

Ex-ante Evaluation

1. Name of the Project

Country: The Republic of Iraq

Project: Electricity Sector Reconstruction Project

(Loan Agreement: January 25, 2008; Loan Amount: 32,590 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 damages in its economy and society, Iraq has begun to move toward reconstruction in collaboration with the international community after Iraq war in 2003.

In accordance with Iraq's National Development Strategy (2005–2007), which was launched in June 2005, the electricity sector is the foundation of all economic and social activities in Iraq. Nevertheless, due to many years of lack of new investments and inadequate operation and maintenance, widespread looting and so on, original capacities of all sub-sectors of the electricity sector, namely generation, transmission, transformation and distribution, have been critically decreased. Consequently, it is considered that rebuilding the capacity of the electricity sector is one of the most important fields for Iraq's reconstruction.

In Iraq, power supply for civil life and basic infrastructure such as water supply, hospitals, etc. continues to be unstable. This is evidenced by the fact that most regions experience power outages lasting for more than 10 hours on a daily basis. Thus, support is needed to restore not only Iraq's power generating facilities but also its power transmission and transformation facilities as well as its power distribution installations. Iraq's power transmission and distribution system is comprised of electric feeder lines and distribution lines of 400 kV, 132 kV, 33 kV and 11 kV. Because of shortages in spare parts caused by economic sanctions and other disruptions, as well as aging and the like, transmission, transformation and distribution functions have declined notably. Consequently, related facilities need to be rehabilitated and improved immediately.

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 stabilize Iraq's power supply by providing equipment and materials for power transmission and power distribution throughout the country, thereby contributing to Iraq's economic and social reconstruction. The objective of the Project is to recover the electricity network, by provision of necessary rehabilitation for transmission and distribution systems, thereby contributing to improving the levels of reliability and availability of the electricity network and promoting socio-economic stability and expansion.

4. Project Description

(1) Target Area

Throughout Iraq (except three northern governorates of Kurdistan Regional Government)

(2) Project Outline

- (a) Provision of equipment and materials for transmission and distribution system
- (b) Consulting services

(3) Total Project Cost / Loan Amount

43,948 million yen / 32,590 million yen

(4) Schedule

January 2008–October 2012 (58 months). The definition of project completion is “when the provision of equipment and materials, etc. is completed.”

(5) Implementation Structure

- (a) Borrower: The Government of the Republic of Iraq
- (b) Executing Agency: Ministry of Electricity (MOE)
- (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

Preparation of the Environmental Impact Assessment (EIA) report related to the project is not required under Iraq’s domestic laws.

(iv) Anti-Pollution Measures

In this project, during the repair work the executing agency will, on the basis of Iraq’s engineering guidelines, etc., adopt suitable measures to prevent scattering of building materials, as well as appropriate measures to prevent paint and grease from contaminating the surrounding soil.

(v) Natural Environment

This project will be implemented mainly on the premises of existing substations, and so any adverse impact on the natural environment is assumed to be minimal.

(vi) Social Environment

This project will be implemented mainly on the premises of existing substations. Thus land

acquisition will be minimal and no resident will be relocated.

(vii) Other / Monitoring

In this project, the executing agency will, pursuant to JBIC's environmental guidelines, monitor the project with assistance from 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

Synergic effects with power generating capacity improvement projects such as the Al-Mussaib Thermal Power Plant Rehabilitation Project can be expected.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

In this project, after the signing of the Loan Agreement, in addition to setting up indicators for determining the project's effectiveness as much as possible, the executing agency will conduct a baseline study targeting only the project site, and based on its findings, establish baselines and targets.

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

In this project, after the signing of the Loan Agreement, the executing agency will calculate the internal rate of return to determine the project's effectiveness as much as possible.

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 the smooth operation and maintenance of facilities after they are launched. In this project, close attention will continue to be paid to the establishment of an operation and maintenance system by, among other things, including in the project training for the staff of the Ministry of Electricity, the operation and maintenance agency of this project.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

Indicators that show stabilization of electric supply, etc.

(2) Timing of Next Evaluation

2 years after project completion