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Report No: PADHI01359

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF $900 MILLION

TO THE

REPUBLIC OF IRAQ

FOR A

IRAQ TRANSPORT ECONOMIC CORRIDORS (ITREC)

(P510293)
APRIL 27, 2026

Transport
Mid East, North Africa, Afg, Pak

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 04, 2026)

Currency Unit =	
1310 IQD =	US$1
IQD 1 =	US$0.00076

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Ousmane Dione
Regional Director:	Almud Weitz
Country Director:	Jean-Christophe Carret
Practice Manager:	Georges Bianco Darido (acting)
Task Team Leader(s):	Georges Bianco Darido, Hisham Mahmoud Fouad, Soran Hama Tahir Ali

ABBREVIATIONS AND ACRONYMS

AADT	Annual Average Daily Traffic
AIIB	Asian Infrastructure Investment Bank
AM	Accountability Mechanism
ADB	Asian Development Bank
CERC	Contingent Emergency Response Plan
CSO	Civil Society Organization
DA	Designated Account
DBOM	Design, Build, Operate, Maintain
DFIL	Disbursement Financial Information Letter
E&S	Environmental and Social
E1	Expressway No 1
E2	Expressway No 2
EBRD	European Bank for Reconstruction and Development
EIRR	Economic Internal Rate of Return
ENPV	Economic Net Present Value
EODP	Emergency Operations for Development Project
ERP	Emergency Road Project
ESF	Environmental and Social Framework
ESCP	Environmental and Social Commitment Plan
ESHS	Environmental, Social, and Health & Safety
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standards
FCV	Fragile, conflict and violence
FM	Financial Management
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoI	Government of Iraq
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HEIS	Hands-on Extended Implementation Support
I3RF	Iraq Reform, Recovery and Reconstruction Fund
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDR	Iraq Development Road
IFC	International Finance Corporation
IFR	Interim unaudited Financial Reports
IPF	Investment Project Financing
IQD	Iraqi Dinar
IREM	Iraq Railways Extension and Modernization Program
ITREC	Iraq Transport Economic Corridors
ITS	Intelligent Transport Systems
KPI	Key Performance Indicators

KRG	Kurdistan Regional Government
LMP	Labor Management Plan
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
MOCHPM	Ministry of Construction, Housing, and Public Municipalities
MoF	Ministry of Finance
MoP	Ministry of Planning
MoT	Ministry of Transport
M&E	Monitoring and evaluation
O&M	Operations and Maintenance
OHS	Occupational Health and Safety
OPEC	Organization of the Petroleum Exporting Countries
OPBRC	Output and Performance-based Road Contracts
PCE	Private Capital Enabling
PCM	Private Capital Mobilization
PDO	Project Development Objective
PMT	Project Management Team
POM	Project Operations Manual
PPP	Public-private partnerships
PPSD	Project Procurement Strategy for Development
R9A	Section A of Expressway Number 1
R9B	Section B of Expressway Number 1
RAP	Resettlement Action Plans
RBD	Roads and Bridges Directorate
RFM	Results Framework and Monitoring
RS-MAP	National Road Safety Mass Action Program
RSSAT	Road Safety Screening Tool
SEA/SH	Sexual Exploitation and Abuse / Sexual Harassment
SEP	Stakeholder Engagement Plan
SOE	State-owned Enterprises
SOP	Series of Projects
SOP1	Project 1 of the Series of Projects
SOP2	Project 2 of the Series of Projects
SORT	Systematic Operations Risk Rating
STEP	Systematic Tracking of Exchanges in Procurement
TCP	Transport Corridor Project
TOR	Terms of References
WA	Withdrawal Application
WBG	World Bank Group
WHO	World Health Organization

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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Iraq	Iraq Transport Economic Corridors (ITREC)		
Operation ID	Financing Instrument	Environmental and Social Risk Classification	
P510293	Investment Project Financing (IPF)	High	

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[✓] Series of Projects (SOP)	[✓] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[✓] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
21-May-2026	30-Jun-2032
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

The Project Development Objective (PDO) is to enhance the connectivity, resilience, safety, and institutional sustainability of Iraq's priority road transport infrastructure and create jobs in transport and related sectors.

Components

Component Name	Cost (US$)
Safe and Resilient Road Infrastructure	848,650,000.00
Institutional Strengthening and Preparation of Future Interventions	11,600,000.00
Implementation and Project Management Support	39,750,000.00
Contingent Emergency Response	0.00

Organizations

Borrower/Recipient:	Republic of Iraq
Implementing Agency:	Ministry of Construction, Housing, and Public Municipalities

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Operation Cost	**1,041.00**
Total Financing	**1,041.00**
of which IBRD/IDA	**900.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	900.00

Non-World Bank Group Financing

Commercial Financing	41.00
Unguaranteed Commercial Financing	41.00

Counterpart Funding	100.00
National Government	100.00

Expected Disbursements (US$, Millions)

WB Fiscal Year	2026	2027	2028	2029	2030	2031	2032
Annual	0.00	45.00	63.00	90.00	252.00	405.00	45.00
Cumulative	0.00	45.00	108.00	198.00	450.00	855.00	900.00

PRACTICE AREA(S)

Practice Area (Lead)

Transport

Contributing Practice Areas

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	High
7. Environment and Social	High
8. Stakeholders	Substantial

9. Other	High
10. Overall	Substantial

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description
Section I.A.3 Schedule 2: " The Borrower shall, no later than sixty (60) days after the Effective Date, or such later date as agreed by the Bank, establish, and thereafter maintain throughout Project implementation, a Project Steering Committee ("Project Steering Committee"), chaired by the MoCHPM, with terms of reference, composition (including the Ministry of Finance, the Ministry of Transport, the Ministry of Planning, RBD and selected representatives of the Kurdistan Regional Government) and roles and responsibilities acceptable to the Bank and defined in the POM, to provide guidance on inter-agency coordination and ensure alignment with national development priorities".
Section I.A.4 Schedule 2: "The Borrower shall, through the RBD, no later than 270 (two hundred and seventy) days after the Effective Date, or such later date as agreed by the Bank, establish, and thereafter maintain throughout Project implementation, a PPP unit housed in RBD ("PPP Unit")[…]"
Section III.B. 2(a), Schedule 2: "Notwithstanding the provisions of Part B.1 of this Section, and without limitation to the provisions set forth in Section 7.03 of the General Conditions, the Bank may cancel all or a portion of the Unwithdrawn Loan Balance if at any time the Bank has determined and notified the Borrower that there is Lack of Progress on Project Implementation."

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Section 5.01(a)	The Project Operations Manual has been adopted by the Borrower in form and substance satisfactory to the Bank	IBRD/IDA
Effectiveness	Section 5.01(b)	The Project Management Team has been established in form and substance acceptable to the Bank; and (ii) a Project coordinator, and staff/focal points responsible for (A) procurement, (B) financial management, (C) social aspects, (D) environmental aspects, and (E) occupational health and safety aspects; all for the Project have been appointed, with terms of reference, qualification,	IBRD/IDA

		and experience satisfactory to the Bank.	

I. STRATEGIC CONTEXT

A. Project Strategic Context

1. **Emerging from three decades of fragility and conflict, Iraq is transitioning from reconstruction to development.** Since the conclusion of major military operations related to the ISIS conflict in 2017 and not withstanding other remaining fragilities, the country has experienced a period of relative stability and is progressing on its path to sustainable development. Government efforts have primarily focused on a largescale investment program in key infrastructure aiming to improve public service delivery and to lay the foundations for transitioning to a more diversified economy. Reaping the full benefits of these investments depends on the implementation of a more comprehensive package of policy reforms to address longstanding structural economic challenges and improve economic efficiency and transparency.

2. **As Iraq transitions from reconstruction to development, it continues to face significant economic and social challenges that constrain private sector recovery, diversification, and job growth.** Iraq's economy is among the least complex in the world,[1] with heavy reliance on the oil sector, which leads to economic volatility and undermines implementation of needed policy reforms to address structural economic challenges. Oil revenues accounted for 53 percent of real gross domestic product (GDP), 95 percent of exports, and 91 percent of government revenues in 2024, in line with the last decade averages. This heavy reliance on the oil sector led to a 1.5 percent GDP contraction in 2024 due to Organization of the Petroleum Exporting Countries (OPEC)+ production quota agreement. Fiscal conditions significantly deteriorated in 2025 due to declining oil export revenues and following the previous years' sharp rise in recurrent spending, prompting a significant cut to planned public investment spending. This procyclical fiscal policy also translated to the accumulation of arrears and liquidity shortages due to lack of fiscal buffers with negative spillovers for non-oil sector activity. The dependence on oil also exposes the economy to other exogenous shocks such as the disruption to oil exports during conflicts in the Middle East that further compound fiscal risks. The unemployment rate in Iraq is around 15.5 percent, much higher than the regional average (10.9 percent).[2] The agriculture sector is the largest employer in the country, generating 20 percent of all jobs in 2019. Yet over 16 percent of Iraqis are undernourished, much higher than regional peers[3]. Reliance on food imports leaves the country vulnerable to commodity supply and price shocks. Iraq also ranks low on connectivity and access to services with just 0.07 healthcare facilities and 1.3 hospital beds per 1,000 people, which is far below World Health Organization (WHO) recommendations and regional peers. These gaps in agriculture and healthcare are more severe outside major cities due to poor transport infrastructure, fueling social and economic divides.

3. **Iraq's location in the Middle East positions it at the intersection of regional and international economic corridors.** Sharing borders with Türkiye, Iran, Kuwait, Saudi Arabia, Jordan, and Syria, Iraq serves as a geographical nexus for trade and connectivity. The estimated US$17 billion Iraq Development Roads (IDR) is an ambitious plan by the Government of Iraq (GoI) to leverage Iraq's strategic geographic location through a series of long-term road, railway and complementary investments. The vision for the 1,200-kilometer IDR is to connect Al Faw port and Basra in southern Iraq to Faysh Khabur on the Iraq–Türkiye border, with broader linkages extending connectivity to Europe and beyond.[4] The phased implementation of IDR through 2050 has the potential to significantly increase trade and diversification, strengthening the foundation for private sector growth and job creation in Iraq. The successful achievement of these goals crucially depends on the complementary implementation of deeper policy reforms to improve macroeconomic stability, foster more efficient government spending, and promote a transparent and conducive business environment.

[1] Iraq ranks 182nd globally on economic complexity which reflects a country's resilience to shocks during crises and its capacity to attract foreign investment. Harvard Growth Lab. (2023). The Atlas of Economic Complexity. Retrieved from https://atlas.hks.harvard.edu/data-downloads.
[2] Central Statistical Organization. (2022). Iraq Labor Force Survey 2021.
[3] Concern Worldwide & Welthungerhilfe, Global Hunger Index (2024), https://www.globalhungerindex.org/
[4] https://mecouncil.org/wp-content/uploads/2024/10/ME-Council_Issue-Brief-_Iraqs-Development-Road-Project-A-Path-to-Prosperity-or-Instability__WEB.pdf

B. Sectoral and Institutional Context

4. **Roads are the backbone of the Iraq's transport system and key to broader connectivity and job creation, but the Iraqi network is currently underdeveloped compared to peer countries.**[5] Iraq ranks 115th out of 139 countries in the World Bank's 2023 Logistics Performance Index, and it reportedly takes 24 hours for a truck to travel 580 km between Baghdad and Umm Qasr port. Road transport accounts for over 90 percent of transportation activity in Iraq. While approximately 85 percent of Iraq's road network is paved, almost 65 percent is reported to be in moderate to poor condition. Poor connectivity isolates key agricultural governorates that collectively produce nearly half of Iraq's wheat. In Baghdad, Nineveh, and Kirkuk, 35–45 percent of surveyed firms identified poor transport access as a major or very severe obstacle. Despite these challenges, the road sector is additionally a significant source of employment, with large-scale construction and rehabilitation projects generating tens of thousands of jobs annually and further widescale impacts.[6] Indeed, recent studies estimated that a 10 percent increase in Iraq's stock of road infrastructure increased employment by about 1.6 percent.[7]

5. **The transport sector offers important employment opportunities for women in Iraq, which has one of the world's lowest female labor force participation rates: only 11 percent of women are economically active, versus 72 percent of men.**[8] Women make up less than 1 percent of total employment in transportation and storage.[9] Women are nearly absent in the private road construction sector due to barriers such as childcare responsibilities, social norms, mobility constraints, and inadequate sanitation facilities in field settings[10]. The public sector shows more favorable statistics for women's participation in the transport and construction sectors: women comprise 29 percent of the Roads and Bridges Directorate's (RBD) workforce, including 34 percent of engineers, and women lead three of RBD's eight departments.[11] Women represented 35 percent of undergraduate students in the Engineering Roads and Bridges program at the University of Technology and 33 percent of graduates in the Roads and Transport program at the Polytechnic University in Iraq in 2024–2025. On-the-job training and capacity building for women have been identified by consulted private-sector construction companies as needed interventions. These measures, including recognized certifications, are essential for attracting and retaining women in skilled roles, and for supporting their progression to managerial positions.

6. **A severe and escalating road safety crisis in Iraq, driven by rapid motorization and inadequate system-wide safety measures, further strains the sector**. The number of registered vehicles more than doubled from about 2.2 million in 2005 to 4.7 million in 2020, with traffic volumes rising at an estimated 11.5 percent per year between 2003 and 2013, far above population growth. This surge has contributed to a high fatality burden: official data recorded 5,563 deaths in 2021, while WHO estimates reach 9,344, equivalent to a fatality rate of 22 per 100,000 population compared with a global average of roughly 15.[12] The economic cost is equally significant, with road crashes in 2021 resulting in an estimated US$9.5 billion in human capital losses.

7. **The vulnerability of Iraq's transport infrastructure to climate change poses further threats to economic activity and integration.** Aging transport infrastructure with outdated drainage capabilities and creeping urbanization along existing roads north of Baghdad has made this critical northern corridor susceptible to increasingly common climate risks. A recent example includes the unseasonable rainfall from 16 November 2025 which resulted in widespread damage. Such events have multi-sectoral impacts across the Iraqi economy. If road infrastructure becomes less reliable, then the

[5] Iraq has an average road density of 0.008km/km^2, well below the average of neighboring countries (0.15km/km^2) per Global Roads Inventory Project (GRIP).
[6] Iraq Infrastructure Sector Assessment Program (InfraSAP) for Connectivity and Economic Diversification, World Bank (2022).
[7] Estache, Antonio, Elena Ianchovichina, Robert Bacon, and Ilhem Salamon. 2013. *Infrastructure and Employment Creation in the Middle East and North Africa.* Washington, DC: World Bank.
[8] Labor force participation, aged 15 and above. 2024. World Bank Data Portal.
[9] International Labor Organization (ILO). 2021. aged 15 and above. Labor Force Survey.
[10] The statement is based on HR statistics shared by seven local private road sector companies.
[11] Data obtained from RBD. January 2026.
[12] Most fatalities occur among 4-wheel vehicle occupants (65 percent), followed by 2/3-wheeler users (28 percent), and nearly 60 percent of victims are under 35. Vulnerable road users, especially pedestrians and motorcyclists in urban areas, represent a substantial share of those killed.

consequences could be widespread. For example, the country's food security[13] and access to healthcare[14] both rely crucially on the domestic road network. These gaps in agriculture and healthcare are more severe outside major cities due to a lack of transport infrastructure, fueling social and economic divides. Failure to promote climate resilience in road infrastructure risks furthering these divisions.

8. **Financial instability and underinvestment in the road sector are limiting maintenance and rehabilitation in the sector.** Capital and recurrent road expenditures under RBD[15] rely on annual national budget allocations, leaving funding highly exposed to Iraq's fiscal conditions and political cycles. During the 2010s, RBD faced volatile budget transfers, with sharp cuts during fiscal downturns. Annual road maintenance needs are estimated at US$300 million in federal Iraq and US$200 million in the Kurdistan Regional Government (KRG), while opportunities to finance these expenses through tolls and other revenues are currently being considered. Although RBD collects road-related fees[16], these revenues are transferred to the central treasury rather than retained, constraining planning capacity and contributing to chronic underinvestment and growing maintenance backlogs.

