

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC69010

Project Name	IRAQ EITI Implementation Support.
Region	MIDDLE EAST AND NORTH AFRICA
Country	Iraq
Lending Instrument	IPF
Project ID	P160274
Borrower Name	Republic of Iraq
Implementing Agency	EITI SECRETARIAT
Environment Category	C - Not Required
Date PID Prepared	06-Sep-2016
Estimated Date of Approval	30-Sep-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Oil accounts for over 90% of Iraqi exports and some 97 % of its foreign exchange earnings. Furthermore, Iraq holds some of the world largest untapped oil and gas reserves, which could be exploited for the next three to four decades at their current rates or above. Therefore, the World Bank support program to the Iraq economy would only make sense, if the indigenous resources were used first and foremost for the economic development of Iraq and could be integrated in the Country Development Program. The revenues from this source alone could drive the economy for decades to help it diversify into more productive and lasting industrial and services base. This would ensure a strategic and planned weening of the oil dependency over the long term, and establish the structure of a sustainable economic sector not based on oil rent alone. This policy shift needed however to be driven by the government and institutions which have the trust of the Iraqi people at large.

Sectoral and Institutional Context

Iraq holds 10% of the world's proved oil reserves (circa 115 billion barrels) and 2% of global gas reserves (120 TCF). Oil Production is currently steady at 3.5 million barrels/day, with one million going to the domestic market and the balance for export. Iraq's hydrocarbon sector contributes to 65% of its GDP, 90% of public revenues and most of its foreign exchange earnings. The government is still committed to the sound management and optimal performance of the sector by prioritizing policy decisions for universal access to gas and to power in the domestic market. It also wants to attract expertise and FDI to reverse output decline from existing oil and gas fields, and develop a new production capacity and new oil and gas fields, in a way commensurate with Iraq's resource base. Iraq joined Extractive Industries Transparency Initiative (EITI) in 2008 and, despite the continuing deteriorating security environment, five annual EITI reports have been

published covering the period from 2008-09 to 2013. Iraq is now preparing for validation under the Standard in 2016-17. Iraq is also considering using experience gained through the current EITI process to launch a draft Iraq EITI Law inspired from the existing Petroleum Law. EITI program was extended to the semi-autonomous Iraq Kurdistan and establish dialog on oil issues with authorities of this region.

Relationship to CAS/CPS/CPF

Ongoing support to Iraq's EITI process is a core element of the World Bank's 2013-2016 Country Partnership Strategy, which specifically mentions supporting improvements in institutional capacity and governance, through technical assistance to improve accountability in Government-wide systems, public financial management, transparency in oil revenue management, particularly through the continuation of the ongoing Extractive Industries Transparency Initiative.

II. Project Development Objective(s)

Proposed Development Objective(s)

The project development objective (PDO) is to enhance transparency in Iraq's extractive sectors through support of the country Government activities on the implementation of the Extractive Industries Transparency Initiative (EITI) and institutional reforms of the country's Extractive Industries management system.

Key Results

Progress in achieving the PDO will be measured by the following key results indicators:

- a) The 6th (2015) I-EITI Report, will be prepared and launched at the national conference
- b) Enhanced capacity of Iraq EITI Multi-Stakeholder Group (MSG), the National Secretariat and other EITI stakeholders to manage the EITI compliance process,
- c) Improved capacity to communicate on issues associated with transparency and accountability in the extractive industries.

III. Preliminary Description

Concept Description

The proposed grant (first year budget \$0.35 million) will consolidate and further develop the existing body of skills of the Iraq National EITI Secretariat, members of the MSG and representatives from Civil Society in understanding and implementing the Standard. In line with the increasing focus of the Standard on mainstreaming EITI within the EITI and the Iraq Government's commitment to publicly disclosing production volumes and corresponding revenues, the project will place an emphasis on linking EITI and government disclosures. Improving civil society participation and use of EITI information and institutionalizing EITI-type transparency will also be priorities for the project.

For the first phase of the project, the following activities are envisaged:

- (€ Publication of the 6th (2015) I-EITI Report, including the production of summary reports and a national launch conference in Baghdad
- (€ Capacity-building activities for the MSG, the National Secretariat and other EITI stakeholders, including report analysis workshops and public debates, training of local-level stakeholders on EITI implementation, and capacity-building activities specific to the MSG and the Secretariat staff.
- (€ Communications outreach and engagement

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.35	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Extractives Global Programmatic Support			0.35

VI. Contact point

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