

Republic of Iraq**Performance and Learning Review of the Country Partnership Strategy
and
Emergency Operation for Development****Chair Summary*****July 7, 2015**

Executive Directors discussed the joint IBRD/IDA/IFC/MIGA Performance and Learning Review (PLR) of the Country Partnership Strategy (R2015-0089[IDA/R2015-0118, IFC/R2015-0119, MIGA/R2015-0028]) for the Republic of Iraq for FY13-16 and the Iraq Emergency Operation for Development (R2015-0128). They noted that the PLR and the Emergency Operation come at a critical time of increased internal security shocks amid a decline in oil revenues, the primary source of government financing.

Directors expressed broad support for the recommendations of the PLR, which reorient the World Bank Group's (WBG) near-term assistance to address the emergency situation facing Iraq. At the same time, Directors emphasized the importance of balancing the WBG's short-term assistance with progress towards the long-term development goals of reducing poverty and increasing economic opportunity and social inclusion. They stressed the need for sustained strategic dialogue with government and progress on governance, institutional capacity building, reforms, and transparency. Directors supported the PLR focus on the delivery of basic public services, especially in areas where the security threat has diminished, poverty reduction, enhancing citizen trust in government institutions, and actions to address the critical fiscal situation and increase opportunities for private sector investment. They agreed to extend the CPS through FY17 to better align with the timeframe and priorities of the new government and to capture initial results from the new program under preparation. Directors commended the new government's plans to build a more inclusive and transparent government that delivers better services to the public, noting the challenge of rebuilding and strengthening the capacity of state institutions that were weakened over the last twenty years. They looked forward to a Systematic Country Diagnostic that would inform the next Country Partnership Framework.

Directors strongly supported the coordinated efforts of IBRD, IFC, and MIGA to help set the stage for private investment to create jobs, diversify the economy, and reduce the fiscal burden, including through the gradual privatization of state-owned enterprises. They underscored the need to strengthen social protection, particularly in the current security and economic climate that has exacerbated poverty and vulnerability, especially among the displaced. They also encouraged activities to increase the focus on gender equality and opportunities for the large youth population. Directors emphasized the importance of coordination among development partners, particularly with the IMF and UN agencies, to leverage financial and program assistance for Iraq. They noted the importance of assistance for Iraq in the regional context, with implications for regional stability, the refugee crisis, and economic growth. Directors encouraged greater regional integration, cross-border trade and commerce, and South-South partnerships. They stressed the centrality of private sector development and urged a larger role for IFC and MIGA to help expand private investment flows.

Directors approved the US\$350 million IBRD loan for the Emergency Development Operation on the terms and conditions set out in the President's Memorandum. The operation will support Iraq in the reconstruction of damaged infrastructure and the restoration of public service delivery in seven targeted cities, helping to restore stability in areas liberated from ISIS control. Directors appreciated the Bank's rapid response in preparing the project and the flexibility and scalability built into the project design to adapt to the fluid situation on the ground. They emphasized the importance of incorporating lessons learned from prior operations, especially actions to prevent the misuse of funds and ensure fiduciary monitoring, to be supported through a third party monitoring agent. Directors urged careful monitoring and vigilance to mitigate the high risk related to the project and to enable adjustments during implementation. They looked forward to lessons of implementation experience that could be relevant in other contexts of conflict and fragility. They also recognized the efforts of WBG staff living and working under difficult and rapidly-changing circumstances in Iraq.

*This summary is not an approved record.