9. **Greater private sector participation offers an opportunity to fill gaps in the country's infrastructure.** Recent successful examples of private sector engagement in Iraq's transport sector include the Baghdad International Airport Public Private Partnership (PPP), a 25-year US$764 million contract awarded in late 2025 to expand the airport's capacity, in which the International Finance Corporation (IFC) acted as transaction adviser[17]. In the road sector, private capital mobilization (PCM) faces several hurdles, including lack of practical experience, the absence of a tolling authority, security risks along corridors, and the lack of a dedicated legal and institutional framework for the development of PPPs in the road sector. Addressing these challenges is key to infrastructure development.

10. **The proposed Iraq Transport Economic Corridors (ITREC) Project identifies priority road segments that will serve to immediately improve the operations and climate resilience of the national road network and provide a foundation for subsequent investments.** Among more than 1,200 km of roadways identified in the IDR plan, two axes are highlighted: a north-south corridor connecting Baghdad to the Turkish border requiring greenfield construction (Expressway 2 or E2), and improved operations; and improved road conditions and climate resilience along an east-west corridor, Expressway 1 (E1) connecting Baghdad to Iraq's neighbors of Syria and Jordan. The junction of these two corridors near Baghdad is strategically significant, as it consolidates flows from both directions, strengthens domestic connectivity, and enables stronger links with neighboring countries, thereby enhancing regional integration and expanding the economic reach of Iraq's north–south transport axis. In parallel, targeted upgrades within the KRG will enhance redundancy and improve access to major industrial and economic zones, manufacturing and energy clusters, and key agricultural areas. In its first phase (SOP1), ITREC will finance civil works on E1, E2 and selected KRG segments. Sector reforms and learnings from SOP1 will then inform future phases of the ITREC SOP that will mobilize private capital to extend these works towards a broader portion of the IDR plan. Additional details are included in the theory of change below.

11. **The ITREC SOP builds on two decades of World Bank engagement in the transport sector.** Since 2006, the World Bank has supported investments totaling US$732 million on transport sector projects[18]. This has included the rehabilitation or reconstruction of 700 km of roadways, 218 km of railways and 72 bridges, reflecting efforts to improve inter-provincial connectivity and build capacity in the sector.[19] These projects have impacted more than 2.5 million beneficiaries,

[13] Concern Worldwide & Welthungerhilfe, Global Hunger Index (2024), https://www.globalhungerindex.org/
[14] Iraq has 0.07 healthcare facilities and 1.3 hospital beds per 1,000 people, which is far below WHO recommendations.
[15] The Road and Bridges Directorate is the state agency under Iraq's Ministry of Construction, Housing, and Public Municipalities (MOCHPM) responsible for the country's road infrastructure outside of the capital.
[16] Such as vehicle overweight fines and vehicle registration levies earmarked for maintenance.
[17] While the Baghdad Airport PPP is a positive precedent for Iraq and signals the government's openness to private sector participation in infrastructure, the transferability of this experience to the road sector is limited: Airports rely largely on hard-currency revenue streams and a single controlled site, whereas road PPPs depend on local currency tolls and face increased risk from the willingness and ability to pay tolls.
[18] Successfully implemented projects include the Emergency Road Project (ERP), the Transport Corridor Project (TCP), and most recently the Emergency Operation for Development Project (EODP).
[19] Impact Evaluation of the Iraq Transport Corridors, The World Bank, 2018.

generated 3 million person-day jobs, and resulted in up to 41 percent reduction in travel time for some projects20. More recently, the World Bank is engaged in complementary investments to support the IDR Stage 1 initiative. In June 2025, the World Bank's Board of Directors approved the US$930 million Iraq Railway Extension and Modernization (IREM) project, which will upgrade railway infrastructure and services between Umm Qasr Port in southern Iraq and Mosul in the north. The project aims to reduce travel time, increase freight volumes, and modernize the railway sector.[21] The ITREC project is also supported by the donor-funded Iraq Reform, Recovery and Reconstruction Fund (I3RF) for complementary and upstream activities, including capacity building, training, and knowledge transfers.[22]

12. **The rehabilitation of key segments of Expressway 1 (84 km), the enhancement of priority roads in KRG (72km), and the greenfield construction of Expressway 2 (100km in SOP1) will enhance the resilience and the development of national economic corridors.** Expressway 1 (E1) constitutes part of a critical east–west axis within Iraq, and the selected segment (R9B) complements prior rehabilitation financed by World Bank investments[23]. Including E1 in ITREC aims to build on that project's demonstrated results, reduced travel times, enhanced climate resilience and network redundancy, and improved road safety, thereby generating additional economic benefits and employment opportunities around Baghdad and strengthening connectivity with Iraq's neighbors, Syria and Jordan, while improving integration with the broader national road network generally. The strategic placement of the Sulaymaniyah–Chamchamal–Kirkuk Road and the Girsheen–Suhaila Road in KRG enhances access to major industrial and economic zones, manufacturing and energy clusters around Sulaymaniyah, Chamchamal, and Kirkuk, as well as Duhok's industrial and agricultural areas, reducing transport costs and improving freight reliability and resilience.

13. **The 504 km Expressway 2 (E2) between Baghdad and the Turkish border will be developed in phases with the support of the ITREC Series of Projects (SOP) to improve connectivity, improve climate resilience, and enable job creation and economic diversification in key sectors including tourism, agriculture, health, and manufacturing.** The northern corridor covered by E2 is increasingly exposed to climate hazards, including extreme heat and flash flooding, which threaten road durability and service reliability. Disruptions along this corridor can therefore have cascading impacts on regional connectivity, food supply chains, and economic activity. SOP1 focuses on a 100 km segment between Baghdad and Samarra, where religious tourism attracts nearly 5 million visitors annually, poor road access is a major constraint. The expressway will reduce travel time to major markets by up to 40 percent and airports by 30 percent. More than 20,000 direct and indirect jobs are expected to be created from SOP1, with larger long-term employment effects emerging as lower transport costs expand market access. Faster access to airports, border crossings, and new industrial zones enlarges the job markets for nearly eighteen million people in underserved governorates.

II. PROJECT DESCRIPTION

A. Project Development Objective

14. The overarching development objective of the SOP and the Project Development Objective (PDO) is to enhance the connectivity, resilience, safety, and institutional sustainability of Iraq's priority road transport infrastructure and create jobs in transport and related sectors.

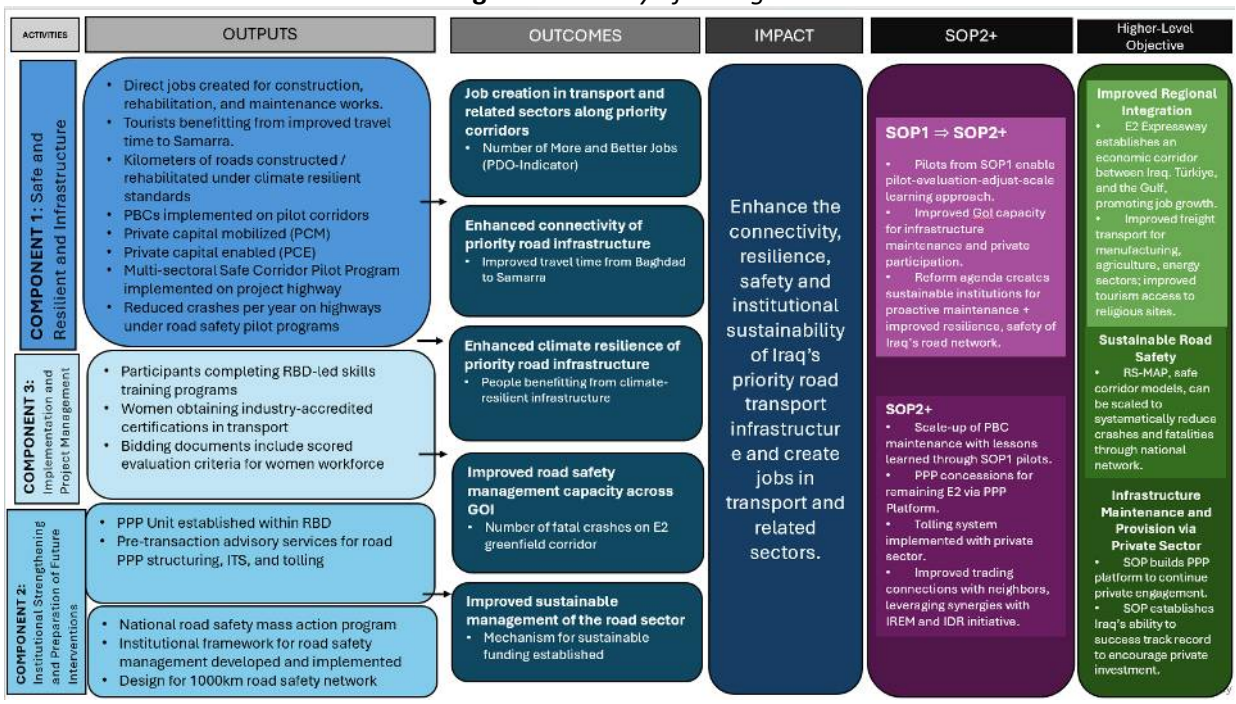
[20] World Bank team's own calculation of impacts across projects.
[21] The complementarity of rail and road investments, together with supplemental institutional reforms, will promote connectivity, multimodality and the resilience of the transport system. First, multi-modality in the transport system is a strategic necessity. Second, the IREM railway will strengthen north–south freight movement and port connectivity but will specialize in a narrower range of long-distance and high-volume commodities. Iraq will therefore continue to rely on road transport—especially for perishable, high value, and time-sensitive goods and services. Additionally, complementary institutional reforms will ensure physical infrastructure assets facilitate long-term economic growth. Institutional reforms are essential to ensure that assets remain well-maintained beyond the project implementation period, preserving the long-term benefits that quality infrastructure delivers. Given the sector's persistent financing gaps, reforms that mobilize private capital are critical.
[22] The World Bank has already provided training and consulting services for capacity building for over 120 professionals in RBD, General Directorate for Roads and Bridges and Iraqi Republic Railways in procurement, the design and operationalization of OPBRCs and PPPs, and environmental and social safeguards.
[23] Specifically, the 86 km R9B section directly adjoins the previously rehabilitated 62 km R9A segment delivered under the Iraq Transport Corridors Project (P131550).

B. Theory of Change and PDO Indicators

15. The PDO of the project will be tracked by the PDO-level indicators below, which can be readily expanded to monitor the results of the broader SOP.

- PDO indicator 1 - Creating Jobs: Number of more and better jobs created through the project [unit: number] [scorecard indicator]
- PDO indicator 2 - Enhanced Connectivity]: Travel times from Baghdad to Samarra for Freight and Passengers [unit: hours]
- PDO indicator 3 - Enhanced Resilience: Number of people benefiting from climate resilient infrastructure [unit: number] [scorecard indicator]
- PDO indicator 4 - Enhanced Road Safety: Number of fatal crashes per billion vehicle-kilometers traveled per year on E2 greenfield corridor [unit: Number]
- PDO indicator 5 - Enhanced Institutional Sustainability: Mechanism for sustainable funding established [Yes/No]

Figure *1 - Theory of Change*



Problem Statement: Iraq's road infrastructure is underdeveloped, in poor condition, and degrading in an accelerated rate due to changing climate conditions, which are hampering economic development and growth.
Assumptions: (i) Adequate implementation capacity within RBD to (1) implement identified civil works and (2) coordinate institutional reforms related to private investments in road sector, (iii) Geopolitical regional stability.

C. Project Beneficiaries

16. The PDO of the project will be tracked by the PDO-level indicators below, which can be readily expanded to monitor the results of the broader SOP.

17. **The ITREC SOP is expected to benefit approximately 8 million people with about 5.5 million people benefiting from SOP1 along the new or improved roadways.** This estimate follows the World Bank-approved corporate methodology for calculating beneficiaries and comprises 2.75 million women and 0.825 million youth. SOP1 will develop a portion of E2 that will connect Iraq's most populous city, Baghdad (8.1 million) with Samarra (0.3 million), which is a major religious

pilgrimage site. It also enhances connectivity to other large urban centers and pilgrimage sites like Najaf (1.0 million) and Karbala (0.6 million) which attract millions of visitors annually in religious tourism. Intercity travelers, religious pilgrims, and businesses will gain from faster freight services and lower transportation costs. The new expressway will shift a significant portion of both longer distance passenger and freight traffic away from the existing secondary and urban road network along the north-south corridor, reducing local air pollution, crashes, congestion, and road wear while enhancing the efficiency of road transport.

D. Project Components

18. **Component 1: Safe and Resilient Road Infrastructure (estimated US$848.65 million IBRD; US$41 million PCM).** This component will finance the following activities related to the implementation of new or existing roads using good practices in safe systems and climate resilient standards for Iraq.

- **Subcomponent 1.1. Implementation of initial phase of Expressway 2 between Baghdad and Samarra:** This subcomponent will finance the design, construction, operations and maintenance of: (i) the initial 100 km greenfield segment from Baghdad to Samarra of the E2 corridor (out of the 504 km from Baghdad to the Turkish border), and (ii) approximately 10 km of greenfield feeder roads connecting rural areas within the vicinity of Samarra. Operation and maintenance will be delivered through an Output and Performance-Based Road Contract (OPBRC) using good practices and standards for resilience, safety, and sustainability.[24] This subcomponent will reduce distances and travel times between Baghdad and Iraq's northern governates and will displace traffic from other longer routes shifting a portion of non-essential traffic out of Baghdad and other villages and towns' core inner city transport networks acting to alleviate urban traffic congestion.
- **Subcomponent 1.2. Rehabilitation and maintenance of the R9B segment of Expressway 1:** This subcomponent is expected to finance the rehabilitation, operation and maintenance for 5-years of the existing 84 km E1-R9B[25] segment, a key road corridor in Iraq, using an OPBRC including climate performance and recovery indicators to ensure resilience key performance indicators (KPI) are maintained throughout the operation's lifecycle[26]. The safety performance of the corridor under the OPBRC will be addressed by linking contractor payments to measurable performance outcomes during the operation and maintenance phases, incentivizing performance through safe engineering practices, including multi-stage safety audits, and enhanced work zone safety protocols.
- **Subcomponent 1.3. Rehabilitation and maintenance of priority road corridors in KRG:** This subcomponent comprises rehabilitation, operation and maintenance of two existing road segments totaling approximately 72

[24] This sub-component supports adaptation to increasing climate-related risks affecting a critical north–south transport corridor, including extreme heat, flooding, and climate-induced service disruptions. The expressway and feeder road design will be informed by climate vulnerability assessment and incorporate projected climate conditions to specify pavement performance for projected extreme temperature ranges; specify drainage sizing/return periods aligned to projected precipitation intensities and include scour protection standards. Further climate resilient interventions will inform the OPBRC KPIs tied to payments for E2 including post-flood reopening time, drainage functionality after events, rutting/bleeding thresholds during heat waves, response times to dust storm visibility events. The ITS system will support this with early warning and operational protocols explicitly linked to hazards (heat, flash floods, dust storms) and emergency response coordination. The sensitization of neighboring communities to the hazards and ITS management protocols will be embedded as part of citizen engagement activities during implementation. These climate resilient features go beyond standard climate considerations for typical road design projects. In addition, the subcomponent institutes various initiatives described in the Paris Alignment section below. Together, these measures reduce climate-related transport disruptions while strengthening institutional capacity to manage climate risks over the asset lifecycle. The design and engineering will undergo a multi-stage road safety audit process, with specific attention to work zone safety protocols, speed management strategies, and mitigation of roadside crash hazards through compliant barrier systems and safe access provisions. This subcomponent also includes the design and rollout of Fiber Optics infrastructure along the Baghdad-Samarra corridor by adopting a "dig once" approach.

