



# Project Information Document/ Identification/Concept Stage (PID)

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# The World Bank

## Iraq Road Maintenance Microenterprises Grant Project

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### BASIC INFORMATION

#### A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification Moderate	Project Name
P171446			Iraq Road Maintenance Microenterprises Grant Project
Region	Country	Date PID Prepared	Estimated Date of Approval
MIDDLE EAST AND NORTH AFRICA	Iraq	03-Dec-2019	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Republic of Iraq	Ministry of Construction, Housing, Municipalities and Public Works	

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

Total Project Cost	5.00
Total Financing	5.00
Financing Gap	0.00

#### DETAILS

##### Non-World Bank Group Financing

Trust Funds	5.00
Trust Funds	5.00

#### B. Introduction and Context

##### Country Context

Iraq's economy is gradually improving following the deep economic strains of the last four years. The recent defeat of the Islamic State of Iraq and Syria (ISIS) has left the challenging task of rebuilding the infrastructure and providing services and job opportunities to the population. This is overlaid on the need to address the



legacy of past conflict and socio-economic development challenges. Reconstruction efforts have been proceeding at a moderate pace. Poverty rate is expected to decline from the 2014 level (22.5 percent) on the back of recent economic growth and improvement in the security situation but will remain unevenly distributed across the country.

Challenges remain due to political risk, dependency on oil revenue and the regional situation. Continued uncertainty could delay economic recovery in the conflict-affected governorates. Labor-market outcomes continue to be a concern, especially for women and youth. At 48.7 percent, the country has one of the lowest labor force participation rates in the world, and in the region especially for women (12 percent) and youth (26 percent). The unemployment rate, which was falling before the ISIS and oil crises hit, has increased beyond the 2012 level to 9.9 percent in 2017/18. Moreover, almost 17 percent of the economically active population is underemployed. Underutilization is particularly high among Internally Displaced People (IDPs), with almost 24 percent of IDPs unemployed or underemployed. The crises have eroded the gradual progress in the women's employment; female unemployment rate rose from 11.3 percent before the crises to 20.7 percent in 2017. Also, more than a fifth of the economically active youth (ages 15-24) do not have a job, and more than a fifth of the economically active youth is neither in employment nor in education or training.

#### Sectoral and Institutional Context

The stability and development of Iraq have been obstructed by decades of conflict resulting from disputes between political, ethnic and religious factions which has negatively impacted its infrastructure and service delivery. The extensive tertiary network (with a total length roughly estimated to be around 27,000 km), whose mission is ensuring the physical access of rural inhabitants to social services, jobs and economic opportunities (including markets), has significantly deteriorated, mainly due to inadequate maintenance over the last few decades as a result of the conflictual state of the country in recent years, among other factors. In terms of pavement condition, most of the tertiary roads are in poor to critical condition. These road sections need immediate care and treatment to avoid worsening conditions and higher reconstruction costs.

While rural road maintenance is principally the responsibility of road departments at the governorate and municipal levels, they, for the most part, have limited resources and capacity to ensure adequate maintenance. The current situation in Iraq, as regards the maintenance of rural roads is generally that the responsible authorities are grossly underfunded and carry out maintenance on an ad hoc basis, works are executed where they are seen to be absolutely essential and are generally reactive rather than planned. This is an inevitable result of under-funding: advance planning of works is simply not possible and without this, the imposition of set standards is impractical. When discussing rural paved roads, local communities and villages generally seem to regard bituminous surfaces as "maintenance free" allowing them to deteriorate until a contract has to be let for an improvement to repair the damage. The situation is even more critical with unsealed roads, which is the case for most rural roads in Iraq. The poor condition of rural roads infrastructure constrains the development of Iraq and, combined with lack of transport services, significantly affects the mobility of its inhabitants, particularly the poor, and especially in rural areas. Aging road



infrastructure, in rural areas usually built below the standard, and the inability of the GoI to fund, maintain or operate such infrastructure greatly impedes services and market growth.

As a result, Iraq has a significant backlog of road improvement programs and maintenance of assets. The budgetary funds allotted for maintenance are not sufficient, but there may be also the risk of underutilization because the contractors are not geared to take up these works. In such a situation, the plans for road development and maintenance for the coming years can be seriously affected if the contractors are not able to rise to the occasion and take up the challenges. This is specifically the case for rural roads. The poor condition of the transport infrastructure and lack of transport services has significantly affected the mobility of Iraqis, particularly the poor, and especially in rural areas. Most of the Iraqi population is inadequately served by unpaved roads, with the worst conditions experienced disproportionately by certain income groups. For example, poor workers in non-wage agriculture are more likely than others to live on unpaved roads and to live more than five kilometers from a market. Improving rural road infrastructure condition and provision of all-weather roads would considerably increase access to their health services, education, and job opportunities. Given that maintenance prevents damage and slows down deterioration, if these roads continue not to be properly maintained, the rural population will progressively lose all-weather access to these roads since they will not remain passable all year long, particularly in fall and winter. The mobility of rural citizens and their access to social services, jobs and economic opportunities would therefore be severely hindered. The management of basic infrastructure, particularly of rural roads, is particularly relevant to Iraqi decentralization efforts with regards to its role in strengthening subnational levels of government.

