

Implementation Status & Results
Iraq
Iraq: Banking Sector Reform (P113337)

Operation Name: Iraq: Banking Sector Reform (P113337)	Project Stage: Implementation	Seq.No: 7	Status: ARCHIVED	Archive Date: 21-Dec-2012
Country: Iraq	Approval FY: 2009			
Product Line: Recipient Executed Activities	Region: MIDDLE EAST AND NORTH AFRICA	Lending Instrument: Emergency Recovery Loan		
Implementing Agency(ies):				

Key Dates

Board Approval Date	14-Apr-2009	Original Closing Date	31-Oct-2010	Planned Mid Term Review Date	12-Nov-2012	Last Archived ISR Date	07-Nov-2012
Effectiveness Date	17-Apr-2009	Revised Closing Date	30-Jun-2013	Actual Mid Term Review Date	09-Dec-2011		

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective is to strengthen the supervisory framework for financial intermediation and to build capacity of financial institutions to support implementation of Phase I of the Iraq Banking Reform Strategy.

Has the Project Development Objective been changed since Board Approval of the Project?

Yes No

Component(s)

Component Name	Component Cost
Institutional and Operational Restructuring of the two State-owned Commercial Banks	5.00
Financial Restructuring of the Two State-owned Commercial Banks	1.00
Strengthening the Regulatory and Supervisory Functions of CBI	2.75
Project Management, Monitoring and Evaluation	0.75
Unallocated	0.50

Overall Ratings

	Previous Rating	Current Rating
Progress towards achievement of PDO	Satisfactory	Satisfactory
Overall Implementation Progress (IP)	Satisfactory	Satisfactory
Overall Risk Rating	Moderate	Moderate

Implementation Status Overview

The operation comes as a response to the request by the Government of Iraq to the World Bank for supporting the implementation of Phase I of the Iraq Banking Reform Strategy. The project (US\$ 10 million), is provided through the Iraq Trust Fund (ITF) to finance the costs and activities associated with the restructuring of the banking sector in Iraq.

Specifically, it would support the restructuring of the two state-owned banks--Rashid bank and Rashidan Bank, as well as develop their activities in the financial sector in parallel with on-going efforts to strengthen the banking sector's regulatory and supervisory framework of the Central Bank of Iraq (CBI), the implementing agency.

The Bank has been providing technical support and advisory services to the Iraqi authorities to implement the First Phase of the Banking Reform Strategy, which was done in consultations with the Ministry of Finance, the CBI, the Board of Supreme Audit (BSA), and the senior management of the two state-owned banks. This has been evident in the developments made in the institutional, operational and financial restructuring of the state-owned commercial banks--Rasheed Bank and Rafidain Bank through the capacity building of these banks at the head quarters and branch level in the different governorates. Moreover, at the CBI, the Supervision Department has been restructured and its capacity has been built, especially in the area of risk management.

On another note, CBI has requested a reallocation of the proceeds among the expenditure categories, as per the letter from the Governor of CBI dated July 8, 2012. This request is mainly due to the fact that during project implementation, additional training and advisory services were identified as needed based on consultations with the CBI, the Project Management Unit (PMU), the two state-owned banks—Rashid Bank and Rafidain, and the bankers' association. These demands were also consistent with the needs assessments conducted, and the recent recommendations of the Iraq Financial Sector Report. This proposed reallocation is also necessary to allow the PMU to carry out its mission effectively in the remaining period of implementation. This reallocation of funds for this project is the first of its kind, and has been approved by the World Bank on July 27, 2012.

There has been a major change in CBI management with the appointment of a new Governor. On October 14, 2012 an Iraqi judiciary issued an arrest warrant against the Governor of CBI, Dr. Sinan Al-Shabibi. Consequently, the Iraqi government appointed Dr. Abdul-Baset Turki, the Head of BSA, as an Acting Governor of CBI, after the court ruling ordered the removal of Dr. Shabibi from his post. The World Bank has received an official letter dated October 21, 2012, notifying management of such a change, since the CBI is the implementing entity of this project. Dr. Shabibi, who is currently out of the country, and more than a dozen other officials at the institution are being investigated for misleading monetary policies, as well as alleged improprieties involving capital requirements for local banks and foreign-currency auctions overseen by the central bank. It is worth noting that the replacement of the Governor of CBI by the Head of BSA, could affect project implementation, and possible delays with the change in management. Following this decision, the team has met the Iraqi authorities, to ensure irreversibility of the reform program, and smooth implementation of the project.

