

**ADDITIONAL LOAN FOR EMERGENCY OPERATION FOR DEVELOPMENT
PROJECT**

(P 155732)
LOAN No. 8793-IQ

IMPLEMENTED BY
THE GOVERNMENT OF REPUBLIC OF IRAQ
**RECONSTRUCTION FUND FOR AREAS AFFECTED BY TERRORISTIC
OPERATIONS/ (REFAATO)**

FUNDED BY
THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INDEPENDENT AUDITORS' REPORT

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CONSOLIDATED FINANCIAL STATEMENTS

THE PERIOD FROM AUGUST 21ST 2018 UNTIL DECEMBER 31ST 2019

F.H.AL-SALMAN & Co.
PUBLIC ACCOUNTANTS, AUDITORS & CONSULTANTS
BAGHDAD – IRAQ



Independent auditor's report

**To the management of Additional Loan for Emergency Operation for Development Project
Additional Loan for Emergency Operation for Development Project (P 155732)**

LOAN NO. 8793-IQ

Reconstruction Fund for Areas Affected by Terroristic Operations

Baghdad - Republic of Iraq

Report on the financial statement

We have audited the accompanying consolidated statement of Cash Receipts and Payments of Additional Loan for Emergency Operation for Development Project (P 155732) LOAN NO. 8793-IQ covering the period from August 21st 2018 until December 31st 2019 . The preparation of the financial statement is the responsibility of project managements team (PMT). Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the compliance with laws, regulations, guidelines and provisions which governs the Loan Agreement covering for the period from August 21st 2018 until December 31st 2019.

We have conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, and whether The Additional Loan for Emergency Operation for Development Project (P 155732) LOAN NO. 8793-IQ has complied with the laws, regulations, guidelines and provisions governed by the Loan Agreement. An audit involves performance, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

opinion

- (a) The Projects' Consolidated Financial Statement (PFS) presents fairly, in all material respects, the cash receipts and payments of The Additional Loan for Emergency Operation for Development Project (P 155732) LOAN NO. 8793-IQ covering the period from August 21st 2018 until December 31st 2019, in accordance with the International Public Sector Accounting Standards (IPSAS), under the cash basis accounting approach .
- (b) Proper level of internal control over financial reporting had been practiced by PMT during the preparation of replenishments, direct payments, payments through special commitments, and reimbursements for the project.
- (c) The project is in all material respects, has been in compliance with the laws, regulations, guidelines and provisions governed by the Loan agreement.

F. H. Al-Salman & Co
Public Accountants & Auditors

Farquad Al-Salman, B.Sc, FCCA

F.H.Al-Salman & Co.

Public Accountants, Auditors & Consultants

Baghdad - Iraq

Baghdad, Republic of Iraq

Date: December 29th 2020

RECONSTRUCTION FUND FOR AREAS AFFECTED BY TERRORISTIC OPERATIONS
 ADDITIONAL LOAN FOR EMERGENCY OPERATION FOR DEVELOPMENT PROJECT (P 155732) LOAN NO. 8793-IQ
 CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS
 COVERING THE PERIOD FROM AUGUST 21ST 2018 UNTIL DECEMBER 31ST 2019
 IN U.S. DOLLARS

	Notes	Allocated amounts for the life of the project	Actual receipts and payments from August 21 st 2018 until December 31 st 2019
		USD	USD
<u>CASH RECEIPTS</u>			
Receipts from IBRD (LOAN NO. 8793-IQ)	2		13,404,332
Receipts from Tenders Revenue	2		25,090
Total cash receipts		400,000,000	13,429,422
<u>CASH PAYMENTS</u>			
Cash Payments for Components			(8,380,748)
Total cash payments	2	400,000,000	(8,380,748)
			5,048,674
Advance Purchase Committee & Tenders Revenue not deposited in the bank	2		(3,150)
Cash at Bank as at end of the period	2		5,045,524

PMT manager
 Muhammed Qasim Muhammed

Financial Management
 Zina Tariq Shakory Albadri

The notes on pages from 1 to 4 are integral part of these financial statements

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(P 155732) LOAN NO. 8793-IQ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
COVERING THE PERIOD FROM AUGUST 21ST 2018 UNTIL DECEMBER 31ST 2019
IN U.S. DOLLARS**