[25] The R9B segment of Expressway 1 begins at the end of R9A, approx. at Station 40+000km (i.e., within the vicinity of Baghdad) and extends westward towards the Jordanian border. R9B is a divided highway consisting of six-lanes (each 3.75 meters wide), separated by a wide median (10 meters). Both directions of the highway feature standing/emergency lanes (2.5 meters wide) at the edge of pavement.

[26] This sub-component addresses climate-related vulnerabilities of an existing strategic corridor exposed to extreme temperatures, heavy rainfall, and flooding. It aims to improve road performance and safety while strengthening the adaptive capacity of the maintenance system to manage increasing climate risks. The same climate risk informed approach to address physical climate hazards will be integrated in the rehabilitation work as the one outlined in footnote 24 including climate performance and recovery indicators in the OPBRCs. Complementary capacity building supports implementing agencies and contractors in applying climate-resilient maintenance standards and climate-informed asset management practices, enabling a shift from reactive repairs to proactive management of climate risks.

km, including Upgrading of Sulaymaniyah – Chamchamal – Kirkuk Road (Tasluja to Bani Maqan Segment) – 50 km and the Girsheen–Suhaila Road Upgrade (22 km) and Construction of Girsheen Interchange and maintenance as OPBRCs incorporating climate performance and recovery indicators, as well as safe and resilient standards[26].

- **Subcomponent 1.4. Piloting of road safety features:** This component will implement a multi-sectoral road safety corridor demonstration pilot on E1-R9B and other priority segments to include traffic enforcement measures focusing on speed management and other behavioral risk factors, as well as coordination with emergency healthcare services and civil society. This includes financing goods and services, such as equipment, speed cameras, traffic enforcement equipment, patrol vehicles, and evaluation study.

19. **Component 2. Institutional Strengthening and Preparation of Future Interventions (estimated US$ 11.6 million).** This component will support institutional strengthening and transport sector reforms to enable the preparation, modernization and financing of Iraq's future national road network. This component will finance goods, consulting services and non-consulting services to include the following activities:

- **Subcomponent 2.1. Capacity building for road sector PPPs:** Activities will support RBD in: (i) preparing and structuring future road PPPs including the greenfield extension of E2 from Samarra to the Turkish border (approx. 404 km) as a bankable PPP transaction, (ii) developing a national tolling strategy, (iii) developing contract and performance monitoring system for OPBRCs, including safety and resilience, and (iv) designing sustainable payment mechanisms for road implementation and maintenance in the form a dedicated Payment Account and set up of a future Road Fund.

- **Subcomponent 2.2. Road safety program:** Activities will include: (i) the preparation and assessment of a national-level Road Safety Mass Action Program (RS-MAP) targeting at least 1,000 km of high-risk and high-volume roads with readily implementable interventions identified through network-level survey and crash data collection, and (ii) technical advisory and capacity-building support to all stakeholder agencies for improving road safety management functions, governance mechanisms, and crash data management systems.

- **Subcomponent 2.3. Strengthening Environmental, Social and Health and Safety (ESHS):** Activities will support RBD to: (i) improve ESHS risk management, grievance redress monitoring, reporting, and management, and (ii) build capacity in maintaining grievance databases, continuous stakeholder engagement, livelihood restoration, compensation, biodiversity and Occupational Health and Safety (OHS) management activities.

- **Subcomponent 2.4. Design and engineering of future road interventions:** Activities will include: (i) design and engineering of the greenfield E2 extension from Samarra to the Turkish border (approx. 404 km) and any other priority road segments for ITREC SOP2[27], (ii) field surveys, functional or conceptual plans, preliminary and detailed designs for additional road rehabilitation, maintenance, and improvements consistent with the objectives of ITREC, (iii) the development of Environment and Social Management Plans, Emergency Action Plans, and Traffic and Road Safety Management Plans, (iv) additional engineering designs for road improvements selected under the RS-MAP, and (v) improvements to the Road Asset Management System and other support systems to include road safety, climate resilience and sustainability objectives.

- **Subcomponent 2.5. Sector reform studies:** Activities will include plans and studies to: (i) maximize socio-economic benefits of road investments through job creation in agricultural, industrial, tourism and other relevant sectors, (ii) promote the adoption of an integrated approach to road and rail freight logistics and multi-modal passenger transport services that reduce greenhouse gas (GHG) emissions and system reliability, (iii) embed climate vulnerability assessments at an institutional level to strengthen system-wide climate resilience for the transport sector, and (iv)

[27] The site selection, design and engineering of future road interventions will be informed by a comprehensive climate vulnerability assessment, which will incorporate a network analysis to improve redundancy in the event of flooding. This will also include heat stress risk management measures.

support PPP enabling environment reforms to enable private sector participation in infrastructure and service delivery, (v) upgrade road safety, and (vi) promote regional trade corridors.

20. **Component 3: Implementation and Project Management Support (estimated US$39.75 million):**[28] This component is estimated based on common practices for the management, contingency planning, and supervision of road projects in Iraq and the value of civil works to be implemented[29].

- **Subcomponent 3.1**. **Implementation support**. Specialized consultants will provide targeted advisory and technical support as needed to the project management team (PMT), complementing its core functions, bringing best practices, and specialized knowledge in areas such as reporting, auditing, OPBRCs, intelligent transport systems (ITS), tolling frameworks, design-build-operate-maintain (DBOM) models, and other innovative approaches. Support may be delivered through firms or individual experts, ensuring the PMT has access to advanced skills and resources to manage complex and innovative project components effectively. These may include travel for supervision and training, equipment, office supplies, and miscellaneous project-related operating expenses, but excluding staff salaries and other ineligible recurring costs.
- **Subcomponent 3.2. Engineering review, construction supervision and contingency.** Professional consultants will support PMT in independent engineering reviews, construction supervision, advisory services, and studies for all activities under Component 1 of the project, including on-site material testing and workmanship supervision to ensure Contractors meet road standards and climate resilience design specifications. This subcomponent may also cover other contingencies under Component 1.

21. **Component 4: Contingent Emergency Response Component - CERC (US$0):** Provision of immediate response to an Eligible Crisis or Emergency, as needed.

22. **The total IBRD financing for SOP1 is US$900 million, which is estimated to be allocated as per the table below.** The total estimated project cost currently ranges from US$900 million to US$1.041 billion[30], which is typical for a large infrastructure project at the current stage of design. Should a financing shortfall materialize, the Government of Iraq plans to address this through one or more of the following options: (i) counterpart budget allocations; (ii) a request for Additional Financing from the World Bank; (iii) mobilization of co-financing from development partners; or (iv) transfer of any confirmed cost overrun or scope reallocation to a second phase of ITREC (SOP2), subject to satisfactory performance under SOP1 and approval of SOP2. Counterpart resources from GoI will also provide funding for land acquisition and ensure adequate resources for the Payment Account to meet government payment obligations for operations and maintenance (O&M).

Table 2 Loan Allocation by Component

	Component Description	US$ million
Component 1. Safe and Resilient Road Infrastructure		**848.65**
1.1.	Implementation of initial phase of E2 between Baghdad and Samarra	726
1.2.	Rehabilitation and maintenance of E1-R9B	30
1.3.	Rehabilitation and maintenance of priority road corridors in the KRG	77.65
1.4.	Piloting of road safety features on key priority segments	15
Component 2. Institutional Strengthening and Preparation of Future Interventions		**11.6**
2.1.	Capacity building for road sector PPPs	2

[28] The front-end fee of one quarter of one percent (0.25 percent) (US$2,250,000) will be paid from the Loan.
[29] Estimated as 4% of civil works based on standard practice in Iraq.
[30] The upper estimate reflects cost contingencies and potential price escalation for Component 1 that may or may not materialize during implementation. While the Bank has assessed that the core scope of works is achievable within the USD 900 million loan envelope, the ongoing conflict in the Middle East may significantly affect the price of materials, equipment, fuel, security, and other cost inputs going forward. Moreover, the total cost estimate and variance is expected to be reduced during implementation through value engineering, optimized detailed designs and competitive procurement processes.

2.2.	Road safety mass action program	3.5
2.3.	Strengthening Environmental, Social and Health and Safety (ESHS)	1.1
2.4.	Design and engineering of future road interventions	4
2.5.	Sector reform studies	1
Component 3. Implementation and Project Management Support		**39.75**
3.1.	Implementation support	7.5
3.2.	Engineering review, construction supervision and contingency	30
Front-end Fee		2.25
Component 4. Contingent Emergency Response Component (CERC)		**0**
Total		**900**

Rationale for proposed Series of Projects (SOP):

23. **Overall rationale for proposed Series of Projects (SOP):** The challenges facing Iraq's road sector are structural and cannot be resolved through rapid or one-off interventions. Addressing them will require a sequenced, long-term reform and investment program that goes beyond the lifecycle of a single IBRD-financed project. The SOP will pilot activities informed by international best practices in road safety, management and resilience of assets, and private sector involvement in the sector. The World Bank Group (WBG) global knowledge and collaboration will ensure sound design and implementation under SOP1. The results of these pilot activities will be evaluated and their design adjusted to inform future investments in subsequent projects of the SOP. Successful pilot activities will be scaled up in subsequent projects of the SOP. This integrated approach (Pilot-Evaluate-Adjust-Scale Up) will create conditions to implement further innovations in future phases of the SOP, as outlined in the Theory of Change above, including PPP concessions for the remainder of E2, improved private engagement in tolling and maintenance, and improved regional integration aligned with the IDR goals.

24. **The SOP's integrated approach will be implement across five key dimensions**: **(1)** multi-phased road safety program consistent with international best practices, **(2)** OPBRCs for road rehabilitation and maintenance, assess their performance, and build capacity for future public-private partnership (PPP) models in the road sector, **(3)** the integration of a fiber-optic conduit within the design–build–operate–maintain contract, **(4)** RBD's institutional capacity will be also be strengthened to identify and pilot approaches for managing environmental and social (E&S) risks and responsibilities between public and private sector actors in road OPBRC/PPP projects, excluding land acquisition, and **(5)** road resilience and sustainability measures to leapfrog traditional approaches.

25. **A key element of the integrated approach is pairing infrastructure investments with institutional and policy reforms to sustain them, especially for modernized asset management approaches and private sector participation**. SOP1 includes a key technical assistance component aimed at identifying and addressing institutional bottlenecks, supporting reforms, and laying the groundwork for future private sector participation, including PPPs. This includes piloting performance-based contracts for roads, developing a tolling strategy, and designing a PPP platform that will guide the structuring of future transactions. The goal is to move Iraq toward a more disciplined and performance-driven road infrastructure management model grounded in modern asset management systems and service-level indicators that rewards outcomes over inputs. In future phases, the SOP will facilitate the implementation of more sophisticated PPP models, drawing on lessons from peer countries' experiences. By sequencing reforms and investments, ITREC sets Iraq on a trajectory to attract more private investment, improve service quality, and ensure longer-term sector sustainability.

26. **Finally, SOP's sequencing of phases embeds the One-WBG approach.** SOP1 IBRD financing focuses on enabling reforms and institutional foundations, including OPBRC pilots, tolling policy, the establishment of a sustainable funding mechanism, and PPP Unit capacity. These foundations help derisk the sector and establish enabling conditions for private participation in the road sector. Payment credibility and institutional capacity will be stress-tested before PPPs for the remainder of the corridor are structured, which will help reduce the risk profile for private investors. IFC's support through

advisory and investment will be critical during this phase. The Multilateral Investment Guarantee Agency's (MIGA) credit enhancement tools would further support private sector participation in Iraq's fragile, conflict and violence (FCV) context. The progression from purely publicly financed reforms and programs to private participation is thus the SOP's central progression logic.

E. Role of Partners

Name of Partner	Nature of Involvement /Description
Asian Infrastructure Investment Bank (AIIB)	There have been preliminary discussions with AIIB, who is interested in co-financing ITREC, including SOP2.
Asian Development Bank (ADB)	While the ADB does not currently have an established lending program in Iraq, it has expressed interest in the country's infrastructure development agenda, particularly in the context of Iraq's National Development Plan (2024–2028). ADB's regional experience in transport corridor development — including road and rail connectivity across Central and South Asia — positions it as a potential future partner for complementary investments in Iraq's transport network.
European Bank for Reconstruction and Development (EBRD)	The EBRD made its inaugural investment in Iraq in December 2025, a trade finance facility, with infrastructure investments expected to follow as the institution scales up its country program. The EBRD's new Infrastructure Sector Strategy (2025–2029) prioritizes improved connectivity and climate resilience, aligning well with Iraq's expressway and transport corridor objectives.

F. Lessons Learned and Reflected in the Project Design

27. **Project design leverages the World Bank Group's extensive experience with similar projects.** For example, Senegal's Dakar–Diamniadio Highway Project (P087304) was one of the first toll roads built in Sub-Saharan Africa through a PPP for a greenfield highway and was supported by the World Bank and IFC. The conditions that enabled success in Senegal included strong political commitment, an empowered public counterpart, robust stakeholder engagement, and a stable environment for long-term private investment. Lessons in risk sharing options and calibrating tariff levels based on willingness to pay will be considered while recognizing Iraq's institutional capacity, security conditions, and market dynamics. Successful implementation also requires addressing challenges like land acquisition, procurement, E&S standards, and safety. Building on Iraq-specific experiences from the recent Emergency Operations for Development Project's (EODP) and IREM projects, ITREC will provide Hands-on Extended Implementation Support (HEIS) for E&S and procurement (with the active support of World Bank technical specialists), ensuring sustainable improvement of RDB's capacity through extensive capacity development.

28. **The World Bank-financed TCP (P131550) demonstrated the benefits of adopting the Safe System approach and climate resilience design practices.** Higher design standards, including crash barriers, improved road markings, and upgrading to dual carriageways, enabled safer travel even at increased speed limits, while the importance of routine maintenance and enforcement, particularly axle load control, allowed safety gains to be sustained. The introduction of performance-graded bitumen and polymer-modified asphalt mixtures enhanced pavement durability under increasing axle loads and improved resilience to extreme thermal variations. In parallel, the design of drainage infrastructure, including culverts and roadside ditches, applied higher return periods and updated rainfall intensity parameters to better safeguard the road structure under changing hydrological conditions. Rehabilitation works also ensured that all gutters, ditches, and culverts were maintained to full operational capacity. These principles will be scaled up under ITREC.

29. **Advanced procurement is essential to avoid delays and ensure readiness for implementation upon loan effectiveness.** This includes early prequalification, preparation of bidding documents, initiation of selection processes for key contracts, and early preparation of expressions of interest and terms of reference for technical assistance and implementation support. To accelerate implementation, it is possible that other available or government funds will be

used to complete design work for KRG activities and prepare bidding documents for R9B. In parallel, a firm will be engaged to finalize designs and bidding documents for E2 (Baghdad–Samarra). This concurrent preparation approach avoids delays linked to loan effectiveness.

30. **Lessons drawn from the TCP and EODP projects highlight the importance of dedicating professional, experienced staff to the PMT to avoid delays during project execution.** Ensuring that staff knowledge is regularly updated in contract management and fulfilling contractual obligations remains essential for smooth project delivery. The effective management of contracts requires clear, unambiguous communication with contractors and consultants, as well as proactive oversight of technical and contractual issues throughout implementation by working closely with the PMT.

