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

Operation Name: Iraq: Banking Sector Reform (P113337)  Project Stage: Implementation  Seq.No: 8  Status: ARCHIVED  Archive Date: 24-Jun-2013

Product Line: Recipient Executed Activities  Country: Iraq
Implementing Agency(ies):  Region: MIDDLE EAST AND NORTH AFRICA  Lending Instrument: Emergency Recovery Loan

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 21-Dec-2012
Effectiveness Date 17-Apr-2009  Revised Closing Date 30-Jun-2013  Actual Mid Term Review Date 09-Dec-2011

Project Development Objectives
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)

<table>
<thead>
<tr>
<th>Component Name</th>
<th>Component Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional and Operational Restructuring of the two State-owned Commercial Banks</td>
<td>5.00</td>
</tr>
<tr>
<td>Financial Restructuring of the Two State-owned Commercial Banks</td>
<td>1.00</td>
</tr>
<tr>
<td>Strengthening the Regulatory and Supervisory Functions of CBI</td>
<td>2.75</td>
</tr>
<tr>
<td>Project Management, Monitoring and Evaluation</td>
<td>0.75</td>
</tr>
<tr>
<td>Unallocated</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Overall Ratings

<table>
<thead>
<tr>
<th>Rating Description</th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>Satisfactory</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>Overall Implementation Progress (IP)</td>
<td>Satisfactory</td>
<td>Moderately Satisfactory</td>
</tr>
<tr>
<td>Overall Risk Rating</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

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. Following the change in CBI management, the current Acting Governor has put banking sector reform as his top priority. In that context, he meets on a regular basis with all stakeholders to address challenges hindering reform implementation (internal CBI staff, BSA, state-owned banks, private banks, and the Banking Association). Concrete results are expected to be achieved over the coming months, in that regard.

The project closing date is approaching in June 30, 2013. The Bank team discussed progress achieved to date toward the Project Development Objectives and their completion prior to the project closing date with the Iraq authorities, as well as on-going reforms in the banking sector after the conclusion of the project period. The World Bank team also presented to the Iraqi authorities and the different counterparts; namely the Prime Minister's Office, Prime Minister’s Advisory Commission (PMAC), the CBI, Ministry of Finance, Ministry of Planning and International Cooperation, Office of the Deputy of the Speaker, Parliament—Finance Committee, Rafidain Bank, and Rasheed Bank; the Financial Sector Reform Strategy—Action Plan, which highlights key recommendations on moving forward to ensure the soundness of the financial sector in Iraq, and enhance the role of the banking sector in economic development.

Locations
No Location data has been entered

Results

Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>New organizational structures for the two state-owned</td>
<td>Yes/No</td>
<td>Value</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>banks are adopted</td>
<td></td>
<td>Date</td>
<td>14-Apr-2009</td>
<td>01-May-2013</td>
<td>30-Jun-2013</td>
</tr>
<tr>
<td>Number of staff trained in each bank would reach at least</td>
<td>Yes/No</td>
<td>Value</td>
<td>0.00</td>
<td>682.00</td>
<td>200.00</td>
</tr>
<tr>
<td>100 staff member.</td>
<td></td>
<td>Date</td>
<td>14-Apr-2009</td>
<td>01-May-2013</td>
<td>30-Jun-2013</td>
</tr>
<tr>
<td>State-own commercial bank’s improved their capital</td>
<td>Yes/No</td>
<td>Value</td>
<td>0.00</td>
<td>20.00</td>
<td>20.00</td>
</tr>
<tr>
<td>adequacy ratio (reserves-to-NPLs ratios)</td>
<td></td>
<td>Date</td>
<td>14-Apr-2009</td>
<td>01-May-2013</td>
<td>30-Jun-2013</td>
</tr>
</tbody>
</table>

Intermediate Results Indicators
### Indicator Name
- **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.**
  - **Core:** Percentage
  - **Unit of Measure:** Percentage
  - **Baseline:** 0.00
  - **Current:** 6.20
  - **End Target:** 16.75
  - **Date:** 14-Apr-2009
  - **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.**
  - **Core:** Percentage
  - **Unit of Measure:** Percentage
  - **Baseline:** 0.00
  - **Current:** 20.00
  - **End Target:** 30.00
  - **Date:** 14-Apr-2009
  - **Comments:**

- **Capital adequacy ratio in line with prudential regulations, reaching up to 4% by October 2010.**
  - **Core:** Percentage
  - **Unit of Measure:** Percentage
  - **Baseline:** 0.00
  - **Current:** 4.00
  - **End Target:** 4.00
  - **Date:** 14-Apr-2009
  - **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.**
  - **Core:** Yes/No
  - **Unit of Measure:** Yes
  - **Baseline:** No
  - **Current:** Yes
  - **End Target:** Yes
  - **Date:** 14-Apr-2009
  - **Comments:** PMU is equipped with 4 qualified staff members, who are supporting the implementation of the program.

### Data on Financial Performance (as of 13-May-2013)

#### Financial Agreement(s) Key Dates

<table>
<thead>
<tr>
<th>Project</th>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Original Closing Date</th>
<th>Revised Closing Date</th>
</tr>
</thead>
</table>

#### Disbursements (in Millions)

<table>
<thead>
<tr>
<th>Project</th>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>% Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>P113337</td>
<td>TF-94193</td>
<td>Effective</td>
<td>USD</td>
<td>10.00</td>
<td>10.00</td>
<td>0.00</td>
<td>9.03</td>
<td>0.97</td>
<td>90.00</td>
</tr>
</tbody>
</table>

### 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.