Locations

No Location data has been entered

Results

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
New organizational structures for the two state-owned banks are adopted	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments			
Number of staff trained in each bank would reach at least 100 staff member.	<input type="checkbox"/>	Number	Value	0.00	682.00	200.00
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments			
Compliance supervisory and regulatory framework (Basle Code Principles)	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments		Progress has been made by the Central bank of Iraq in	

moving towards a compliant supervision system.

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Improvement in functioning of the two state-owned commercial banks, evident in the increase in loan-to-GDP ratios from 4% in June 2006 to 6% in October 2010.	<input type="checkbox"/>	Percentage	Value	0.00	16.75	6.20
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments			
Build-up in provision levels at the two state-owned commercial banks for new loans, reflected in the reserves-to-NPLs ratios, rising from 10% in June 2006 to 20% in October 2010.	<input type="checkbox"/>	Percentage	Value	0.00	20.00	30.00
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments			
Capital adequacy ratio in line with prudential regulations, reaching up to 4% by October 2010.	<input type="checkbox"/>	Percentage	Value	0.00	4.00	4.00
			Date	14-Apr-2009	09-Dec-2012	30-Jun-2013
			Comments			
Recruitment of qualified staff capable of effectively managing the project. Capacity building granted to the Executive Steering Committee, supporting the reform program. Efficient and smooth execution	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	14-Apr-2009	09-Dec-2012	31-Oct-2010
			Comments		PMU is equipped with 4 qualified staff members, who are supporting the implementation of the program.	

Data on Financial Performance (as of 26-Oct-2012)

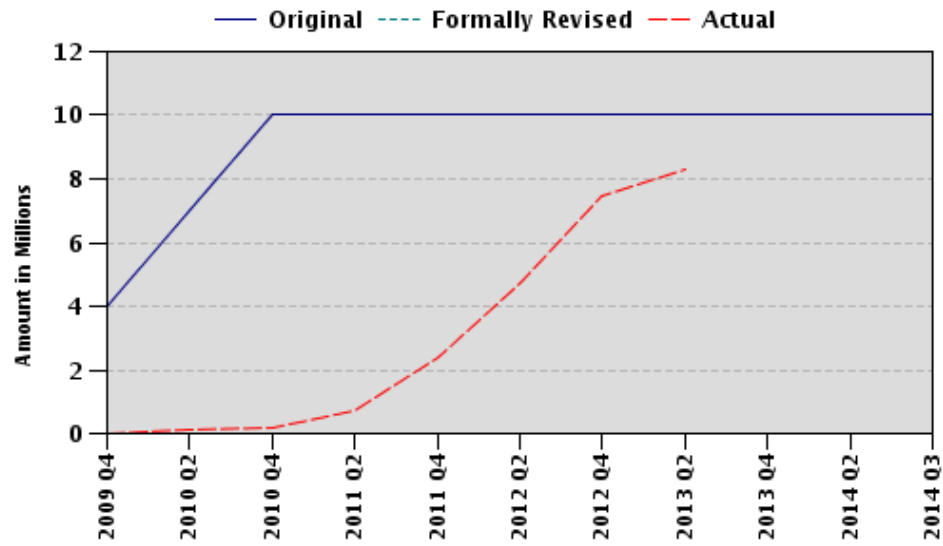
Financial Agreement(s) Key Dates

Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P113337	TF-94193	Effective	17-Apr-2009	17-Apr-2009	17-Apr-2009	31-Oct-2010	30-Jun-2013

Disbursements (in Millions)

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P113337	TF-94193	Effective	USD	10.00	10.00	0.00	8.27	1.73	83.00

Disbursement Graph



Key Decisions Regarding Implementation

Document can be disclosed

Restructuring History

There has been no restructuring to date.

Related Projects

There are no related projects.