III. PROJECT IMPLEMENTATION

A. Institutional and Implementation Arrangements

31. **Iraq's road sector is overseen by RBD under the Ministry of Construction, Housing, and Public Municipalities (MOCHPM).** The sector operates within national public works legislation, notably the Public Roads Law (Law No. 35 of 2002) and Law No. 22 of 1997 governing corporate and procurement activities. The Ministry of Transport (MoT) sets up transport strategies and policies, and parallel institutional arrangements exist in the KRG, coordinated with MOCHPM. The Ministry of Finance (MoF) represents the borrower, while MOCHPM —through the RBD—will implement activities. Strategic oversight will be provided by a high-level steering committee chaired by MOCHPM, including RBD, MoF, MoT, the Ministry of Planning (MoP), and KRG representatives to ensure national alignment and cross-regional coordination. The Steering Committee shall provide overall strategic guidance and ensure that the project remains aligned with sectoral priorities and national development objectives. Its responsibilities include coordinating major policy directions and reforms and facilitating coordination among key institutions. The Committee will serve as a high-level forum for resolving issues that require inter-agency agreement. Implementation will be led by a dedicated PMT within RBD, covering procurement, financial management, monitoring and evaluation, and technical oversight. Operational day-to-day implementation responsibilities remain with the PMT and its supporting structures.

32. **RBD will implement the project through a dedicated PMT, responsible for procurement and financial management, monitoring and evaluation (M&E), and technical oversight of project activities.** As a critical risk mitigation measure, the PMT will be reinforced with additional staffing, resources, and technical experts to ensure timely and effective implementation. The PMT will also oversee compliance with Environmental and Social Standards (ESS), including land acquisition, resettlement, and community health and safety in accordance with the principles of equal employment opportunity and merit-based selection, ensuring that qualified women and men have equitable access to roles and advancement based on competence, experience, and performance. To ensure coherent implementation across jurisdictions, the PMT will include representatives from KRG technical, environmental and social, procurement, and fiduciary disciplines. A Ministerial Order dated February 09, 2026, issued by the Minister of Construction and Housing, has been signed to formalize the involvement of the KRG in the project. The Order establishes the agreed implementation arrangements between the Federal Government and the KRG, confirming their joint commitment to the project and the way forward. In line with this agreement, the Ministerial Order stipulates that KRG staff members will be seconded to and embedded within the PMT in Baghdad, and that a single implementing entity will be responsible for project implementation on behalf of both governments.

33. **To strengthen institutional capacity, the PMT will be supported by specialized consultants, recruited internationally under Component 3**. These consultants will provide comprehensive implementation and project management support to the PMT with project planning, scheduling, progress monitoring, financial auditing, procurement, environmental and social oversight, preparation of reports, and facilitation of stakeholder coordination. Beyond these core functions, the consultants will bring specialized expertise in innovative approaches such as design-build-operate-maintain, performance-based contracts, tolling systems, intelligent transport systems (ITS), and

other advanced modalities. Specialized consultants will contribute to institutional strengthening and knowledge transfer. The consultants will enhance the PMT's ability to manage the project effectively while remaining distinct from consultancies engaged in technical design validation and construction oversight.

34. **To ensure timely fulfillment of OPBRC payment obligations, the Government will establish a dedicated Payment Account.** The Payment Account will secure government obligations under the OPBRCs, ensuring liquidity over a defined period and ring-fencing of funds as appropriate.[31] The Payment Account will initially be used solely to make payments under OPBRC contracts. It will be advanced by the GoI for a defined number of months of expected OPBRC payments and maintain the minimum balance throughout implementation. The World Bank reimburses the Account within a defined period whenever the balance falls below the threshold and during the project life. Payment verification, reporting, and monitoring protocols will be set up.

35. **The RBD will prepare a Project Operations Manual (POM) as a condition of effectiveness under the Loan Agreement.** The POM will define internal procedures for project implementation, including roles and responsibilities of the RBD, project consultants, and other stakeholders. It will also outline fiduciary processes, procurement protocols, environmental and social requirements, monitoring and evaluation frameworks, and reporting mechanisms. The POM will serve as a key instrument to ensure transparency, accountability, and consistency in project execution. Procurement will include applicable thresholds and will explain in detail the operational procedures regarding how RBD will reduce delays in finalizing the procurement processes, handling contract management issues, and effective complaints management to handle procurement complaints**.** The POM should include timelines (service standards for decision-making at each stage and level and the mechanism for reporting exceptions at the highest level in government).

36. **For the sub-component in the KRG region, oversight of this subcomponent will also be handled by the RBD, working in close coordination with KRG's Ministry of Construction and Housing.** The PMT will manage fiduciary and technical aspects of the KRG rehabilitation works, supported by Engineering Supervision Consultants providing technical oversight, quality assurance, and capacity support, particularly in areas such as contract management, environmental and social standards, and road safety. These arrangements will ensure consistency with national standards and alignment with ITREC's broader objectives of connectivity, resilience, and safety.

37. Standard operating procedures governing the use of patrol vehicles, enforcement equipment, and automated systems by the Traffic Police will be incorporated into the POM, and their adoption will be formalized through adequate collaboration arrangements between the implementing ministry, MOCHPM, and the Ministry of Interior (MOI).

B. Results Monitoring, Evaluation, and Verification Arrangements

38. **The MOCHPM will be responsible for the overall project, while RBD, through MOCHPM, will be responsible for overseeing implementation and preparing technical and financial progress reports.** The PMT will gather data on demand, road safety, citizen engagement and others and periodically report progress to achieve the PDO. The PMT will also monitor the M&E Framework, following methodologies in the Results Framework and Monitoring (RFM). The RFM will help the RBD develop capacity in measuring results and gradually meet international standards for benchmarking and comparability. The RBD and the World Bank will conduct a Mid-Term Review to assess project changes during implementation.

C. Disbursement Arrangements

39. **The proceeds of the loan will be disbursed in accordance with the World Bank's disbursement guidelines for IPF projects, as outlined in the Disbursement Financial Information Letter (DFIL).** The project will have a Designated Account

[31] Among the good practice features of Payment Account are transparency, operational autonomy, and safeguards to ensure predictability and reliability of payments. This financial architecture is essential given the off-taker risk in Iraq, to build trust with private contractors, support contract enforcement, and lay the foundation for a future in which Iraq's road network is sustainably financed and maintained.

(DA) under the RBD to be used for project components. Advances will be made to the DA in Iraqi Dinar (IQD) currency, which will be opened at an acceptable bank under the RBD under the name of the project. The DA will have an advance ceiling equivalent to US$100,000. Disbursement will be made on the Statement of Expenditures, and the format and content of the statement of expenditures will be added to the DFIL. Interim unaudited Financial Reports (IFRs) will be used for financial management (FM) reporting purposes.

40. **For the road components implemented through OPBRCs, disbursements will follow the achievement of contractually defined performance milestones**. Payments to contractors will be made upon verification of outputs and performance indicators as specified in the OPBRC agreements. These may include achievement of service-level standards, routine and periodic maintenance performance, and compliance with environmental and social requirements.

41. **Verification of achieved milestones will be conducted by the PMT and endorsed by the RBD**. Disbursement from the loan will be made based on certified payment certificates submitted by the RBD, supported by evidence of verified performance. The DFIL will outline the documentation requirements for OPBRC-related disbursements, including the use of customized Statement of Expenditures where applicable. No advances will be made directly to contractors under the OPBRCs; instead, payments will be made on a reimbursement basis or through direct payment, depending on the nature of the expenditure and the payment modality agreed with the World Bank.

42. **The MOCHPM and RBD will nominate authorized signatories to sign the Withdrawal Application (WA).** Their names and corresponding specimens of their signatures will be submitted to the World Bank prior to the receipt of the first WA. Each WA will be electronically approved and signed by the authorized signatories.

43. **Introducing FundsChain tool in World Bank-financed Investment Projects.** FundsChain is designed to enhance the project ability to track commitments, payments, and disbursements. The blockchain-based platform will offer end-to-end traceability and it will assist in preparing interim unaudited and annual financial reports required by the World Bank for the envisaged project, while ensuring full traceability of expenditures.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

44. **SOP1 will include the design, construction and operation, and maintenance of the first segment of E2 and the rehabilitation and maintenance of E1-R9B and select segments in KRG. Baghdad-Samarra represents the first 100 km of E2 which links Baghdad to the Turkish border.** The strategic importance of E1-R9B comes from its interface with E2 within the vicinity of Baghdad. The GoI intends to implement OPBRCs for the construction and operation and maintenance of E2 Baghdad-Samarra and the rehabilitation and operation and maintenance of E1-R9B, making it the first applications of this contracting model in Iraq's road sector. Under the OPBRC framework, contractor remuneration is tied to verifiable service-level outcomes, creating incentives for sustained performance, improved asset preservation, and optimized lifecycle cost management, rather than focusing solely on short-term project delivery.

45. **The proposed works in KRG are essential to improve traffic flow, enhance safety, accommodate projected demand, and support regional economic development.** The technical analysis confirms the relevance and priority of both KRG road investments. The Sulaymaniyah-Chamchamal-Kirkuk corridor requires upgrading due to its rapid transformation into a major industrial zone, where increased freight volumes, heavy vehicle traffic, and expanding refinery and manufacturing activities have exceeded the capacity and structural performance of the existing roadway. Similarly, the Girsheen–Suhaila upgrading and the construction of the Girsheen Interchange address critical network gaps that were previously excluded from the TCP due to financing constraints.

46. **Road safety is a key dimension of the ITREC SOP and a preliminary assessment of road safety impact using the World Bank's Road Safety Screening Tool (RSSAT) was carried out for SOP1.** The overall Project Safety Impact metric for all roads financed under SOP1 are expected to be below 1, indicating fewer traffic crash fatalities after the project

compared to existing conditions, and net positive economic benefits due to safety improvements. The Project Safety Impact scores are 0.92 for E2, 0.56 for E1-R9B, 0.52 for Girsheen-Suhaila, and 0.71 for Selemani-Kirkuk, showing that positive impacts are expected by the project interventions. Based on the results of the RSSAT, safety measures such as road signs, barriers, traffic calming measures, and pavement markings will be incorporated into the final designs of selected roads in high-risk areas and other facilities to address post-project traffic flows. The project also includes road safety promotion and awareness during and after construction and will strengthen institutional aspects.

47. **ITS with tolling capabilities will be implemented on E2, and a tolling strategy will be developed to support the operational and financial sustainability of future road investment and maintenance.** Key ITS applications include traffic management, automated tolling, weigh-in-motion, and emergency response coordination, each designed to optimize the movement of people and goods and improve overall mobility. Independent toll revenues will reduce reliance on government budgets for expressway operations and maintenance, safeguarding long-term functionality and quality. In Iraq, given the lack of experience with tolling, it is unlikely to serve as sufficient standalone revenue stream to support road concessions. Instead, the government is expected to pursue availability payment PPP models, where private operators are compensated through regular payments tied to performance and service delivery. In this context, tolling plays a critical enabling role as a mechanism to enhance the government's fiscal capacity to meet its payment obligations. By generating additional revenue, tolling effectively increases the government's ability to fund availability payments, thereby improving the bankability of PPP projects. Progress on the regulatory framework, including a tolling framework, is critical to progress the government's ability to generate revenues for future road sector investment and maintenance.

48. **The technical appraisal indicates that resilience considerations will be fully integrated into the design of capital investments.** The design process will incorporate an assessment of climate-induced risks and the identification of engineering and operational measures to reduce exposure and vulnerability. The review of current technical standards in Iraq shows that such requirements are not yet formalized, even though the professional community broadly recognizes that climate risks are widespread and affect both infrastructure and transport operations. Consequently, the project will apply international best practices in managing climate and environmental risks and in strengthening the capacity of road infrastructure to withstand heavy rainfall, sandstorms, and high or extreme temperatures.

49. **ITREC will support institutional capacity building through the establishment of a PPP Unit within RBD as a transitional, learning-oriented unit, which will evolve into a dedicated PPP Platform, effectively addressing limited experience and capacity with OPBRCs and PPPs.** The PPP Unit will support the PMT in the preparation, procurement, and contract management of the first OPBRCs. Drawing on lessons from implementing these initial OPBRCs and shifting from piloting OPBRCs to structuring more complex and bankable PPPs for SOP2, the PPP Unit will transition into a PPP Platform with enhanced governance, business planning, and accountability structures better suited for complex PPP transaction preparation. Once established, the PPP Platform, together with transaction advisers, will oversee the PPP feasibility study for the remaining phases of E2 (approximately 404 km from Samarra to the Türkiye border). The study will define bankable project packages and assess affordability, value for money, and risk allocation supported by a predictable tolling revenue stream as well as the need and scale of viability gap funding from the Government. MoF's role in assessing and managing fiscal risks associated with PPPs, including availability-payment obligations and contingent liabilities, will be key to ensure that project structures remain fiscally sustainable. Institutional strengthening and targeted skill enhancement will enable the PPP Platform to manage contracts, monitor implementation, allocate risks, process payments, and resolve disputes effectively. Informed by SOP1 results, the PPP Platform may mature into a more autonomous, commercially oriented entity capable of mobilizing private capital for the IDR corridor and wider network.[32]

50. **Given the lack of a dedicated financing mechanism for road maintenance resulting in uncertain payments unsuitable for performance-based contracting, ITREC will also support the establishment of a dedicated, ring-fenced Payment Account.** The account, expected to be set up pursuant to a cabinet decision within the first year of the operation

[32] Building on best practice and lessons from national roads authorities, such as SANRAL in South Africa.

as captured in the Sector Policy Letter (Annex 2), will secure government obligations under the pilot OPBRCs and will be used exclusively for payments due under such contracts.[33] The Project will support the establishment of the Payment Account, including the development of the account's governance, operational procedures, fund flow protocols, and payment verification and certification mechanisms. The Payment Account will be initially funded by loan proceeds to settle certified payment obligations due under OPBRC contracts. Upon loan closure, the Government will be responsible for maintaining the Payment Account through regular replenishments to safeguard ongoing contractual obligations. This flow of loan proceeds through the account will provide the mechanism with initial credibility and it will be maintained at a defined minimum balance, and supported by clear replenishment rules. Notwithstanding its ring-fenced nature, the Payment Account will remain within the Government's consolidated budget framework — subject to annual budget appropriation, the MoF expenditure controls, and financial reporting requirements — and will be subject to annual external audit by either Iraq's Board of Supreme Audit or independent private external audit firm, ensuring full accountability and that the Account does not operate as an extrabudgetary structure. Replenishment sources are expected to include budget allocations and sector revenues generated from leases (e.g. service stations, weighing stations) and, once implemented, pilot toll revenues. Over time, the Payment Account is expected to provide the operational foundation for a future sustainable funding mechanism, such as a Road Fund, with defined governance and a sector investment mandate to support predictable financing of Iraq's road network. In parallel, the project will support the development and adoption of a national tolling policy.

Economic Analysis

51. **A standard cost–benefit analysis confirmed the economic viability of the project.** This analysis[34] evaluated investments in (i) the construction of E2 (100 km greenfield road between Baghdad and Samarra), (ii) the rehabilitation of the 84 km E1–R9B road segment, (iii) the rehabilitation of 72 km of selected segments in KRG, and (iv) related road safety improvements. The assessment captures changes in traffic volumes across the study area road network resulting from these interventions and quantifies associated economic benefits, including reductions in vehicle operating costs, travel time and road crash costs as obtained from the RSSAT analysis. The analysis also accounts for and quantifies changes in GHG emissions. In 2030, the Annual Average Daily Traffic (AADT) on the E2 (greenfield Baghdad–Samarra segment), the rehabilitated E1-R9B segment, and the KRG segments, is projected to reach 36,517; 58,903; and 125,101 vehicles, respectively. Total capital expenditures are estimated at US$850.9 million, incurred over an assumed three-year construction period. Operating costs for road maintenance consistent with the performance-based measures discussed above are incorporated. Economic costs are 90 percent of financial costs. Under these assumptions, the project is expected to generate an Economic Internal Rate of Return (EIRR) of 45.2 percent, significantly exceeding the economic discount rate of 6.0 percent. At this discount rate, the project yields an Economic Net Present Value (ENPV) of US$10.9 billion, expressed in constant 2025 prices. Sensitivity analyses were conducted by varying costs and benefits by ±50 percent. The project remains economically viable under all tested scenarios; even under the most adverse case where costs increase by 50 percent and benefits decline by 50 percent, the EIRR remains robust at 21.7 percent.

