REPORT NO.: RES34731

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

TRANSPORT CORRIDORS PROJECT

APPROVED ON DECEMBER 19, 2013

TO

REPUBLIC OF IRAQ / MINISTRY OF FINANCE

TRANSPORT

MIDDLE EAST AND NORTH AFRICA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P131550</td>
<td>Investment Project Financing</td>
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<table>
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<tr>
<th>Original EA Category</th>
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<tr>
<td>Full Assessment (A)</td>
<td>Full Assessment (A)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>19-Dec-2013</td>
<td>31-Dec-2019</td>
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Organizations

Borrower

Republic of Iraq / Ministry of Finance

Responsible Agency

Ministry of Construction, Housing, Municipalities and Public Works, KRG Ministry of Construction and Housing, Roads and Bridges Directorate - Project Management Team

Project Development Objective (PDO)

Original PDO

The Project Development Objective is to improve road transport connectivity and safety on selected road sections along Expressway 1 and the North-South transport corridor in Iraq.

Summary Status of Financing

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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
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<th>Net Commitment</th>
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<td>19-Dec-2013</td>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No
I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. Project Implementation Status:

1. The Transport Corridors Project (TCP) was approved by the Board of Executive Directors of the World Bank on December 19, 2013, with an IBRD loan of US$ 355 million. The signing of the loan agreement took place in Baghdad on March 2, 2014. The Legal Opinion (the only condition for Effectiveness) was submitted to the Bank on March 30, 2015, and the Loan was declared effective on the same day.

2. The project is now on track and progressing towards achieving the PDO which is to improve road transport connectivity and safety on selected road sections along Expressway 1 and the North-South transport corridor in Iraq. The overall Implementation Progress (IP) is rated Moderately Satisfactory. The three main contracts along the two main roads/trade corridors in Northern and Southern Iraq and associated supervision consultants contracts are fully committed and operational.

3. There is no overdue audit report and the commitment is now at US$ 225 million (or 63% of the loan). Disbursement has also improved substantially reaching US$ 151.75 million (42.7% of the loan). An additional US$ 25 million is expected to be disbursed by the end of FY19 which will bring the total disbursement for FY19 to about US$ 176.75 million or about 50% of the loan proceeds. The project will have some uncommitted which will be invested to improve the pavement strategy along one of the two segments along Expressway No.1 that has experienced severe damage due to the large volumes of traffic and overloading of trucks from Umm Qasr Seaport and the stone quarries alongside the Expressway in the Southern areas.

4. The implementation progress under all components is rated Moderately satisfactory, and the current implementation status of each component is as follows:

   (a) Component 1: Transport Corridors Improvements: (Cost US$ 323.81 million): All the major signed contracts are expected to be completed and signed within the current closing date of December 30, 2019. The physical works for the rehabilitation of Expressway No. 1, Segments R7 and R8 are progressing at the satisfactory rate but the works will require at about 18 months to complete. The main issue is the adoption of the improved pavement rehabilitation strategy developed by the Supervision Engineer to optimize and extend the pavement life cycle. Both segments have experienced increased deterioration due to uncontrolled heavy vehicles’ weight and axle load. The improved treatments for both segments so far has resulted in an improved condition of the road. Furthermore, the construction works of North-South Corridor (Girsheen-Suheila Intersection Highway) are progressing at a remarkable rate and the major works is expected to be completed by September 2019.

   (b) Component 2: Institutional Strengthening and Capacity Building in the Road Sector: (Cost US$ 18.96 million) and Component 3: Project Implementation and Monitoring: (Cost US$ 11.35 million): This aspect of the project is progressing rather slowly. The Bank’s team emphasized the importance of implementing the technical assistance services in both road agencies and the major impact that is expected in transforming the road management practice, and especially maintenance management. Both PMTs remain committed to the implementation of these services and expect that the following few months will witness some major results in procurement.

B. Lifting of partial suspension of disbursement:
5. On November 21, 2018, the World Bank partially suspended the disbursement for parts of Component 1 due to non-compliance with the social safeguards policies related to updating the resettlement action plan (RAP) for the corridor. In addition, there was improper reporting to the Bank of two accidental deaths of two members of the Resident Engineer and the Contractor between on July 2017 and August 2018. The conditions for lifting the suspension were (i) A RAP that has dedicated funds for cash compensation, and (ii) disclose the cleared RAP in Arabic. In addition, the Government would adopt measures to for occupational and safety standards along the corridor. The Government of Iraq has complied with these conditions and the suspension was officially lifted on April 3, 2019. The Implementing Agency has also provided the Bank with an Occupational Health and Safety Action Plan and reporting mechanism which was also acceptable to the Bank.

C. Rationale for restructuring:

6. The last supervision mission discussed the project progress and the justification for the need to extend the closing date for an additional 18 months. A formal request for an extension was received on December 6, 2018 but could not be processed till the lifting of the partial suspension. The proposed restructuring is based on the following reasons:

(a) The project was designed for 5-year implementation from Effectiveness and expected the project to be declared effective immediately after the loan signing date of March 2, 2014. However, Effectiveness was delayed by one year, i.e. March 30, 2015.

(b) To address additional works for the pavement along a segment of R7 and R8 segments due to overloaded trucks exiting Um Qasr Seaport with a bulk of the cargo heading to Baghdad and because of the overloading of stones and aggregates from quarries adjacent to the Expressway 1. The Project Management Team at the Roads and Bridges Directorate with assistance from their highway consultant and the supervision consultant have conducted a deep analysis of the pavement condition and presented and discussed with the Bank's team a new work plan as per the revised pavement rehabilitation strategy. This strategy will require an additional 18 months to complete beyond the current closing date. In addition, the Implementing Agency is ready to process additional works contracts using the uncommitted funds that will extend beyond the current closing date of December 30, 2019. All works will be consistent with the project design.

7. The task team confirms that the project objectives continue to be achievable, the performance of the Borrower and PMTs is satisfactory, and the Bank and the Borrower agreed on actions to be undertaken to complete the project through a specific action plan prepared by the borrower. The proposed extension is considered essential to the successful implementation of the project and is proposed for June 30, 2021.

II. DETAILED CHANGES

<table>
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<th>Loan Closing Date(s)</th>
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