

Iraq

Second Expenditure Rationalization, Energy Efficiency, and State-Owned Enterprise Governance Development Policy Financing

December 20, 2016

Chair Summary*

The Executive Directors approved the Second Expenditure Rationalization, Energy Efficiency, and State-Owned Enterprise (SOE) Governance Development Policy Financing (DPF) (R2016-0244) loan for the Republic of Iraq in the amount of US\$1,443.82 million on the terms and conditions set out in the President's Memorandum.

Directors acknowledged the challenging situation facing Iraq and expressed their broad support for the World Bank's continuing support to help the government overcome a fiscal crisis and restore macroeconomic stability. Directors welcomed the government's commitment to eradicate corruption and to implement a program of reforms while waging a war against ISIS and the fall of oil prices. Directors appreciated the strong coordination and cooperation between the World Bank and welcomed the Bank's efforts in mobilizing the additional US\$443.82 million for Iraq with guarantees of the United Kingdom and Canada. EDs noted that the innovative use of guarantees allowed the Bank to provide Iraq timely financing at terms consistent to preserve debt sustainability.

They noted the program's consistency with Iraq's CPS and the MENA strategy and welcomed the program's three pillars, namely to improve: (1) expenditure rationalization; (2) energy efficiency; and (3) the transparency and governance of SOEs. Directors stressed the importance of the operation to safeguard economic stability and lay the foundations for longer-term structural reforms that would support private sector development and inclusive growth. They encouraged the Bank to pay close attention to social safety nets for locally displaced people, women and youth and encourage a shift toward the private sector, and improve federal-local relations. Directors took note of the many risks associated with the implementation of these reforms, including the political and governance risks. Directors encouraged the Bank to pursue and strengthen technical assistance and capacity building activities, and underlined the importance of effective donor coordination among the Bank, IMF and other development partners to continue supporting the implementation of reforms.

Directors recognized that the DPF is a high risk yet timely operation, noting that the risk of not engaging would be higher. Directors were pleased that lessons from past operations were applied and urged the Bank to set realistic milestones, manage expectations and ensure adequate resources.

*This summary is not an approved record.