52. **The economic analysis included a Greenhouse Gas emission accounting analysis following the World Bank's Guidance Note for Road Projects.** The analysis found that the project's economic life gross emissions are 199,541,918 tons of CO2e, up from 192,198,860 tons of CO2e under the baseline scenario. The net increase of approximately 3.8 percent of CO2e is primarily due to increased economic activity, which provides substantial and offsetting benefits to Iraq. The rate of increase is mitigated largely by the reduction in travel distance and travel time savings offered by the new corridor in component 1.1.

[33] Prior to the Payment Account becoming operational, certified payment obligations under OPBRC contracts will be settled directly from the project Designated Account, ensuring continuity of contractor payments from the outset.
[34] Additional details on the economic analysis, including breakdown by benefit source and details on key assumptions such as traffic forecasting, are presented in a methodological note, available in the project documents.

Paris Alignment

53. **The project is supporting Iraq's commitments on climate change.** Iraq's Nationally Determined Contribution (NDC) updated in 2025 targets a 17 percent reduction of GHG emissions by 2035 conditional on international support. The project directly contributes to key sector mitigation priorities by delivering infrastructure to promote electric mobility and enhance public transport connectivity. Under adaptation priorities the project directly contributes to delivering climate-resilient infrastructure and enhancing disaster risk management and early warning systems. Iraq's Nationally Appropriate Mitigation Actions recognizes the nation's dependency on road networks, highlighting particularly intercity routes, and supports pursuing measures to reduce congestion and associated emissions including promoting a shift from private vehicles to more sustainable modes of travel. ITREC will contribute towards reducing congestion and associated emissions by significantly improving journey times and displacing non-essential traffic including heavy goods vehicles from passing through the ribbon development of villages and towns along existing lower classification roads. Together with the strong alignment with the Country Climate Development Report's transport sector recommendations, the proposed project is consistent with the country's climate strategies.

54. **Based on the Paris Alignment assessment, the project is considered aligned on the mitigation and adaptation objectives.** Transport infrastructure along the northern corridor of Iraq is vulnerable to impacts from climate hazards and its efficacy is being constrained by growing urbanization. This urbanization is being driven in part by migration from rural areas due to the declining agriculture activity linked to climate change. Considered essential for economic and regional integration, a new and resilient greenfield road corridor is proposed to achieve the PDO. Although there already exists a rail line in this northern corridor, the line is degraded and by itself even after rehabilitation and potential upgrade it will not have the needed functionality to achieve the broader goals for the corridor without the implementation of E2. Accordingly, there is no viable lower carbon alternative that can achieve the same objectives as the new greenfield road corridor designed to complement the region's transport connectivity, build resilience, and support economic activity. Additionally, the greenfield construction poses no deforestation risk. The other physical works being components 1.2 and 1.3 are rehabilitation works along other key road segments and will not expand existing capacity. Considering Iraq's current transition from recovery to development stage, a motorization rate of 187 vehicles per 1,000 population[35] and a degraded road network the project as designed incorporates risk reduction measures to present a low risk of negatively impacting the country's low-GHG emissions development pathway. These measures include introducing in component 1 six roadside service stations with electric charging capability to facilitate electric mobility along the 100km route between Baghdad and Samarra and the introduction of tolling to enable differentiated vehicle pricing, introducing performance based contracts on components 1.1, 1.2 and 1.3 to include KPIs for climate resilient and sustainable roads together with sustaining pavement quality though-out the project lifespan. This measure is reinforced by sub-component 2.1 to establish PPP capacity and payment mechanism to ensure long term financial sustainability during operational phase. Rather than displacing rail traffic it is anticipated that the ITREC project will act to catalyze further demand in rail use through anticipated growth in availability and accessibility of intermodal freight and passenger travel spurring the development of logistics centers and agricultural storage facilities in the area. The operation is expected to increase GHG emissions by 7,343,057 tons over the Project life of 30 years or 244,769 tons annually. The net increase of approximately 3.3 percent of CO2e is primarily due to projected increased economic activity. Although GHG emissions increase with project, if the same level of projected economic activity occurs without project the GHG would be another 3 percent on top of the values estimated for the operation proxied by projected increase in AADT. Measured against equivalent increase in economic activity, the 'with project' scenario produces a lower GHG outcome.

55. **Carbon lock-in and transition risks are considered low as the operation does not preclude transition pathways to electric mobility.** Road infrastructure is necessary for supporting a low-carbon transition and to help accelerate this transition, the design of the interurban operation will include service stations at internals that can provide charging

[35] Statistics of Private Sector Vehicles Registered with the General Directorate of Traffic, 2023. Iraq Commission of Statistics and GIS.

infrastructure for electric vehicles. This will enable private travelers and commercial freight companies to transition to electric vehicles in the future along interurban routes north of Baghdad. Electric vehicle penetration is currently very low in Iraq accounting for 2.5 percent of total vehicle sales in 2024. This low level is compounded by the scarcity of publicly available and conveniently located charging infrastructure. This project will set precedence for the country in contributing to delivering the enabling environment necessary to allow for the transition to the next generation of mobility being electric vehicles. In addition, the introduction of road tolling will provide the GoI a tool to support sector decarbonization policies by adopting differentiated pricing to promote the transition to low carbon emission vehicles. Given this context, the mitigation risk is reduced to a low level.

56. **The project is informed by climate and disaster risk screening with mitigation and risk adaptation measures foundational to the preparation of the project.** In both the current and projected climate conditions the operation is located within an area of Iraq where climate hazards are expected to occur, and the operation's assets are vulnerable to exposure to the climate hazards. The project location is highly exposed to extreme heat, high intensity precipitation and flash flooding, wildfires and dust storms. Considering the high vulnerability to a range of climate hazards and the worsening climatic conditions projected to occur during the 30-year lifespan of the project, the existing primary trade and access corridor north of Baghdad is at risk of being impacted by climate shocks leading to economic losses and potential loss of life. The existing aging infrastructure and outdated drainage designs coupled with ongoing urbanization make existing road corridors north of Baghdad vulnerable to periodic impact from flood events. A new greenfield corridor with appropriate climate adaptability will provide resilient accessibility to regions north of Baghdad and mitigate the potential for economic losses due to the occurrence of climatic events. Physical adaptation measures designed for the projected climatic conditions for the component sites include designing roadway levels to protect against risk of local flooding, runoff and drainage design to manage pluvial inundation events including storage and dissipation within the project limits, and high heat weather resistant pavement surfacing materials. Due to these risk reduction measures material residual risk is reduced to an acceptable level.

Role of the Private Sector – Private Capital Enablement (PCE) and Mobilization (PCM)

57. **Introducing private sector participation can shift Iraq's road sector from fragmentation toward an integrated, performance-driven delivery model.** In Iraq, State-Owned Enterprises (SOE) dominate road construction and maintenance. Among other factors, fiscal pressures, untimely payments, and limited technical capacity have contributed to inefficiency in construction, maintenance backlogs, and deteriorating road assets. Because payments are linked to service-level outcomes, private sector delivery through OPBRCs (and, over time, PPPs) can bring lifecycle cost optimization, more timely delivery, improved asset life and greater accountability to road sector development in Iraq. Beyond efficiency gains, private participation enables more predictable funding for the sector. It also accelerates technology adoption, including ITS, where private operators will be responsible for installation, management, and maintenance. These roles will introduce new technologies and operational models to SOEs.

58. **Through the PPP Platform, the ITREC SOP will also assess and leverage land value capture to supplement sector financing.** RBD owns the right-of-way land surrounding the roads it builds (approximately 130 meters on each side), which presents an opportunity to generate revenues and enhance corridor functionality. Potential commercial and land value capture opportunities that can further strengthen sector financing include service stations, weighing stations to prevent overloading, and, over time, leasing land for storage facilities and other commercial activities, and increased revenues from land revaluation. This work will be coordinated between RBD and MOCHPM to ensure strategic planning and integration. The project will also closely coordinate with ongoing initiatives, including IFC Investment's exploration of financing for agricultural storage and tourism development, and the IREM project's exploration of logistics centers.

59. **The project aligns with the World Bank's Maximizing Finance for Development (MFD) approach, and private investment generated through the project is counted towards PCE and PCM.** The project is tagged as MFD-enabling as component 2.1 supports the institutional and capacity gaps for planning and managing OPBRCs. This is part of the

government's move to create an enabling environment for PPPs and increase private sector participation in infrastructure. The project has also been tagged as PCE as component 1 support for the development of E2 is expected to result in private investment in service station development. This is captured under the results indicator "Total private capital enabled along the E2 corridor", which is a monetary indicator that measures the value of private investment along the corridor, including but not limited to service station development, advertising etc. The volume of private investment expected under this indicator has been estimated based on the corridor feasibility study and preliminary designs and is valued at US$ 4 million. Lastly, PCM is expected from component 1 as it provides direct support for the preparation and procurement of OPBRCs. PCM of about US$ 41 million is estimated based on 5 percent private sector contribution (debt or equity) of the total contract cost (US$ 820.15 million). Contractors will advance this portion of the construction costs or accept deferred O&M payments tied to performance. The volume of PCM, in U.S. dollars, has been added to the financing table based on the estimated volume of private financing for SOP1. Subsequent projects are expected to mobilize private co-financing on E2.

Jobs and Access to Opportunities

60. **The ITREC SOP is expected to have significant impacts on job creation, access to opportunities, and the economy of Iraq as a whole.** The ITREC SOP is estimated to generate more than 28,000 direct, indirect, and induced jobs.[36] This projection uses the latest estimates of the public capital elasticity of state or social expenditures from the World Bank, a value of Iraq's pre-existing road infrastructure stock equal to US$ 16 billion, and a baseline employment estimate equal to about 10 million within Iraq. Using estimates from regional studies and prior World Bank experience in Iraq (TCP, P131550), SOP1 alone is estimated to generate more than 14,000 person years of employment from construction, rehabilitation and maintenance activities by 2032.[37] The implementation of E2 is expected to improve travel times to jobs and other socio-economic opportunities by about 40 percent for those within its immediate catchment area (500,000 people).

61. **Women's Access to Training and Jobs.** This subcomponent will support 100 participants (50 women and 50 men) through an RBD-led training program developed with the private sector, building skills in transport, construction, and other project-relevant fields. Trainees will be exposed to both theoretical instruction and on-the-job training, along with mentoring from experienced engineers. Participants will receive certificates recognizing the duration and scope of their training. Importantly, the program will also support 20 women to obtain industry-recognized certifications, such as Road Safety Auditor, PPP certification, and other accredited courses.[38] Certifications such as Road Safety Auditor and PPP will equip women with specialized, in-demand expertise in transport safety, infrastructure financing, and project management, strengthening their competitiveness and opening pathways to higher-level technical and leadership roles in the sector. For Works procurement, women's employment will form part of the rated evaluation criteria. Bidders will receive additional points for committing to ensure that 15 percent of the local skilled and unskilled workforce deployed for the Works comprises women. This requirement may be met through the bidder's own staff and/or subcontractors, with the bidder responsible for ensuring compliance. Technical proposals will outline the approach, workforce plan, workplace safety measures for both women and men, and monitoring arrangements to achieve and sustain the target.

Citizen Engagement

62. **The project will adopt an approach that is oriented towards strengthening systems for systematic, inclusive and results oriented citizen engagement.** The project will provide support for enhancing RBD's feedback and complaint management system, with the objective of sustaining this system beyond the project's duration. For Component 1, the project will provide support for: community monitoring of rehabilitation and maintenance works**,** regular stakeholder consultations with communities to ensure that their feedback is documented and considered for construction of E2 and rehabilitation and maintenance on E1-R9B, recurrent road user surveys on a bi-annual basis to monitor and invest in

[36] This calculation is based on: "*Corporate Scorecard Indicator on More and Better-Paid Jobs: Infrastructure – Transport"* and consistent with effects from *World Bank (2013) Estache, Ianchovichina, Bacon, Salamon. Infrastructure and Employment Creation in the Middle East and North Africa.*
[37] ILO. 2018. *Assessment of Infrastructure Investments in Transport and Job Creation: Examples from Road Sector Investments in Lebanon and Jordan.*
[38] Some industry-recognized certificates women will pursue: Performance Based Contracts (OPBRC), Public Private Partnership (PPP) and Electronic tolling systems.

efforts to improve quality, safety and other features of rehabilitated roads, and participatory audits of roadside service centers and facilities. For *Component 2*, the project will provide support for a social survey to compile baseline data to design the national tolling policy, and to establish a multistakeholder working group to provide guidance and inputs for the policy's design and roll-out. As part of the national-level RS-MAP, the project will finance the design and roll-out of a sequenced and recurrent road safety education program, including rolling out a national social communication and education campaign, coordination with Civil Society Organizations (CSO) to carry out community mobilization/awareness activities, and collaborating with schools, colleges and influencers to implement road safety education for youth.

B. Fiduciary

Financial Management

63. **An FM assessment of the RBD was conducted as part of project preparation.** The assessment found that RBD currently uses IPSAS cash basis of accounting. RBD under MOCHPM in Baghdad will implement the project, drawing on the established PMT prior experience managing World Bank -financed activities. This background provides RBD-PMT with a foundational grasp of World Bank processes and requirements to be strengthened during implementation. The Substantial FM risk rating reflects the following key risks: i) the RBD has restricted experience managing large-scale, WB-financed projects with complex contractual structures such as OPBRCs, ii) Operating in a FCV setting introduces risks of governance weaknesses, limited oversight capacity, and potential disruption to financial controls, iii) the performance-based payment structure requires robust verification and reporting mechanisms that go beyond standard FM arrangements, and iv) Iraq's track record of timely budget releases and payments to contractors is weak, creating a significant risk that OPBRC payment obligations may not be met on time. The proposed activities would have similar FM arrangements to previous and ongoing road projects in Iraq and would build on the lessons learned, including: i) establishing a PMT that includes qualified Financial Officers to undertake the FM functions, ii) using ring-fenced financial management systems, iii) opening a Designated Account (DA) for the PMT and establishing a ring-fenced payment account capitalized by budget allocations, iv) hiring an acceptable external auditor to annually audit the project's financial statements, and v) applying Funds-Chain software for recording transactions and tracing payments. The PMT will include at least a qualified Financial Officer, 2 accountants and 2 internal controllers with experience in public financial management. Roles and responsibilities will be clearly defined in the Project Operations Manual (POM). The World Bank will provide embedded FM support during the initial phase of implementation. The FM strategy will focus on transparency, accountability, and efficiency, supported by robust mechanisms for flow of funds, budgeting, accounting, reporting, internal control and auditing in line with World Bank standards. Enhancing FM functions will require clear segregation of duties, strong internal controls, and targeted capacity development. Training and technical assistance will address expertise gaps, ensuring staff are equipped to manage financial aspects effectively. To mitigate this risk, the World Bank will design a supervision plan tailored to RBD's capacity and FM risks, including support missions, financial report reviews, and compliance checks. Disbursements and expenditures will be closely monitored to ensure proper fund use and alignment with project goals.

Procurement

64. **Procurement assessments and reviews have been conducted of the implementing agency (RBD) to assess their capacity and readiness to carry out procurement activities.** The PMT under RBD will be responsible for overall project procurement activities and will be carried out in accordance with the "World Bank Procurement Regulations for IPF Borrowers"), 7th edition, dated September 2025. The project will be subject to the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,' dated October 15, 2006, revised in January 2011, and as of July 1, 2016, (Anti-Corruption Guidelines). In line with the requirement of Procurement Regulations, a Project Procurement Strategy for Development (PPSD), including a comprehensive, fit-for-purpose Procurement Plan for the first 18 months of the project, has been prepared by the RBD, with the assistance of the World Bank, and has been cleared by the Bank. All major procurement packages will follow the open international competition, and the World Bank's standard procurement documents with mandatory weights for rated criteria, after

carrying out early market engagement (EME)[39], will be used. The provisions of the borrower's Procurement Plan for the project ("Procurement Plan"), as elaborated under Section IV of the Procurement Regulations, will apply, and the same may be updated from time to time in agreement with the World Bank. The project will use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions. The associated risks and proposed mitigation measures are in Section VI below.