Investments in Iraqi rural roads, particularly routine maintenance, have significant potential for the use of local resources, create decent jobs, support the local economy and strengthen local commerce, and have therefore important implications for poverty reduction and local economic and social development. The direct consequence of investing in rural roads is the generation of jobs, incomes and business opportunities, particularly if the development and maintenance of these rural roads are targeted in favor of local resource-based methods. Longer lasting impacts such as improved access to goods and services and production and productivity enhancing impacts further contribute to sustainable poverty reduction and local economic and social development. Impacts however will only be sustainable if the roads are continuously maintained. In this context, the GoI and several governorates have expressed their interest in introducing microenterprises-based maintenance of rural roads at the governorate level, an approach that is widely used in other countries with substantial results. This would contribute, as shown by international experience, to improve the livelihood of local population in lagging areas, experiment and establish new institutional mechanisms and delivery approaches for currently neglected preventive road maintenance programs and strengthen the capacity of local authorities to implement them.

#### Relationship to CPF

The proposed project will support the overall strategic goal of the Country Partnership Framework (CPF) for Iraq (FY20-FY25) which will support the GoI to improve basic services and create environment for diverse economic growth. The proposed project will support all three focus areas of the CPF “Enhance human capital



for sustainable and inclusive growth”, “Strengthen economic governance and enhance private sector-led growth” and “Invest in resilient infrastructure and improved basic services”, mainly in the following fields: increasing human potential of the country, enhancing private sector capacity, providing infrastructure for all-weather access and enabling access to basic services (market, education, health, etc.). Finally, the proposed project will also support the cross-cutting theme of the CPF that aims to “prioritize inclusion of the poor and vulnerable with a specific emphasis on women and girls, youth and the internally displaced”.

### C. Project Development Objective(s)

#### Proposed Development Objective(s)

The proposed Project Development Objective (PDO) is to provide entrepreneurship and employment opportunities to rural inhabitants in lagging areas of Iraq and improve their level of road access to markets and critical social services.

#### Key Results

- Number of inhabitants with improved and/or sustained road access to markets and critical social services as a result of the labor-intensive road maintenance activities financed by the Project (disaggregated by gender, objective : 50% women) : 100,000;
- Number of labor-intensive road maintenance sub-projects financed by the Project : 20;
- Number of direct, indirect, and induced jobs resulting from the labor-intensive road maintenance activities financed by the Project (disaggregated by gender, objective : 30% of women ; and by age group, objective : 50% below 34 years old) : 2,000;
- Percentage of road maintenance microenterprises that are still viable in the mid-term after having benefited from the Project financing and capacity building : 60%.

### D. Preliminary Description

#### Activities/Components

The project will include the following three substantive components to achieve its objectives:

#### **Component 1: Rural roads maintenance subprojects (USD 4 million)**

##### *Sub-component 1.1: Labor-intensive rural roads maintenance works (USD 3.6 million)*

This sub-component will provide, given the pilot nature of the project, financing for labor-intensive rural roads maintenance subprojects to be implemented within the Project Area by microenterprises (to be defined more precisely for the context of Iraq during project preparation). Road maintenance microenterprises, initially introduced in Latin America with the help of the World Bank, have been found, when used, to be one of the best ways to carry out labor-intensive preventive road maintenance works, contributing to improve road accessibility for rural citizens, create or revive local contracting industries, lead to job creation and poverty reduction, and help improve the relationship between the State and citizens,



which usually results in increased socio-political stability. The subprojects will consist of preventive maintenance works of roads and road-related infrastructure, specifically debris removal, cleaning of shoulders, drainage system and bridges, vegetation control, slopes and retaining walls, installation of simple protection measures, and/or minor surface repairs. The works will also include emergency works to repair any substantial damages which are caused directly by unforeseen natural phenomena with imponderable consequences occurring either around roads or elsewhere, but with a direct impact on the roads, as well as by traffic accidents. There will be neither road extension nor new road construction. Winter maintenance of rural roads will be tested in the relevant areas of Iraq (such as the Governorate of Duhok or Eastern governorates in the mountainous region), including winter inspection, salt or sand spreading on paved sections to facilitate vehicle adherence, and snow removal. To maximize opportunities for the employment of local labor (versus machines) and resources, the vast majority of works shall be manually executed using tools , protective equipment , and small quantities of construction materials that are necessary for the works. The selected microenterprises will have to predominantly employ the disadvantaged rural labor force available from the beneficiary communities. Use of local labor would increase non-farm rural incomes during periods of reduced agriculture activity, notably between April and September, which is the dry season when most of the works will be carried out. Targeted road sections, both classified and unclassified, paved and unpaved, of 10 to 30 kilometers each per subproject situated in the Project Area, have been pre-identified during preparation in cooperation with the recipient and implementing agencies based on expected benefits that the community will derive from the maintained road access (for instance, ensuring access to markets and/or critical services such as health centers and/or schools).

