage Improvement Project (FY16)	100.0
		Electricity and Distribution Reform and Investment Project (FY16)	750.0		
		Railway Safety Improvement Project (FY17)	200.0		
		Aviation Development Project (FY17)	TBD		
		Iraq Cross Border Project (FY18)	TBD		
Total	30.0	Total	1,090.0	Total	100.0
		<u>JSDF</u>			
		Youth Livelihoods Development in Southern Iraq Phase 2	TBD		
		Total	TBD		
<u>Diagnostic & Technical Assistance</u>		<u>Diagnostic & Technical Assistance</u>		<u>Diagnostic & Technical Assistance</u>	
Support to MOF Reforms (TA)		Support to Doing Business Indicators (TA)		Poverty and IDP Surveys (TA)	
		Financial Sector Support (TA)		Pension Reform (PRISTA II) (TA)	
<u>RAS</u>				<u>RAS</u>	
Public Investment Management (PIM) in KRG				Health Sector Reform in KRG	
Justice Reform in KRG				Support to KRG Statistical Office	
Total (US\$ __m)				Total (US\$ __m)	
GRAND TOTAL Ongoing and Planned	31.6	GRAND TOTAL Ongoing and Planned	1571.7	GRAND TOTAL Ongoing and Planned	209.5

1/ KRG portion of lending in: FY16 is US\$173m; FY17 is TBD.