1 GENERAL

The Emergency Operation for Development Project (EODP) is a US\$ 350 million operation for Iraq launched in 2015 with a development objective aimed at supporting the Government of Iraq (GoI) in the reconstruction of the damaged infrastructure and the restoration of public service delivery in targeted municipal areas (the cities of Tikrit, Dour, Al Dalooeyya and Al-Alam in the Salah Al-Din governorate, as well as the cities of Jalula, As-Saidiya and Al-othiem in Diyala governorate).

The GoI has expressed the need to review some of the components in order to expand the geographical and sector coverage of the project. The WB and the GoI have agreed to restructure the existing project to include needs arising from the evolving context, where the amount was extended by an additional US\$ 400 million in 2017. The additional financing is planned to scale-up EODP activities and expand them in terms of sectoral (adding irrigation and education) and geographical coverage as per the original design of EODP. Such expansion is critical to ensure that project impacts are extended to new liberated cities in the Salah Al-Din and Diyala governorates, as well as in Kirkuk, Al-Anbar (including Ramadi), Ninewa (including Mosel).

Both EODP and EODP-AF projects are composed of ten components that focus on the following areas:

Component (1): Restoring Electricity Infrastructure and its Connectivity;

Component (2): Restoring Municipal Waste, Water and Sanitation Services;

Component (3): Restoring Transport Infrastructure;

Component (4): Restoring Health Services;

Component (5): Technical Assistance;

Component (6): Project Management, Sensitization and Monitoring and Evaluation;

Component (7): Restoring Agriculture Productivity;

Component (8): Emergency repair of water control infrastructure and irrigation schemes;

Component (9): Restoring Education Services; and,

Component (10): Restoring Municipal Infrastructure and Services and Preserving Cultural Heritage Assets

This financing agreement cover all works contracts to restore and repaired Electricity, Municipalities, Roads and Bridge, Transport, Medical Equipment, Consulting Services for REFAATO, Agriculture, Water supply, Education in 5 liberated governorates at Al Anbar, Diyala, Ninawa, Salah Ad-Din and Kirkuk as well as contracts implemented by Component 10 governorates (Al Anbar, Diyala, Ninawa and Salah Ad-Din) furthermore cover supervision contracts and consultant contracts, projects implementation.

The financial statements and the notes on pages 1 to 4 were authorized for issuance by Management Letter dated December 29th 2020.

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2 CATEGORIES OF ALLOCATED SPENDING AND ACTUAL PAYMENTS FOR EACH COMPONENT IN ACCORDANCE TO THE LOAN CONTRACT

The following table specifies Actual payments and the categories of Eligible Expenditures that may be financed out of the Proceed of the loan (Category), the allocation of the amounts of the loan to each Category.

Seq.	Loan Agreement-part number	The nature of the task	Name of the Components	Amount allocated of the Components from the loan (USD)	Actual Amount Receipts from IBRD During the period 21/8/2018- 31/12/2019 (USD)	Receipts from Tenders Revenue & Other During the period 21/8/2018- 31/12/2019 (USD)	Actual Amount Payments by Components During the period 21/8/2018- 31/12/2019 (USD)	Advance Purchase Committee & Tenders Revenue not deposited in the bank During the period 21/8/2018- 31/12/2019 (USD)	Cash at Bank as of 31-12-2019 (USD)
1	part 1	Restoring Electricity Infrastructure and Connectivity	Ministry of Electricity	50,000,000	1,200,000	18,390	422,302	650	795,438
2	part 2	Restoring Muni-copal Waste, Water and Sanitation Services	Ministry of Construction and Housing - Department of Projects Funded Externally	47,500,000	1,000,000	6,600	15,421	—	991,179
3	Part 3 -A	Restoring Transport Infrastructure and Services/Transport Infrastructure (Roads and Bridges)	Ministry of Construction and Housing - Department of Roads and Bridges	111,000,000	4,248,348	—	3,226,071	500	1,021,777
4	Part 3 -B	Restoring Transport Infrastructure and Services/Transport Services (Civil Aviation, Railways, and Public Transport)	Ministry of Transportation	5,000,000	250,000	—	—	—	250,000
5	part 4	Restoring Health Services	Ministry of Health	24,000,000	—	—	—	—	—
6	Part 7	Restoring Agriculture Productivity	Ministry Of Agriculture	32,000,000	150,000	—	26,087	—	123,913
7	Part 8	Emergency Repair of Water Control Infrastructure and Irrigation Schemes	Ministry of Water Resources	32,000,000	1,500,000	—	13,472	—	1,486,528
8	Part 9	Restoring Education Services	Ministry of Education	35,000,000	—	—	—	—	—
9	Part 10	Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets	Anbar Governorate - Project Management Team	20,000,000	3,136,035	—	3,115,659	—	20,376