C. Environmental, Social and Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

65. **The ITREC project has received a combined Environmental and Social Risk Classification (ESRC) of high risk due to several interconnected social factors.** The following analysis outlines the scope, nature, and significance of potential risks and impacts associated with the project, addressing both environmental and social dimensions as well as contextual and capacity-related challenges.

66. **The Environmental Risk rating is Substantial**, reflecting the scale and complexity of the proposed greenfield and rehabilitation works, exposure to climate related hazards, and implementation in a fragile and conflict affected context. Environmental risks and impacts have been assessed through a project level Environmental and Social Impact Assessment (ESIA), supported by site-specific assessments, and are considered well understood and manageable with the application of the Environmental and Social Framework (ESF).

67. **During the construction phase**, key environmental and OHS risks include dust, noise, emissions, waste generation, wastewater and stormwater management, erosion and sediment runoff, and risks associated with handling fuels and hazardous materials, as well as worker exposure to heavy machinery, live traffic, and extreme heat. Under ESS3, a key implementation risk relates to waste and materials management during road rehabilitation; this will be mitigated through controlled handling of milled asphalt (reuse, recycling, or disposal at licensed facilities) and mandatory use of commercially operating, licensed quarries and borrow pits. Rehabilitation and expansion works under live traffic, including detours and diversions, increase accident risks, which will be mitigated through mandatory Traffic Management Plans, clear signage and barriers, speed controls, and supervised work-zone safety measures. These risks and impacts are expected to be site-specific, temporary, and reversible. **During the operation and maintenance phase**, risks relate to vehicle emissions, traffic noise, waste generation from maintenance activities, and potential contamination from improper handling of materials. Road safety risks are a central concern during both construction and operation, particularly on high-speed corridors and near residential settlements and agricultural areas, where interactions with pedestrians, local traffic, livestock, and farm animals may occur.

68. **Biodiversity risks are generally moderate,** as most corridors traverse modified habitats. However, localized sensitivities associated with riparian areas and river island habitats have been identified. Route selection and design were informed by the ESIA and a rapid biodiversity assessment to avoid sensitive areas. Mitigation measures are proposed to achieve No Net Loss for natural habitats, consistent with ESS6. Additional targeted ecological surveys will be undertaken,

[39] Virtual EME conference was conducted on February 18, 2026. The outcome of which was included in the PPSD. In addition, in person engagement for the key packages, with the potential bidders is planned before the launching of Procurement process.

as required, to confirm the presence or absence of Critical Habitat near the Samarra Wetland prior to finalizing site-specific instruments. Mitigation measures aim for No Net Loss in line with ESS6 and will be incorporated in the relevant final site-specific instrument.

69. **Environmental, health and safety risks** will be managed through site-specific ESIAs and Environmental and Social Management Plans (ESMP), Contractor ESMPs, Traffic and Road Safety Management Plans (including measures for safe people and animal crossings), and Security Management measures**.** Requirements will be embedded in bidding documents and contracts and enforced through supervision arrangements. The World Bank Group General EHS Guidelines and the EHS Guidelines for Toll Roads will be applied as Good International Industry Practice. Commitments are consolidated in the Environmental and Social Commitment Plan (ESCP) and cover both construction and operation phases. In addition to physical investments, the Project supports technical studies and analytical work for future transport interventions. These activities carry upstream environmental and social risks if E&S considerations are not adequately integrated at an early stage, potentially increasing downstream impacts related to land acquisition, biodiversity, community safety, climate resilience, and security. These risks will be managed through a systematic review of the Terms of Reference (TOR) for all relevant studies to incorporate ESS requirements, proportional E&S screening, and appropriate inputs, in line with ESS1.

70. **The Social Risk rating for the project is high due to its scale, complexity, and impacts on people and the environment, especially vulnerable groups.** Encroachment along the corridor has led to homes and businesses needing removal during rehabilitation, posing displacement and resettlement risks. Greenfield road construction requires land acquisition, causing asset loss, both physical and economic displacement, temporary restrictions, and potential disputes over tenure and eligibility, made worse by incomplete land records caused by conflicts. Most affected land is government-owned, lowering resettlement risks, but significant institutional capacity weaknesses remain in managing economic displacement, which is common in Iraq—particularly for infrastructure projects like roads. This can affect livelihoods, especially among informal users, petty traders, renters, and marginalized groups. Improvements are needed in consultation and information disclosure. Early engagement with stakeholders can build trust, improve communication, and address concerns about land use, livelihoods, community safety, and potential disputes. The above risk is amplified by the preliminary E&S assessments suggesting over 3,000 households could be impacted during road construction, with exact numbers to be determined at project implementation stage. Further, the preliminary assessment also included other potential social risks related to project-specific interventions, notably restrictions on land use, labor influx, potential exclusion of minorities, child labor, and various types of discrimination. Sexual Exploitation and Abuse / Sexual Harassment (SEA/SH) assessment was conducted using the risk screening tool indicated initial risk to be moderate. Recent Iraqi Observatory for Human Rights data reveals a 150 percent rise in domestic violence cases from 2024 to 2025, highlighting structural challenges that affect project-level SEA/SH mitigation, including GM effectiveness and support for survivors. Civil work in FCV contexts may increase SEA/SH risks. To address these risks, a targeted action plan with survivor-focused grievance systems and referral pathways will be implemented. Accordingly, SEA/SH is now classified as Substantial risk and will be reassessed during project implementation and managed via the Action Plan, Contractor's Code of Conduct, awareness raising and worker training.

71. **Contextual Social and Security Risks:** The project operates within an FCV setting, particularly along the expressway corridor where volatility remains notable. This context interacts with and exacerbates project related social risks, raising the ESRC to high. An FCV-sensitive analysis is necessary to identify contested issues such as communal land use and vulnerable populations. Further, reversible site-specific impacts—such as road blockages, abuse of traffic enforcement (e.g. harassment, discrimination), congestion, occupational health and safety concerns, labor influx, child labor, sexual exploitation/abuse, discrimination, and broader community impacts—contribute to a heightened risk profile. The project will consider Article 14 of the 2005 Iraqi Constitution, which stipulates "equality without racial-based discrimination." Equally, Iraq's Law Against Prostitution and Sexual Deviance, effective June 27, 2024, may affect exclusion policies. The project will follow the E&S Framework's non-discrimination principle, ensuring benefits are not denied based on race, gender, religion, ethnicity, disability, age, or sexual orientation. Landmines and unexploded ordnances are legacy

risks in Iraq, national authorities have confirmed the E2 alignment is clear of such hazards. Prior to granting access to any worksite and associated access routes, clearance documentation/letters will be obtained from national competent authorities and provided to the Bank; site-specific verification will be conducted across all corridors to be constructed, rehabilitated, or expanded (including KRG segments and segment R9B). **Comprehensive Risk Management Instruments:** Given the high social risk rating, it is essential to deploy a comprehensive suite of instruments tailored to project requirements, including the ESCP, Stakeholder Engagement Plan (SEP), risk management tools, Labor Management Plan (LMP), and SEA/SH assessment and action plan. Specific mitigation measures will address: i) displacement and land acquisition risks in accordance with ESS5 standards; ii) robust LMPs; iii) SEA/SH and Environmental and Social Impact Assessment risks, and standalone security management plan (including risks related to traffic law enforcement); iv) Implementing a structured, multi-stage, and evidence-based resettlement process will be used in relocating and integrating displaced persons, ensuring needs are met at each phase. All these risks have been thoroughly assessed as part of environmental and social due diligence performed by both the World Bank and the Borrower in line with relevant ESS requirements and utilizing the appropriate assessment of instruments. Above all, the project design approach is inclusive, and implementation stage will mitigate risks of exclusion based on gender, sexual orientation, disability, and other vulnerabilities**.**

72. **Risks Related to Cultural Heritage Disturbance to tangible and intangible cultural heritage are considered moderate to significant**, especially near Samarra city. The Expressway No. 2 alignment near Samarra was adjusted to avoid heritage sites in coordination with the Iraq Ministry of Culture & Tourism & Antiquities, State Board of Antiquities and Heritage. However, given Iraq's archaeological context, chance-find procedures will be mandatory for all works, requiring contractors to halt work and notify authorities if cultural materials are discovered. Meanwhile, the new Baghdad–Samarra highway may increase visitor access to historical sites in Samarra, potentially leading to greater impacts requiring proper management by the relevant national and local authorities.

73. **Overall Environmental and Social Management Capacity:** The MOCHPM will be responsible for the overall Project, while RBD, through MOCHPM, will be responsible for overseeing implementation and for preparing technical and financial progress reports. Both entities have good experience with implementing World Bank-financed projects in the road sector following safeguards operational policies (e.g. the TCP (P131550), and EODP (P155732). The E&S performance of RBD in both operations was satisfactory. In addition, RBD staff participated in several ESHS capacity building activities such as the 5 days ESF in practice training, and 4-day E&S risk management training covering topics e.g. social inclusion, SEA/SH, OHS, environmental aspects, and contract management. This project is the first to apply the ESF in the roads and bridges sector, requiring strong management and oversight. Internationally recruited specialized consultants will support the PMT by monitoring ESCP obligations, managing E&S instruments, consolidating reporting, and delivering capacity building. These specialized consultants will include environmental, social, and OHS specialists due to the project's high E&S risk. PMT ESHS staff will gain practical experience and receive targeted ESF training, working closely with specialized consultants. Engineering and Supervision Consultants will perform regular field-level oversight, ensuring contractors comply with ESMPs, labor and OHS requirements, traffic safety, and SEA/SH protocols. Dedicated environmental, social, and OHS specialists will be assigned to sites, with joint site visits enhancing monitoring. If requested, the World Bank may provide E&S HEIS for additional PMT capacity building. This comprehensive approach—combining strategic coordination, field enforcement, and targeted World Bank support—will ensure effective management of environmental, social, and OHS risks in line with ESF standards.

74. **Management of Environmental and Social Risk:** The E&S Risk Management will be governed by the ESF, prioritizing avoidance, minimization, and mitigation of risks. Site-specific risks and mitigation measures will be identified through site-specific Environmental and Social Impact Assessment and Management Plans (ESIA/ESMP), with contractor Environmental and Social Management Plans (C-ESMPs) detailing operational controls for environmental and social aspects. Technical design, including E2 alignment optimization, used multi-criteria analysis to minimize impacts on sensitive habitats and high-value agricultural land, with all decisions reflected in updated E&S instruments. Performance-

based contracts will embed measurable ESHS requirements, enforced through engineering supervision, while pollution prevention and resilient drainage measures will address runoff and stormwater quality. All E&S instruments will be prepared based on prefeasibility designs and updated as needed and incorporated into bidding documents and contracts. The following instruments have been prepared, consulted, Bank-cleared, and disclosed by appraisal: Project-level Environmental and Social Impact Assessment (ESIA), SEP including Grievance Mechanism, and ESCP, including specific E&S actions, timeframe, and clear responsibilities to implement the identified risk mitigation measures. The following will be prepared during implementation in accordance with the timeframe determined in the ESCP: (i) LMP, (ii) SEA/SH Action Plan, (iii) Security Management Plan (SMP), (iv) Site-specific ESIA for E2 Baghdad–Samarra, (v) Site-specific ESMP for E1-R9B, (vi) KRG upgrades to Sulaymaniyah-Chamchamal-Kirkuk Road (Tasluja to Bani Maqan Segment), Girsheen–Suhaila Road and Construction of Girsheen Interchange, (vii) Resettlement Action Plans (RAP)/Livelihood Restoration Plans (LRP) once final designs are available and before any land possession/works, and (viii) Contractor C-ESMPs (including OHS, TMPs, waste, emergency response, etc.) before contractor mobilization.

V. GRIEVANCE REDRESS SERVICES

76. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

VI. KEY RISKS

77. **Overall risk is Substantial**. There are significant challenges in governance, macroeconomic outlook, sector strategies, technical design, institutional capacity, fiduciary, environmental and social risks. Overall risk is Substantial. There are significant challenges in governance, macroeconomic outlook, sector strategies, technical design, institutional capacity, fiduciary, environmental and social risks.

78. **Political and Governance risk is Substantial**. As an FCV country, Iraq faces governance challenges typical of nations emerging from conflict that can slow infrastructure delivery. Nevertheless, since the November 2025 elections, the government remains strongly committed to the ITREC project and the IDR initiative remains a strategic priority under the National Development Plan 2024–2028. While Iraq's dual governance structure between the Federal Government and the KRG poses coordination risks, ITREC has served as a practical bridge, aligning both authorities around a single corridor vision. The project advances E2 objectives in the KRG while maintaining a single implementing agency in Baghdad to ensure consistent standards and delivery. Cooperation is institutionalized through a joint PMT including KRG staff, enabling synchronized land, design, and customs workstreams, critical to sustaining corridor integration and reducing investor risk.

79. **Macroeconomic risk is Substantial**. The recent sharp decline in oil prices in 2025 and the disruption in oil exports in early-2026 have led to accumulation of arrears, liquidity shortages and a widening exchange rate gap, creating significant fiscal risks. These fiscal pressures come at the same time as sovereign borrowing costs surging due to the conflict in the Middle East, increasing the cost of debt financed spending. These fiscal risks undermine predictability and timeliness of payments to contractors and participation of private sector counterparts, highlighting the need for

integrating assessment of fiscal risks in project disbursements and in PPP preparation. The under execution of planned government investments, including suspension of parallel projects, and further potential fiscal tightening could also affect project implementation and achievement of development outcomes. Iraq's oil wealth and recent accumulation of international reserves provide some buffer against such challenges. While the gap between the official rate and the parallel market rate has increased to over 15 percent in early 2026, foreign reserves (amounting to US$97 billion as of December 2025) coupled with measures by the GoI and the Central Bank of Iraq to stabilize foreign exchange supply and manage demand can help moderate risks to efficient utilization of project resources. Prioritization of external debt service along with the aforementioned buffers helps reduce payment risks. Macro-fiscal volatility also raises specific concerns around payment reliability in the context of PPP preparation. This is relevant for PPP availability payments (envisioned under SOP2), which create fixed fiscal obligations over the contract life regardless of traffic volumes or toll revenues. To address this, the PPP feasibility study will assess affordability and value for money and road selection will be based on traffic demand and willingness-to-pay analysis. MoF will assess and manage fiscal risks including availability-payment obligations and contingent liabilities under adverse scenarios in coordination with RBD and MOCHPM.

80. **Sector Strategies and Policies risk is Substantial**. Despite challenges related to political transitions, the IDR initiative and sector reforms supported by ITREC remain a high priority with strong momentum**.** Risks will be mitigated by the SOP's phased design, which allows early benefits (including improved road conditions, maintenance performance, and partial corridor completion) while longer-term synergies from rail and corridor investments materialize. ITREC's position as a core element of Iraq's emerging economic corridor—anchored by international agreements with Türkiye and Gulf partners—provides continuity across political cycles. Across its phases, the SOP will pilot and institutionalize key reforms new to Iraq—such as long-term OPBRCs, PPPs, and road safety interventions— as laid out in a Sector Policy Letter (Annex 2) signed on April 26, 2026. Capacity-related risks to OPBRC and PPP implementation will be mitigated through targeted technical assistance, legal due diligence, and evidence-based scaling.