Annex V: Iraq Macroeconomic Outlook

	2008	2009	2010	2011	2012	2013	2014e	2015p	2016p	2017p	2018p	2019p	2020p
	Projections												
Economic growth and prices													
Nominal GDP (US\$ billion)	131.6	111.7	138.5	185.7	216.0	229.3	224.9	172.1	193.8	216.3	239.4	261.5	283.6
Real GDP (% change)	6.6	5.8	5.5	10.2	10.3	4.2	-0.5	-1.0	5.5	6.7	6.9	6.6	6.2
<i>of which non-oil GDP (% change)</i>	5.4	4.0	9.7	8.6	8.4	7.3	-5.2	-6.5	2.0	5.0	6.0	6.0	6.0
GDP per capita (US dollars)	4,328	3,575	4,374	5,687	6,410	6,594	6,270	4,653	5,087	5,517	5,933	6,301	6,644
Oil production (million bpd)	2.3	2.3	2.4	2.7	3.0	3.1	3.3	3.5	3.8	4.2	4.5	4.8	5.11
Oil exports (million bpd)	1.8	1.9	1.9	2.2	2.4	2.5	2.5	3.0	3.3	3.5	3.8	4.0	4.21
Consumer price index, average (% change)	2.7	-2.2	2.4	5.6	6.1	1.9	2.2	3.0	3.0	3.0	3.0	3.0	3.0
National accounts (in percent of GDP)													
Gross domestic investment	32.2	27.2	21.4	21.3	22.1	26.9	17.3	22.2	20.6	21.6	21.6	21.9	22.5
of which public	30.3	23.7	15.2	12.6	13.3	17.8	10.3	13.5	12.5	13.8	13.9	14.3	14.9
Gross domestic consumption	50.9	91.5	77.9	65.4	69.3	68.6	83.6	85.9	78.5	76.5	76.7	76.6	75.9
of which: public	34.9	55.9	25.2	21.1	20.9	21.5	25.5	27.4	25.1	23.1	21.5	20.3	19.3
Gross national savings	51.0	13.7	24.4	33.3	28.8	29.0	14.4	13.9	18.7	23.4	23.4	23.6	24.3
of which public	29.1	-0.8	10.8	17.2	18.1	11.7	5.6	3.2	6.8	13.3	16.2	17.9	18.4
Saving-investment balance			3.0	12.0	6.7	2.1	-2.8	-8.3	-1.8	1.8	1.8	1.7	1.8
Fiscal and oil sector accounts (in percent of GDP)													
Revenues and grants	56.4	46.2	45.4	48.1	47.4	43.2	40.7	39.9	43.4	44.9	45.4	45.2	44.4
of which oil revenues ¹	70.3	57.9	40.0	44.7	43.8	39.5	37.7	32.8	36.5	38.1	38.6	38.4	37.6
Expenditures	57.3	58.9	49.6	43.4	43.3	49.1	45.6	50.5	49.4	45.8	43.6	42.2	41.3
Operating expenditures	53.8	74.8	35.5	30.8	30.0	31.3	35.3	37.1	36.9	32.0	29.7	27.9	26.4
Capital expenditures	30.3	23.7	15.2	12.6	13.3	17.8	10.3	13.5	12.5	13.8	13.9	14.3	14.9
Overall fiscal balance (including grants)	-0.9	-12.7	-4.2	4.7	4.1	-5.9	-4.9	-10.6	-6.0	-0.8	1.7	3.0	3.1
Balance of payments (in percent of GDP unless otherwise indicated)													
Current account balance	12.8	-8.0	3.0	12.0	6.7	2.1	-2.8	-8.3	-1.8	1.8	1.8	1.7	1.8
Trade balance	23.9	-9.5	6.5	18.2	14.5	10.5	5.5	-1.4	6.6	7.8	7.7	7.6	7.4
Merchandise exports	69.2	55.5	37.9	42.9	43.6	39.9	37.2	32.6	36.2	37.8	38.3	38.2	37.5
of which oil (in percent of total exports)	99.5	99.7	99.6	99.7	99.6	99.8	99.6	99.6	99.5	99.4	99.4	99.2	99.0
Merchandise imports	45.3	65.0	31.3	24.6	29.1	29.4	31.7	34.0	29.7	30.1	30.6	30.6	30.1
External public debt													
Total External debt (US\$ billion)	124.2	99.7	60.9	61.0	60.0	59.6	58.5	59.4	26.4	25.4	24.4	23.5	22.5
(in percent of GDP)	139	144	44.0	32.8	27.8	26.0	26.0	34.5	13.6	11.8	10.2	9.0	7.9
(in percent of exports)	179.6	179.5	118.5	76.6	63.9	66.6	70.7	71.1	26.7	23.0	19.7	17.6	11.9
Memorandum Items													
Iraqi oil price (US\$ per barrel)	91.5	55.6	74.2	103.6	106.7	102.9	97.2	50.9	58.8	63.7	66.6	67.8	68.5
Gross reserves (US\$ billion)	50.2	44.3	50.6	61.1	69.3	77.8	65.0	50.0	50.2	56.2	62.8	69.8	77.5
<i>Gross reserves in months of imports</i>	11.2	9.5	10.6	9.3	9.7	10.6	9.7	7.9	7.4	7.0	6.8	6.8	6.7
Primary fiscal balance (in percent of GDP)	-0.8	-20.0	-3.8	5.5	4.5	-5.5	-4.4	-9.9	-4.6	0.5	2.9	4	3.9
Exchange rate, ID per US\$1 (period average)	1,193	1,170	1,170	1,170	1,166	1,166	1,166

Source: Iraq authorities and IMF staff estimates.

(1) Including revenues of oil-related public enterprises.

(2) APSP (average petroleum spot price) is a simple average of UK Brent, Dubai, and West Texas Intermediate spot prices reflecting world exports of light, medium, and heavy crude oil.

Annex VI: Projects which Closed During the CPS Period

Iraq Trust Fund (ITF) Grants	Approval Date	Closing Date	Disbursed (US\$m)
Private Sector Development	Nov-04	Jun-12	61.5
Environmental Management	Dec-06	Jun-12	4.9
Regional Health Emergency Response	Jun-08	Jun-12	12.3
Social Protection	Jun-06	Apr-13	8.0
Emer Primary Health Care Assistance II	Jun-11	May-13	1.2
Capacity Building II	Nov-04	Jun-13	9.9
School Construction & Rehabilitation	Oct-04	Jun-13	55.2
Baghdad Water Supply & Sanitation	Dec-04	Jun-13	63.3
Water Supply, Sanitation & Urban Recon.	Dec-04	Jun-13	104.6
Household Survey & Policies Grant & TA	May-06	Jun-13	12.0
Electricity Reconstruction	Mar-07	Jun-13	4.6
Community Infrastructure (Supplement)	Apr-08	Jun-13	24.5
Banking Sector Reform	Apr-09	Jun-13	9.4
Public Finance Management & TA	Jun-09	Aug-13	12.3
Education Sector TA	Dec-09	Jun-13	2.6
Integrated National Energy Strategy TA	Dec-09	Jun-13	6.9
Public Distribution System TA	Feb-11	Jun-13	0.2
Pension Reform TA	Dec-09	Oct-14	7.6
Tech. Assistance & Cap. Bldg. Fund	Nov-13	Dec-14	11.6
Total ITF Grants	19		412.6
IDA Credits	Approval Date	Closing Date	Disbursed (US\$m)
Dokan & Derbandikhan Hydropower	Dec-06	Dec-13	41.4
Third Emergency Education	Nov-05	Jun-14	66.2
Emergency Road Reconstruction	Jun-06	Jun-14	111.6
Total IDA	3		219.2
Other Grants	Approval Date	Closing Date	Disbursed (US\$m)
Cons. Service Del. Program	Jan-10	Dec-11	5.0
Cons. Service Del. Program (Phase II)	Sep-11	Feb-14	4.8
Total SPBF	2		9.8
Grand Total	24		641.6