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2 CATEGORIES OF ALLOCATED SPENDING AND ACTUAL PAYMENTS FOR EACH COMPONENT IN ACCORDANCE TO THE LOAN CONTRACT

The following table specifies Actual payments and the categories of Eligible Expenditures that may be financed out of the Proceed of the loan (Category), the allocation of the amounts of the loan to each Category. – To be continued –

10	Part 10	Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets	Salah El-Din Governorate - Project Management Team	10,000,000	50,000	–	14,175	–	35,825
11	Part 10	Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets	Ninewa Governorate - Project Management Team	20,000,000	–	–	–	–	–
12	Part 10	Restoring Basic Municipal Infrastructure and Services and Preserving Cultural Heritage Assets	Diyala Governorate - Project Management Team	10,000,000	369,949	–	355,354	2,000	12,595
13	Part 5 and 6	Technical Assistance & Project Management. Sensitization, and Communications, and Monitoring and Evaluation.	Reconstruction Fund for areas affected by terrorist operations	2,500,000	500,000	100	192,207	–	307,893
		Amount payable pursuant to Section 2.03 of this Agreement with Section 2.07 (b) of the general Conditions	Front – End Fee	1,000,000	1,000,000	–	1,000,000	–	–
			Total	400,000,000	13,404,332	25,090	8,380,748	3,150	5,045,524

3 AMOUNT TRANSFERRED BUT NOT RECEIVED

On December 6th 2019, The International Bank for Reconstruction and Development had transferred an amount of USD (50,000) to Nineveh Governorate, but was deposited into the bank account on January 9th 2020.

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4 COMPONENTS WITHOUT RECEIPTS

The components below did not receive any funds from International Bank for Reconstruction and Development. during the period from August 21st 2018 until December 31st 2019:

- Ministry of Health
- Ministry of Education
- Ninewa Governorate

5 REPORTING ENTITY

The financial statements for the Additional Loan for Emergency Operation for Development Project (P 155732) LOAN NO. 8793-IQ, encompasses the reporting entity as specified in the Loan Agreement NO. 8793- IQ dated 17 December 2017 between the Republic of Iraq / Reconstruction Fund for Areas Affected by Terroristic Operations and the International Bank for Reconstruction and Development.

6 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under the cash basis of accounting.

The accounting policies have been applied consistently throughout the period.

The financial statements have been presented in U.S Dollar (USD) which is the functional currency of the Additional Loan for Emergency Operation for Development Project (P 155732) LOAN NO. 8793-IQ.

6.1 Cash

Cash comprises cash in hand, deposits in demand at the bank, and cash equivalents, as deposits in demand and cash equivalents are considered as balances at banks.

6.2 Receipts

Receipts comprise of cash in hand, deposits in demand at the bank, and cash equivalents received from International Bank for Reconstruction and Development (Loan Agreement- LOAN NO. 8793-IQ).

6.3 Disbursements

The disbursements of project's resources are restricted for(Goods ,Works , Non-Consulting Services, Consulting Services , Operating Costs, Training And Workshop) related to implementing, managing, and monitoring the project.

7 GOING CONCERN

The entity shall be terminate and seize to exist once the final budget from the International Bank for Reconstruction and Development is Expensed or the projects indicated in the Loan agreement are fulfilled and accomplished.