***Sub-component 1.2: Technical inspection of works (USD 0.4 million)***

This sub-component will finance consulting services for field technical inspections of road maintenance subprojects for independent quality control purposes to complement the implementing agencies and local stakeholders in ensuring that the preventive maintenance works are executed in accordance with internationally recognized best practices, including in terms of management of social and environmental matters and risks associated with the civil works of the project.

***Component 2: Capacity building (USD 0.5 million)***

***Sub-component 2.1: Trainings on technical aspects (USD 0.3 million)***

This sub-component will finance, through the provision of consulting services, capacity building activities in the form of technical assistance and hand-on trainings for staff of implementing agencies and stakeholders at the governorate and local level to enable them to properly supervise and support/manage the maintenance activities of the project. The topics covered will include, inter alia, (i) efficient decentralized road asset management, including road selection for investments, (ii) performance-based road maintenance contracting, supervision and inspection, and (iii) proper execution of road maintenance works.

***Sub-component 2.2: Trainings on entrepreneurial and managerial aspects (USD 0.2 million)***



This sub-component would finance, through the provision of consulting services, capacity building activities in the form of hand-on trainings for key beneficiaries to improve the sustainability of the road maintenance modality financed by the project and the local entities involved. This training would cover the following topics: (i) proper formation and organization of microenterprises (including the registration of the relevant legal administrative entity), (ii) entrepreneurial skills including general management skills (administrative, strategy, planning, marketing, financial management, project management, and time management) and soft skills (leadership, motivation, delegation, communication, and negotiation) to improve their performance and ensure their sustainability, and (iii) access to finance to introduce potential beneficiaries and/or familiarize them with the different options in terms of inclusive finance mechanisms, particularly microfinance ones. This would improve the proficiency of the beneficiaries in this process (including the required documentation) and therefore maximize their potential access to new lines of formal credit from these institutions to develop and sustain their income-generating schemes. The duration, intensity and teaching delivery mechanisms will be tailored to respond to the specific needs of beneficiaries.

**Component 3: Project management and administration (PMA), monitoring and evaluation (M&E), and knowledge dissemination (USD 0.5 M)***Sub-component 3.1: Project management and administration (USD 0.3 M)*

Sub-component 3.1 would finance, through the provision of goods, consulting and non-consulting services, as follows: (i) project management costs, (ii) project audit costs, and (iii) project operating costs .

*Sub-component 3.2: Monitoring and evaluation - M&E (USD 0.15 M)*

Sub-component 3.2 would finance, through the provision of consultant services, M&E activities for the project, including third party monitoring to offset the difficulties in access by the World Bank's staff and provide a good level of project oversight.

*Sub-component 3.3: Knowledge dissemination (USD 0.05 M)*

Sub-component 3.3 would finance, through the provision of non-consulting services, knowledge dissemination activities to share lessons of this project and raise awareness about this initiative within central, regional and local levels of government as well as local communities and civil society to increase likelihood of replicability and scalability of this concept.

**Environmental and Social Standards Relevance**

E. Relevant Standards	ESS Standards	Relevance
	ESS 1      Assessment and Management of Environmental and Social	Relevant



Risks and Impacts		
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

#### Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	The project will not affect international waterways.
Projects in Disputed Areas OP 7.60	No	The project is not located in a disputed area.

#### Summary of Screening of Environmental and Social Risks and Impacts

The subproject activities potentially will generate site specific environmental impacts during works related essentially to the management of waste, noise, wastewater, borrow pits and disposal of some hazardous materials. All these impacts are easily remediable and can be easily mitigated. However, given the FCV context, the relatively weak capacity of the implementing agencies and the microenterprises, the legacy of low occupational safety, it is anticipated that the project will have low to medium probability of serious adverse impacts on human health due to traffic or occupational safety aspects. Additionally, the risk of ERW (explosive remnants of war) presence in different project areas, including UXO (unexploded ordnance), and AXO (abandoned explosive ordnance) must be considered during selection of the 50 subprojects.

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## The World Bank

Iraq Road Maintenance Microenterprises Grant Project

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### Implementing Agencies

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