**Annex VII: Selected Indicators of Bank Portfolio Performance and Management
as of April 7, 2015**

Indicator	2012	2013	2014	2015
Portfolio Assessment				
Number of Projects Under Implementation ^a	19	16	7	3
Average Implementation Period (years) ^b	5.5	5.8	4.6	5.4
Percent of Problem Projects by Number ^{a, c}	21.0	25.0	28.6	33.3
Percent of Problem Projects by Amount ^{a, c}	27.0	32.0	25.6	21.2
Percent of Projects at Risk by Number ^{a, d}	26.0	44.0	28.6	33.3
Percent of Projects at Risk by Amount ^{a, d}	34.0	64.0	25.6	21.2
Disbursement Ratio (%) ^e	17.2	22.1	31.0	2.3
Portfolio Management				
CPPR during the year (yes/no)	No	Yes	No	No
Supervision Resources (total US\$)	3,454	3,110	1,004	507
Average Supervision (US\$/project)	182	194	143	169

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	12	10
Proj Eval by OED by Amt (US\$ millions)	319.4	69.4
% of OED Projects Rated U or HU by Number	41.7	50.0
% of OED Projects Rated U or HU by Amt	21.7	100.0

Note: IBRD, IDA and ITF only, implemented by Iraqi agencies

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

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.

* 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.

**Annex VIII: IBRD Operations Portfolio and Grants
As of April 7, 2015**

Closed Projects 10

Closed Projects 19

<u>IBRD/IDA *</u>	
Total Disbursed (Active)	122.79
of which has been repaid	0.00
Total Disbursed (Closed)	474.17
of which has been repaid	65.16
Total Disbursed (Active + Closed)	596.96
of which has been repaid	65.16
Total Undisbursed (Active)	442.15
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	442.15

<u>IRAQ TRUST FUND (ITF)</u>	
Total Disbursed (Active)	0.00
of which has been repaid	0.00
Total Disbursed (Closed)	476.10
of which has been repaid	0.00
Total Disbursed (Active + Closed)	476.10
of which has been repaid	0.00
Total Undisbursed (Active)	0.00
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Close)	0.00

Project ID	Project Name	<u>Last PSR</u>			Fiscal Year	<u>Original Amount in US\$ Millions</u>			Cancel.	Undisb.	<u>Difference Between Expected and Actual Disbursements^{a/}</u>	
		Supervision Rating				IBRD	IDA	GRANT			Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>									
P094650	Emergency Water Supply	MS	MS	✓	2008		109.5		4.6	30.1	44.9	45.7
P087734	Emergency Electricity (EERP)	MS	MU	✓	2007		124.0			57.9	67.8	55.9
P131550	Transport Corridors Project	MS	MS	✓	2014	355.0				354.1		
Overall Result						355.0	233.5		4.6	442.1	111.9	101.6

