

Ex-ante Evaluation

1. Name of the Project

Country: The Republic of Iraq

Project: Port Sector Rehabilitation Project

(Loan Agreement: January 25, 2008; Loan Amount: 30,211 million yen; Borrower: The Government of the Republic of Iraq)

2. Necessity and Relevance of JBIC's Assistance

In the aftermath of many years of economic sanctions and conflicts, which have left deep scars in its economy and society, Iraq has begun to move toward reconstruction with assistance from the international community after the war.

As is indicated in the national development strategy of 2005–2007 (adopted in June 2005), due to lack of new investments and operation and maintenance over the years, in all areas the transport sector is facing a steep decline in functional capacity. Consequently, the transport sector is one of the most important sectors for Iraq's reconstruction. In particular, improving the port facilities in Um Qasr and Khor Al-Zubair is regarded as a pressing issue.

The Um Qasr Port and the Khor Al Zubair Port in southern Iraq are two of the most important freight transit port facilities, with no alternative port of such scale in the country. However, military conflicts over the years in the area led to the inadequate operation and maintenance and wreckage of sunken vessels, which are posing an obstacle to shipping lanes to the ports and have diminished the cargo handling capacity of cranes and other equipment. Their total annual cargo handling volume, which exceeded 10 million tons in 2001, are hovering low at around 1 million tons in 2005, despite significant recovery in recent years due to an upsurge in passing freight brought on by reconstruction demand of the country. It is reported that approximately 60% of imports are routed through ports in the neighboring countries. Thus there is an urgent need to make comprehensive developments in these ports in order to put Iraq's reconstruction efforts on track.

In the International Conference on Reconstruction in Iraq held in Madrid in October 2003, besides grand aid amounting to \$1.5 billion for urgent reconstruction of Iraq, the Government of Japan pledged a total of \$3.5 billion in yen loans to support medium-term reconstruction after 2005. Additionally, in JBIC's Medium-Term Strategy for Overseas Economic Cooperation Operations (April 2005), one of the sectors is the assistance it provides for efforts being made to solve global problems and build peace. Consequently, the support for Iraq, where social instability continues even after major conflicts have ceased, is consistent with JBIC's assistance policy.

JBIC's support for the project is therefore highly necessary and relevant.

3. Project Objectives

This project aims to recover the functions of Iraqi port system, by rehabilitation works related to Um Qasr Port and Khor Al Zubair Port, located in the southern part of Iraq, thereby contributing to economic and social reconstruction of Iraq.

4. Project Description

(1) Target Area

Port of Um Qasr, Basrah Governorate, etc.

(2) Project Outline

(a) Development of the port of Um Qasr, etc.

(b) Consulting services

(3) Total Project Cost / Loan Amount

34,655 million yen (Yen Loan Amount: 30,211 million yen)

(4) Schedule

April 2007–September 2010 (42 months). The definition of project completion is “when the engineering work and equipment procurement are completed.”

(5) Implementation Structure

(a) Borrower: The Government of the Republic of Iraq

(b) Executing Agency: Ministry of Transport (MOT)

(c) Operation and Maintenance System: Same as (b)

(6) Environmental and Social Consideration

(a) Environmental Effects / Land Acquisition and Resident Relocation

(i) Category: B

(ii) Reason for Categorization

This project is not likely to have significant adverse impact on the environment due to the fact that the project sector and project characteristics are not likely to exert impact and the project is not located in a sensitive area under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (established in April 2002). Thus this project is classified as Category B.

(iii) Environmental Permit

Since it is necessary to obtain an environment license before the construction work begins, the executing agency is currently in the process of obtaining the said license. But as of this moment, evaluation of the project’s impact on the environment is not required.

(iv) Anti-Pollution Measures

The obstruction buoys targeted for removal are small, and no outflow of chemicals is assumed. However, the project will be implemented as preventive measures, including installation of oil fences, are taken. Prior to the dredging operation, safety measures, including detection and removal of live bombs, will be taken. Additionally, the dredged soil will be disposed of in existing land-based sediment dumps.

(v) Natural Environment

Since the dredging operation will be carried out in existing artificially-excavated canals, and the obstruction buoys targeted for removal are located in existing waterways, it is assumed that there will not be any significant impact on the ecosystem of the Persian Gulf.

(vi) Social Environment

Since this project aims to rehabilitate existing ports, there will be neither land acquisition nor resident relocation.

(vii) Other / Monitoring

In this project, the executing agency will monitor its impact on the environment on the basis of an environment monitoring plan prepared with the support of the project's consulting services.

(b) Promotion of Poverty Reduction

None

(c) Promotion of Social Development (e.g. Gender Perspective, Measures for Infectious Diseases, Including AIDS, Participatory Development, Consideration for the Handicapped, etc.)

None

(7) Other Important Issues

(a) This project involves the rehabilitation of ports that were previously improved by Japanese companies.

(b) By revitalizing the port function, the heart of Iraq's physical distribution system, this project will have a large ripple effect on the Iraqi economy.

(c) In the implementation and operation of this project, an implementation framework which takes the security situation into consideration will be created to maximize the use of local resources, including the provision of thorough training for the staff of the executing agency.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2005)	Target (2012, 2 years after completion)
Total Cargoes (million tons/year)	4.3	6.5

(Note) Indicator of the port of Umm Qasr

(2) Internal Rate of Return (Financial and Economic Internal Rate of Return)

Based on the following conditions, the financial internal rate of return (FIRR) of this project is 1.9%. Meanwhile, since there are no valid data for the ripple effects of the project on the national economy and the like, the economic rate of return (EIRR) cannot be calculated.

(a) Cost: Project cost, operation and maintenance expenses

(b) Benefit: Revenue from port dues

(c) Project Life: 25 years

6. External Risk Factors

Deterioration of law and order, etc.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

The lesson learned from the ex-post evaluations of similar past projects is that establishing an appropriate operation and maintenance system is indispensable for ensuring smooth operation and maintenance of projects after they are launched. The Ministry of Transport, the operation and maintenance agency of this project, has operated and maintained the facilities throughout the period of economic sanctions and before and after the conflicts, and will continue to pay close attention to the establishment of an operation and maintenance system by including training for its staff, etc.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

Total cargoes (million tons/year)

(2) Timing of Next Evaluation

2 years after project completion