81. **Technical Design of the Project Risk is Substantial**. The project faces significant technical challenges in delivering a greenfield road network to international standards while integrating advanced construction technologies, climate-resilient materials, modern safety features, and interoperable tolling and weigh-in-motion systems. Limited local engineering and project management capacity, combined with an evolving security context that may disrupt supply chains, adds to implementation risk and affects assumptions underlying OPBRC and PPP structuring, including lifecycle costs, O&M performance, and contract management capacity. The security situation in the region as well as input prices are highly uncertain and may result in higher than anticipated costs. These risks will be mitigated through contingency planning, iterative market sounding, and targeted technical assistance including value engineering and cost optimization. Potential delays in government decisions on tolling will be addressed through explicit contract provisions allowing interim non-toll operations with clear performance obligations and flexibility to activate tolling once regulatory approvals are in place, ensuring service continuity and aligned expectations.

82. The World Bank's Institutional Due Diligence and Risk Assessment of the Traffic Police identified a moderate-to-substantial risk associated with project support for enforcement activities driven primarily by the potential misuse of project-financed vehicles and equipment for non-road-safety purposes. The assessment confirmed that project support would be strictly limited to road-safety functions, with no financing of weapons or goods associated with criminal prosecution, and determined that fiduciary control could not rest with the police directly; accordingly, the MOCHPM will serve as the implementing agency through competitive, transparent procurement processes, with the Traffic Police designated as a beneficiary agency only. All project-financed assets including patrol vehicles, enforcement equipment, and information systems would be used exclusively for road safety purposes as defined in the legal agreements, with use monitored and reported in periodic project progress reports.

83. **Institutional Capacity for Implementation and Sustainability risk is Substantial**. The implementing agency (RBD) has a successful track record working with the World Bank but has been weakened by years of underinvestment and limited human resource development. Sustained capacity building will be critical to prepare and manage contracts and

payment commitments. The project will strengthen the PMT through integrated capacity building, comprehensive training and technical assistance to enhance internal capacity and ensure effective project management. Experience consultants will support planning, procurement, and contract management while ensuring compliance with fiduciary and safeguard requirements. Capacity building efforts on OPBRC through in-person training have already been mobilized. The project will help establish a sustainable institutional framework for managing road infrastructure.

84. **Financial Management risk is Substantial.** Section IV-B elaborates on these risks and mitigation measures.

85. **Procurement risk is High**. Road infrastructure procurement in Iraq often faces major challenges due to slow, bureaucratic decision-making, requiring streamlining to improve efficiency. A Procurement Capacity and Risk Assessment was conducted as part of preparation, identifying risks as "High" due to: (a) Capacity Constrain. Although RBD has been engaged in implementing the current World Bank's financed project under the EODP and its Additional Finance and familiar with procurement policies and procedures, capacity constraints in dealing with the updated World Bank procurement regulations, implementing procurement for large and complex contracts effectively, are still in place; (b) limited interest from international companies in high-value bids due to security concerns, and mistakes in key issues e.g., (non-compliant bid security), (c) high perception of fraud and corruption in a high-risk and weak control environment, (d) complexity of coordination with other stakeholders, (e) possible delays in implementation due to the security conditions in Iraq, delays due to GoI's internal processes for registration of contracts in MoP's national investment budget, and (f) restricted travel/mobility of WB staff posing a difficulty to supervise Project sites. To address capacity gaps and mitigate risks, (a) RBD will hire specialized consultants and assign an experienced procurement specialist before project effectiveness to support the PMT in carrying out procurement activities; (b) procurement HEIS by the WB in close coordination with the WB's technical specialists, (c) appropriate packaging to be set based on early market engagement and experience from similar projects in the region; (d) public disclosure of bidding opportunities, award details and beneficial ownership, and full compliance to the procurement complaint handling procedure as per Bank's Procurement Regulations, (e) RBD elaborating and adopting the POM including the procurement section and clearly articulating the roles and responsibilities and streamlined decision making; and (e) RBD committing to include the contracts in the national investment budget plan before Project effectiveness. Past construction contracts in Iraq have experienced problems with poor-performing contractors who lacked sufficient technical and financial capacity to meet project requirements. To prevent this, the technical and financial capacity of bidders will be thoroughly evaluated before contract award. The engineering construction supervision firm should be hired to support the implementation oversight. If poor performance occurs, prompt monitoring and corrective actions must be implemented, including engaging with the contractor to address deficiencies or considering contract termination if necessary.

86. **Combined Environmental and Social risk is High.** Section IV-C elaborates on these risks and mitigation measures.

87. **Stakeholders Risk is Substantial.** The involvement of multiple stakeholders—including the Federal Government of Iraq, KRG, private and public sector actors, and entities coordinating with new roadway development—introduces potential risks. Additionally, the introduction of innovative approaches such as tolling and drone deployment, both new to Iraq, may encounter resistance. To mitigate these risks, the project incorporates an SEP with activities throughout project preparation and implementation, including communication and educational campaigns to raise awareness of project benefits, emphasize transparency in the use of toll-generated revenues, and highlight how tolling benefits all users. The project is also expected to gain support from stakeholder groups that will benefit from improvements, such as traffic crash victim associations, helping reinforce the project's road safety objectives. Citizen engagement mechanisms will further support stakeholder buy-in and inform the final design of interventions.

88. **Other risks are deemed High**. The conflict in the Middle East affecting numerous countries in the region is ongoing, and geopolitical tensions remain high. While at the present time there is not a direct impact on the project, future escalation could directly or indirectly impact the implementation. The World Bank team will closely monitor the regional situation and adjust project implementation in close coordination with the GoI.

ANNEX 1. RESULTS FRAMEWORK

Program Development Objective Indicators

Program Development Objective(s)

The Project Development Objective (PDO) is to enhance the connectivity, resilience, safety, and institutional sustainability of Iraq's priority road transport infrastructure and create jobs in transport and related sectors.

PDO Indicators by PDO Outcomes

Baseline	Closing Period
Creating Jobs	
Number of more or better jobs created through the project (Number)	
May/2026	Jun/2032
0	22,860
Enhanced Connectivity	
Time taken to travel from Baghdad to Samarra (Minutes)	
May/2026	Jun/2030
130	55
➢Time taken to travel from Baghdad to Samarra (for freight only) (Minutes)	
May/2026	Jun/2030
140	60
➢Time taken to travel from Baghdad to Samarra (for passengers only) (Minutes)	
May/2026	Jun/2030
125	50
Increased Road Safety	
Number of fatal crashes per billion vehicle-kilometers traveled every year on the E2 greenfield corridor (Number)	
May/2026	Jun/2032
None	0.50
Enhanced Climate Resilience	
People benefiting from climate resilient infrastructure (Number of people) [CRI]	

May/2026	Jun/2032
0	5,500,000
➢People benefiting from climate resilient infrastructure - Female (Number of people) CRI	
May/2026	Jun/2032
0	2,750,000
➢People benefiting from climate resilient infrastructure - Youth (Number of people) CRI	
May/2026	Jun/2032
0	825,000
Enhanced Institutional Sustainability	
Mechanism for sustainable funding established (Yes/No)	
May/2026	Jun/2028
No	Yes

Intermediate Indicators by Components

Baseline	Period 1	Closing Period
Safe and Resilient Road Infrastructure		
Number of person-years associated with contractors directly employed in construction, maintenance, and related activities for project corridors (Number)		
May/2026		Jun/2032
0		14,000
Number of tourists to religious sites in Samarra benefitting from improved and safe transport infrastructure (Number)		
May/2026		Jun/2030
0		3,000,000
Number of kilometers of roadways constructed or rehabilitated, by segment, under enhanced climate-resilient standards. (Kilometers)		
May/2026		Jun/2030
0		256
➢Number constructed under Expressway No. 2 (Kilometers)		
May/2026		Jun/2030
0		100
➢Number rehabilitated under Expressway No. 1-R9B (Kilometers)		
May/2026		Jun/2030
0		84
➢Number rehabilitated in KRG-relevant areas (Kilometers)		
May/2026		Jun/2030

0		72
Number of Performance -Based Contracts implemented on pilot corridors (Number)		
May/2026		May/2032
0		2
Share of people who received compensation to PAPs for permanent and temporary impacts prior to start of civil works (Percentage)		
May/2026		Jun/2029
0		90
Beneficiaries surveyed indicating satisfaction with the rehabilitation and construction of roads by the project (Percentage)		
May/2026	May/2029	May/2032
0	60	90
Number of fatal crashes per year on highways under road safety pilot programs (Number)		
May/2026		Jun/2032
8		6
Multi-sectoral Safe Corridor Pilot Program on project highway section implemented (Text)		
May/2026		Jun/2032
Not implemented		One Safety Pilot Corridor program operational with data collection
Total private capital mobilized (Amount (USD))		
May/2026		Jun/2032
0		41,000,000
Total private capital enabled along the E2 corridor (Amount (USD))		
May/2026		Jun/2032
0		4,000,000
Institutional Strengthening and Preparation of Future Interventions		
PPP Unit established within RBD (Yes/No)		
May/2026		Jun/2028
No		Yes
Activities supporting pre-transaction advisory services for road PPP structuring, including ITS and tolling infrastructure. (Text)		
May/2026	Dec/2027	Jun/2028
None	Feasibility and related studies, including assessments of land value capture opportunities, launched to identify suitable future sections of the E2 corridor for PPP engagements.	PPP transactions along the E2 corridor identified based on the findings of the relevant studies.
PPP unit transitioned to PPP platform (Yes/No)		
May/2026		May/2032
No		Yes

National-level Road Safety Mass Action Program (RS-MAP) prepared (Yes/No)		
May/2026		Jun/2032
No		Yes
Engineering design of interventions for 1000 km network for the Mass Road Safety Program completed (Yes/No)		
May/2026		Jun/2032
No		Yes
Institutional framework for road safety management developed and implemented (Text)		
May/2026		Jun/2032
None		Road safety units established within key stakeholder departments under GoB, and institutional structure of a road safety lead agency developed
Implementation and Project Management Support		
Engineering Supervision Consultant Hired (Yes/No)		
May/2026		Jun/2029
No		Yes
Number of participants completing the RBD-led skills training program (Percentage)		
May/2026		May/2032
0		100
➢Number of women completing the RBD-led skills training program (Number)		
May/2026		May/2032
0		50
Number of women obtaining industry-accredited certifications in transport and infrastructure-related fields. (Number)		
May/2026		May/2032
0		20
Standard works bidding documents contain a scored evaluation criterion awarding additional points for a minimum 15% of the local women workforce commitment (Text)		
May/2026		Jun/2029
No		Yes
Establish and operationalize the project Grievance Redress mechanism (GRM) within 60 days of project effectivness. (Yes/No)		
May/2026		Jun/2027
No		Yes
Contingent Emergency Response		
Money Allocated to Emergency Response (Amount (USD)) (Amount (USD))		
Jun/2026		Jun/2032
0		0

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Creating Jobs	
Number of more and better jobs created through the project (Number)	
Description	The indicator measures the equivalent number of new or better-paid jobs created directly or indirectly by IBRD, IDA, IFC, and MIGA interventions. Better jobs are jobs that compensate workers more for their time.
Frequency	Annual
Data source	Construction progress, and employment surveys.
Methodology for Data Collection	This indicator will be calculated following the labor income approach described in the World Bank Scorecard, and Transport sector specific, guidance. Using multipliers to translate the expansion or investment in the country's road stock, such investments will be converted into economic gains, labor income, and ultimately a number of jobs associated with the project. The specific formulation is: Number of Jobs = A*Log(1+ E*(C/D)), where: A is baseline employment, E is a pre-specified elasticity, C is the total project cost, and D is the value of the stock of domestic road infrastructure.
Responsibility for Data Collection	RBD
Enhanced Connectivity	
Time taken to travel from Baghdad to Samarra (Minutes)	
Description	This indicator measures the average time it takes for both passenger and medium or heavy vehicles to travel between Baghdad and Samarra.
Frequency	Annual after completion of civil works
Data source	Travel time surveys.
Methodology for Data Collection	RBD will conduct annual travel time surveys where vehicles are driven between the two cities with travel times recorded on each run. At least one run should be conducted during both morning and evening commuting hours.
Responsibility for Data Collection	RBD
Increased Road Safety	
Number of fatal crashes per billion vehicle-kilometers traveled every year on the E2 greenfield corridor (Number)	
Description	Targeting 0.5 fatal crashes per billion vehicle kilometers traveled which is comparable to global standards on contemporary greenfield highways.
Frequency	Annual after completion of civil works
Data source	RBD and relevant accident databases.
Methodology for Data Collection	RBD will report on fatalities and crash rates in regular progress updates.
Responsibility for Data Collection	RBD
Enhanced Climate Resilience	
People benefiting from climate resilient infrastructure (Number of people) [CRI]	
Description	This indicator counts the number of people who live in areas where transport infrastructure will be enhanced using climate resilient standards. In this project, these include the populations living within a 15 km of constructed E2 segments and within a 2km radius of rehabilitated highways with Iraq's national road network.
Frequency	Annual
Data source	Population surveys when possible or open-source population estimates, adjusted by population growth.
Methodology for Data Collection	This indicator involves tracking the implementation of project component 1, which measures the construction and rehabilitation of resilient transport infrastructure. The population benefitting will be those with access to the infrastructure as it civil works complete. Efforts should be taken to incorporate population growth within the project's catchment area. Where necessary, interviews or follow-up surveys with the local residents could be conducted.
Responsibility for Data Collection	RBD
Enhanced Institutional Sustainability	

Sustainable funding mechanism established (Yes/No)	
Description	This indicator tracks the establishment of a sustainable payment mechanism for the implementation of Performance Based Contracts, Public-Private Partnerships, or other private sector engagements. The specific mechanism could include a dedicated payment account, a road fund, or some other mechanism determined appropriate based on local requirements.
Frequency	Annual
Data source	Financial statements.
Methodology for Data Collection	RBD will submit financial statements that verify the account has been established.
Responsibility for Data Collection	RBD

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Resilient and Safe Road Infrastructure	
Number of person-years associated with contractors directly employed in construction, maintenance, and related activities for project corridors (Number)	
Description	The target value will be updated during implementation as additional details from contractors become available. The indicator should be recorded in person-years. The target value is based on regional studies and experience from the region.
Frequency	Annual
Data source	Contracts for civil and related works.
Methodology for Data Collection	RBD must collect and report on the number of contractors employed in the construction, rehabilitation, maintenance, and related activities related to E1, E2, and KRG segments. The indicator should be denominated in person-years.
Responsibility for Data Collection	RBD
Number of tourists to religious sites in Samarra benefitting from improved and safe transport infrastructure (Number)	
Description	Number of tourists travelling from Baghdad to Samarra along Expressway 2.
Frequency	Once after construction on E2 is completed
Data source	Travel surveys
Methodology for Data Collection	RBD will collect surveys along Expressway 2 and in key areas within Samarra to estimate the number of tourists visiting key religious sites using newly constructed infrastructure.
Responsibility for Data Collection	RBD
Number of kilometers of roadways constructed or rehabilitated, by segment, under enhanced climateresilient standards. (Kilometers)	
Description	RBD will ensure that climate resilient designs are incorporated into the engineering designs for the rehabilitation and construction sections as detailed in brief component (1).
Frequency	Annual until construction and rehabilitation works are completed.
Data source	Construction progress reports.
Methodology for Data Collection	The progress of construction and rehabilitation works will be separated by segment in semi-annual progress reports.
Responsibility for Data Collection	RBD
Number of Performance -Based Contracts implemented on pilot corridors (Number)	
Description	As described under component 1.
Frequency	Annual
Data source	Progress reports