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

**Annex IX: Statement of IFC's Committed and Outstanding Portfolio
as of February 28, 2015**

MIS

International Finance Corporation

Report Run Date: 03/11/2015

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 02/28/2015

Page 1

Region(s): Middle East and North Africa

Country(s) : Iraq

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2013	Comm Bnk of Iraq	0	0	12.27	0	0	0	12.27	0	0	6.12	0	0	0	6.12	0.00
2005/ 2007/ 2010/ 2011/ 2012/ 2013/ 2014	Credit Bank Iraq	0	0	10.52	0	0	0	10.52	0	0	10.25	0	0	0	10.25	0.00
2015	Ecocem MEA	0	0	6.73	0	0	0	6.73	0	0	0	0	0	0	0	0.00
2012	Lafarge Bazian	20.00	30.00	0	0	0	0	20.00	0	20.00	0	0	0	0	20.00	0.00
2013	Lafarge Karbala	70.00	0	0	0	0	0	70.00	0	59.50	0	0	0	0	59.50	0.00
2010/ 2014	Malia Invest	22.91	5.09	0	0	0	0.50	23.41	0	8.91	0	0	0	0.21	9.12	0.00
2014	Nafith	0	0	0	2.20	0	0	2.20	0	0	0	2.20	0	0	2.20	0.00
2011	Zain Iraq	77.44	77.56	0	0	0	0	77.44	24.98	77.44	0	0	0	0	77.44	24.98
Total Portfolio		190.35	112.65	29.53	2.20	0	0.50	222.57	24.98	165.85	16.37	2.20	0	0.21	184.63	24.98

Annex X: Statement of MIGA's Exposure in Iraq as of February 28, 2015

including this and other projects approved by the Board
in Iraq as of February 28, 2015

1. MIGA'S EXPOSURE (CONTINGENT LIABILITY)

<i>US\$ million</i>	<i>Transfer Restriction</i>	<i>Expropriation</i>	<i>War & Civil Disturbance</i>	<i>Breach of Contract</i>	<i>Non Honoring of Financial Obligations</i>	<i>Maximum</i>
Gross Exposure	8.7	8.7	8.7	0.0	0.0	8.7
% of total portfolio	0.1	0.1	0.2	0.0	0.0	0.1
Net Exposure	8.7	8.7	8.7	0.0	0.0	8.7
% of total portfolio	0.2	0.2	0.3	0.0	0.0	0.1
CUP	0.0	0.0	0.0	0.0	0.0	0.0
Current Amount*	8.7	8.7	8.7	0.0	0.0	8.7

* On a gross basis

2. NET EXPOSURE BY SECTOR

	Iraq		Middle East and North Africa		MIGA Worldwide	
	<i>US\$ million</i>	<i>%</i>	<i>US\$ million</i>	<i>%</i>	<i>US\$ million</i>	<i>%</i>
Agribusiness	0.0	0.0	0.0	0.0	204.7	2.9
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Financial	0.0	0.0	0.0	0.0	2,222.8	31.7
Financial Services	0.0	0.0	0.0	0.0	657.9	9.4
General Banking	0.0	0.0	0.0	0.0	1,317.0	18.8
Investment Fund	0.0	0.0	0.0	0.0	0.0	0.0
Leasing	0.0	0.0	0.0	0.0	127.6	1.8
Mortgage	0.0	0.0	0.0	0.0	120.3	1.7
Infrastructure	0.4	4.3	133.0	25.9	3,270.8	46.7
Electric, Gas and Sanitary Services	0.0	0.0	13.1	2.6	29.6	0.4
Power	0.0	0.0	0.0	0.0	1,415.8	20.2
Telecommunication	0.4	4.3	0.4	0.1	268.4	3.8
Transportation	0.0	0.0	0.0	0.0	1,066.8	15.2
Water Transportation	0.0	0.0	119.5	23.3	213.1	3.0
Water Supply	0.0	0.0	0.0	0.0	197.1	2.8
Other	0.0	0.0	0.0	0.0	80.0	1.1
Manufacturing	0.0	0.0	151.8	29.6	526.2	7.5
Mining	0.0	0.0	0.0	0.0	62.6	0.9
Oil and Gas	0.0	0.0	185.0	36.0	388.8	5.6
Retail	0.0	0.0	0.0	0.0	77.4	1.1
Services	8.3	95.7	43.8	8.5	241.0	3.4
Tourism	0.0	0.0	0.0	0.0	8.3	0.1
Total	8.7	100.0	513.5	100.0	7,002.7	100.0