Methodology for Data Collection	This indicator will count the number of performance-based contracts entered into and implemented by RBD along pilot corridors.
Responsibility for Data Collection	RBD
Share of people who received compensation to PAPs for permanent and temporary impacts prior to start of civil works (Percentage)	
Description	Out of the total, the fraction of project-affected people (PAPs) identified in the ESIA receive compensation prior to the beginning of work.
Frequency	At project beginning
Data source	RBD
Methodology for Data Collection	Total counting as per the ESIA
Responsibility for Data Collection	RBD
Beneficiaries surveyed indicating satisfaction with the rehabilitation and construction of roads by the project (Percentage)	
Description	Percentage of beneficiaries that are satisfied with associated investments, measured by location.
Frequency	Annual
Data source	Annual surveys
Methodology for Data Collection	Satisfaction surveys will be conducted along affected corridors and within surrounding communities to estimate the level of satisfaction with improvements in travel time and connectivity in surrounding areas. Findings of the annual surveys will be used to generate and implement periodic action plans to address feedback received through the surveys.
Responsibility for Data Collection	RBD
Number of fatal crashes per year on highways under road safety pilot programs (Number)	
Description	The number of fatal crashes per year on highways under the road safety pilot programs described in component 1.4.
Frequency	Annual
Data source	RBD and relevant accident databases.
Methodology for Data Collection	RBD will report on fatalities and crash rates in regular progress updates.
Responsibility for Data Collection	RBD
Multi-sectoral Safe Corridor Pilot Program on project highway section implemented (Text)	
Description	This indicator tracks the implementation of a multi-sectoral pilot program on pilot sections.
Frequency	Annual
Data source	RBD documentation.
Methodology for Data Collection	The indicator will record the implementation of the pilot program.
Responsibility for Data Collection	RBD
Total private capital mobilized (Amount(USD))	
Description	Total amount of financing committed by private entities at the signing of OPBRC. Eligible private capital includes both commercial debt and equity sponsorship contributed by the private partner. Only financing that qualifies under MDB Private Capital Mobilization (PCM) criteria will be counted. Public grants, subsidies, and public sector equity contributions will be excluded from the calculation.
Frequency	Annual
Data source	RBD records and legal financing agreements
Methodology for Data Collection	After signing each concession contract, RBD will collect the corresponding amounts of the investment commitment from the financial documentation. Only private trade finance commitments will be aggregated, excluding any public contributions. Amounts will be reported cumulatively in USD. In the Progress reports, present the amount mobilized by road segment and modality
Responsibility for Data	RBD

Collection	
Total private capital enabled along the E2 corridor (Amount(USD))	
Description	The monetary value of private investments resulting from project interventions, including financing, investment, guarantees, and advisory services and technical assistance, that address constraints that affect private investment and/or commercial financing. The indicator will aggregate PCE estimated for all interventions including but not limited too: rest area development, advertising services, and related road-specific logistics services offered, among others along the E2 corridor.
Frequency	Annual
Data source	RBD records and surveys
Methodology for Data Collection	RBD will request investment figures from private firms engaged in activities related to or along the E2 corridor. This will include, but is not limited to, firms contracted to develop and operate rest areas.
Responsibility for Data Collection	RBD
Support for sector reforms	
PPP Unit established within RBD (Yes/No)	
Description	This indicator will track the development and implementation of a PPP Unit within RBD as described in component 2.1.
Frequency	Once.
Data source	Ministerial order
Methodology for Data Collection	As described in the policy letter, RBD will provide the ministerial order, staffing plans, and related documentation to the World Bank.
Responsibility for Data Collection	RBD.
Activities supporting pre-transaction advisory services for road PPP structuring, including ITS and tolling infrastructure. (Text)	
Description	This indicator tracks progress towards the completion of component 2.1.
Frequency	Annual
Data source	RBD
Methodology for Data Collection	RBD will report on the status of relevant pre-transaction studies prepared. Intermediate targets of launching feasibility studies, including assessments of land value capture, relevant for E2 pilot corridors. End targets include identifying PPP transactions along the E2 corridor based on the findings of relevant studies.
Responsibility for Data Collection	RBD
PPP unit transitioned to PPP platform (Yes/No)	
Description	This indicator monitors the evolution of the PPP unit into a broader PPP platform where long-term planning for PPPs and priority projects are consistently identified, indicating a more mature and sustainable approach to PPPs.
Frequency	Annual after PPP Unit is established
Data source	Public records broadcasting identified priority PPP projects.
Methodology for Data Collection	RBD will report the status of the PPP Unit and its transition into the PPP platform.
Responsibility for Data Collection	RBD
National-level Road Safety Mass Action Program (RS-MAP) prepared (Yes/No)	
Description	This indicator tracks the preparation of a comprehensive national program for road safety.
Frequency	Annual
Data source	Publication of the RS-MAP and intermediate drafts.
Methodology for Data Collection	RBD will share the final and draft RS-MAP documents with the World Bank.
Responsibility for Data Collection	RBD
Engineering design of interventions for 1000 km network for the Mass Road Safety Program completed (Yes/No)	

Description	This indicator tracks the completion of component 2.4.
Frequency	Annual
Data source	Engineering designs
Methodology for Data Collection	RBD will share draft engineering designs and progress reports with the World Bank.
Responsibility for Data Collection	RBD
Institutional framework for road safety management developed and implemented (Text)	
Description	This indicator assesses the development and implementation of a formal institutional framework for managing road safety in Iraq.
Frequency	Annual
Data source	Progress reports and internal documentation describing the road safety framework.
Methodology for Data Collection	RBD will report annually on the status of the internal framework by sharing relevant documentation with the World Bank.
Responsibility for Data Collection	RBD
Implementation and project management support	
Engineering Supervision Consultant Hired (Yes/No)	
Description	This indicator tracks whether at least one Engineering Supervisions Consultant was hired to support the PMT.
Frequency	Beginning of project
Data source	RBD contracts
Methodology for Data Collection	RBD will share details of the consultant hiring process and contract with the World Bank.
Responsibility for Data Collection	RBD
Number of participants completing the RBD-led skills training program (Percentage)	
Description	Number of participants targeting 100 individuals (50 women and 50 men) who successfully complete the RBD-led training program developed in partnership with the private sector and receive certificates acknowledging the duration and scope of their training. The program builds skills in transport, construction, and other project-relevant fields.
Frequency	Annual
Data source	Enrollment records.
Methodology for Data Collection	RBD will share relevant information from the program.
Responsibility for Data Collection	RBD
Number of women completing the RBD-led skills training program (Number)	
Description	Number of women who successfully complete and obtain industry-recognized accreditation (e.g., Road Safety Auditor, PPP certification, or other relevant accredited programs) supported under the Project, aimed at enhancing their eligibility for high-skilled roles in transport, construction, and related sectors.
Frequency	Annual
Data source	Enrollment and accreditation records.
Methodology for Data Collection	RBD will share relevant enrollment and accreditation data with the World Bank.
Responsibility for Data Collection	RBD
Number of women obtaining industry-accredited certifications in transport and infrastructure-related fields. (Number)	
Description	Number of women who successfully complete and obtain industry-recognized accreditation (e.g., Road Safety Auditor, PPP certification, or other relevant accredited programs) supported under the Project, aimed at enhancing their eligibility for high-skilled roles in transport, construction, and related sectors.
Frequency	Annual

Data source	Enrollment and accreditation records.
Methodology for Data Collection	RBD will share relevant enrollment and accreditation data with the World Bank.
Responsibility for Data Collection	RBD
Standard works bidding documents contain a scored evaluation criterion awarding additional points for a minimum 15% of the local women workforce commitment (Text)	
Description	This indicator measures whether standard works bidding documents under the Project include a scored evaluation criterion that awards additional points to bidders committing to promote that at least 15% of the total skilled and unskilled workforce deployed for the Works will be local Iraqi women. The requirement may be met through the bidder's own staff and/or subcontractors, with the bidder remaining responsible for compliance. Bidders must provide Method statements outlining their approach, workforce allocation plan, including how workplace safety will be ensured and monitoring measures to achieve and sustain the target throughout the Contract.
Frequency	Annual
Data source	RBD contract data
Methodology for Data Collection	RBD will share relevant contract data with the World Bank.
Responsibility for Data Collection	RBD
Establish and operationalize the project Grievance Redress mechanism (GRM) within 60 days of project effectivness. (Yes/No)	
Description	This indicator measures the existence of transparency and accountability mechanisms established by the project so the target beneficiaries can report grievance
Frequency	Once at beginning of project.
Data source	RBD
Methodology for Data Collection	GRM established, and reports monitored.
Responsibility for Data Collection	RBD
Contingent Emergency Response	
Money Allocated to Emergency Response (Amount(USD))	
Description	This indicator measures the amount of funds allocated to the project's contingent emergency response component.
Frequency	As needed, in the event of an emergency.
Data source	Official GoI and World Bank financing documentation.
Methodology for Data Collection	Review of financial statements.
Responsibility for Data Collection	RBD.

ANNEX 2: SECTOR POLICY LETTER

Republic Of Iraq
Ministry of Construction , Housing
& Public Municiplities

جمهورية العراق
وزارة الاعمار والاسكان
والبلديات العامة

اسم الدائرة : دائرة الطرق والجسور
العدد : ٣ق/ ١٦٥١
التاريخ : ٢٠٢٦/ ٤/ ٢٦

To: World bank Group

Subject: Iraq Road Sector Reform

in support of the Iraq Transport Economic Corridors Project (ITREC) Phase I - P510293

The Ministry of Construction, Housing, and Public Municipalities (MoCHPM) submits, for your consideration, this letter articulating the Government's vision to reform and strengthen the road sector in Iraq, in support of the Iraq Transport Economic Corridors Project (ITREC) Phase I (P510293) (the Project). ITREC is envisaged as a Series of Projects (SOP), with a potential Phase II envelope of up to US$1.1 billion, subject to Government of Iraq and IBRD approvals and satisfactory progress under Phase I. The Project, with a total amount of US$900 million to be financed through an IBRD loan, will establish critical transport corridors and build capacity to enhance the connectivity, resilience, and safety of Iraq's road sector.

ITREC advances Iraq's Development Road (IDR) initiative, which aims to transform Iraq into a regional transport hub by leveraging its strategic geographic location for enhanced trade connectivity. The Project is of significant national importance and is designed as a transformative program. It will benefit approximately 7.9 million people by establishing a key north–south corridor connecting the ports of Umm Qasr and Al Faw in the south with the Turkish border in the north. For passenger transport, the Project will reduce intercity travel times and enhance connectivity, benefiting residents and religious pilgrims alike. For freight transport, together with reduced intercity travel times the Project will facilitate first- and last-mile access for farmers, businesses, and logistics companies seeking to bring jobs and economic opportunities to the region. The long-term success of the IDR vision will be underpinned by road safety and resilience improvements incorporated into the project delivery, including through the development of safety regulations and norms. A key goal of ITREC is to create an enabling environment in which private sector participation can be leveraged to develop a safe and resilient national road network.

The road sector, overseen by the MoCHPM and managed by the Roads and Bridges Directorate (RBD), comprises approximately 49,000 kilometers of primary and secondary roads that form the backbone of the country's transport system. The sector is governed by the Public Roads Law (Law No. 35 of 2002, amended) and complemented by broader public works legislation and corporate regulations under (Law No. 22 of 1997, amended).The Government is committed to placing the road sector on a more financially sustainable pathway through institutional reforms, enhanced asset management systems, and increased private sector participation.

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This letter summarizes the forthcoming executive measures that lay the foundation for institutional reforms needed at RBD, MoCHPM, and other key stakeholders to make the road sector more sustainable, and to provide the authorization environment for the successful implementation of the ITREC Project.

Forthcoming executive measures

1. **Establish a PPP Unit (Ministerial Order)**

Pursuant to the Investment and Partnership Instructions between Centrally Financed Entities and the Private Sector No. (1) of 2024, issued by virtue of Council of Ministers Decision No. (24277) of 2024, and by Ministerial Order, the Roads and Bridges Directorate (RBD) will establish a PPP Unit within its Investment Department.

The Unit will lead screening, preparation support, procurement support, contract management, and performance monitoring for pilot Performance-Based Contracts (PBCs). It will report to the RBD Director General and the Minister and will ensure compliance with the applicable investment framework. The coordination arrangements will be defined as follows:

- If agreed between the World Bank and the Government of Iraq under the Loan Agreement documentation, an inter-ministerial PPP Steering Committee may be established.
- The Ministry supports the establishment of such a committee, provided that: a. Its mandate remains strategic and advisory in nature. b. Its functions are clearly delimited. c. Its role does not overlap with or contradict the responsibilities of the Project Management Team within RBD.

The proposed composition may include representatives from the Ministry of Finance, Ministry of Planning, Ministry of Interior/Traffic Police, Ministry of Environment, and governorates, with final membership subject to Government confirmation.

To catalyze private sector participation, the Ministry will ensure that the Government operationalizes a PPP Platform to support project screening, preparation, and transaction advisory services for bankable PPPs in the road sector.

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2. Create a Ring-fenced Payment Account (Cabinet Decision)

In accordance with the Public Roads Law No. 35 of 2002 amended, and the Financial Management Law, the Ministry will ensure the Government issues a Cabinet Decision establishing a dedicated Payment Account within RBD to backstop payment obligations under pilot PBCs. The Decision will set minimum balance thresholds, replenishment rules, performance-linked disbursement protocols, designated signatories, independent audit, and public reporting. Signatories will be limited to RBD and the Ministry of Finance. This account will receive sector revenues and budget allocations, including development partner financing, and will serve as the precursor to a future Road Fund, which will be prepared through policy and regulatory drafting for later consideration, without seeking legislative passage at this stage.

3. Adopt a National Tolling Policy; Issue a Transitional Instruction (Cabinet Approval; Ministerial Instruction)

Based on Clause 8 of the 1st amendment of Law No. 35 of 2002 amended, the Ministry will ensure the Government adopts a national tolling policy by Cabinet approval. This policy will establish tariff-setting rules, indexation parameters, exemptions, enforcement modalities, service standards, and data/privacy safeguards for priority corridors, including E2 and potential extensions. Pending Cabinet approval, the Minister will issue a transitional Ministerial Instruction applying tariff principles on priority E2 segments, ensuring immediate operationalization and integration with the Payment Account and RAMS.

4. Designate the National Road Safety Lead Agency and Approve a Data-Sharing Protocol (Cabinet Decision)

In line with the Public Roads Law No. 35 of 2002 and national safety regulations, the Ministry will ensure the Government designates a national road safety lead agency and a coordination secretariat for all stakeholders. The Ministry will ensure the approval of crash datasharing protocols between police, health, and transport authorities. RBD will serve as the interim lead until a permanent agency is established along with the establishment of their internal road safety unit, ensuring safety-related KPIs are tied to PBC payments from the outset. Bilateral agreements with police and health authorities will operationalize the protocol without delay.

5. Approve RAMS Governance and Disclosure Standards and Operationalize (Ministerial Order)

By Ministerial Order, and under the authority of the Public Roads Law No. 35 of 2002, the Minister will approve RAMS governance standards, including data ownership, quality assurance, update frequency, integration of weigh-in-motion (WIM) data with enforcement mandates, climate-screening requirements, and publication of a rolling maintenance plan. Disclosure will begin with an annual

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maintenance plan aligned with Payment Account envelopes, expanding progressively to rolling 3–5-year plans as institutional capacity strengthens.

Timeline: Month "0" is defined as the date of the Cabinet Decision approving the Executive Measures Package (targeted for May 2026, to be confirmed). Based on this definition the following timeline is proposed:

- Months 0–9: Ministerial Order establishing the PPP Unit, with delegated authority and coordination through inter-ministerial Steering Committee.
- Months 0–12: Cabinet Decision establishing the Payment Account (with signatories limited to RBD and Ministry of Finance); Ministerial Instruction applying tolling principles on priority E2 segments

  while Cabinet endorsement is sought in parallel; Cabinet Decision designating RBD as interim road safety lead and approving bilateral crash data-sharing protocols.
- Months 12–24: Ministerial order establishing PPP Platform, Ministerial Order approving RAMS governance and disclosure standards, beginning with annual maintenance plan publication and expanding progressively to rolling multi-year plans.

Finally, we appreciate the World Bank's strong and long-standing partnership in supporting Iraq's transport sector and the Iraqi people.

Sincerely,

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