

## ODA Loan

### Ex-ante Evaluation for Japanese ODA Loan

#### 1. Project

Country: The Republic of Iraq (hereinafter referred to as Iraq)  
Project: Communications Network Development Project for Major Cities  
Loan Agreement: October 14, 2012  
Loan Amount: 11,674 million yen  
Borrower: The Government of the Republic of Iraq

#### 2. Background and necessity of the Project

(1) Development achievements and issues (present situation) in the communications sector in Iraq

Communications infrastructure is vital for industries and is an essential social infrastructure for people's lifestyle as well. However, in the past, Iraqi investments in the communications sector were not enough. Hence, the rate of landline phone penetration prior to 1990 hovered low at a level of about 5.6%. In addition, the Gulf War in 1991 and subsequent economic sanctions heavily destroyed and aggravated the communications infrastructure: the rate of landline phone penetration dwindled to 4.0% in 2002. After the end of the Iraq War, the core transmission network was rehabilitated and improved to a certain degree. However, the subscriber network that connects the core transmission network and users has not made much progress in its development. The landline phone penetration rate was still 6.1% in 2009 (12% in Jordan, a bordering country). The world's communications infrastructure has advanced from the conventional public switched phone network to the next generation network (NGN) that makes integrated voice and data transmission possible. An issue in Iraq as well is to build NGN without remaining at only the rehabilitation of the conventional infrastructure.

(2) Development policy in the communications sector in Iraq and the meaning of this Project

The National Development Plan (2010 ~ 2014) compiled by the Iraqi government in 2010 places emphasis on the communications sector as an area that constitutes the foundation for economic activities and civic life. The Development Plan aims to bring communications service up to international standards by organically using both public funds and private-sector funds, expanding the landline phone network in cities and rural areas, improving the quality of telephone and Internet services, and providing broadband Internet service at reasonable prices. At the same time, the Ministry of Communications formulated in 2010 the Medium-term Development Strategy (2010 ~ 2014), which set a goal of increasing the landline phone penetration rate to 15.95% by the year 2016. The Communications Network Development Project for Major Cities

(hereinafter referred to as “this Project”) aims for improvements in the communication environment by installing subscriber lines in major cities. Thus, it is consistent with the core of the Iraqi government’s Development Plan.

(3) Assistance policies and achievements of Japan and JICA in the communications sector

The Japanese government and JICA specify the “vitalization of the private sector” as one of the four priority areas and the “communications infrastructure development” as a priority issue in the assistance policy for Iraq. In 2004, the Japanese government implemented the North-South Core Communication Network Development Project and the Out-of-town Telephone Exchange Equipment Development Project with emergency grant aid. JICA also provided training for capacity building among policy makers and engineers in the communications sector.

(4) Actions taken by other aid organizations

The USA government provided grant aid for rehabilitating the international telephone network. Regarding the domestic core transmission network, the World Bank offered assistance in addition to the above-stated Japan grant aid. There is no assistance extended by aid organizations for the installation of subscriber lines.

(5) Necessity of the project

As mentioned above, this Project is in alignment with the development policy of Iraq, and also placed as Japanese and JICA’s aid priority area. Hence, it is indeed necessary and relevant for JICA to implement this Project.

<h3>3. Project profile</h3>
-----------------------------

(1) Objectives

The Project develops subscriber networks in major cities in Iraq, thereby upgrading the communications environment that is essential as an industrial infrastructure, thereby contributing to economic and social reconstruction in Iraq.

(2) Project site/target area

Baghdad City, Basrah City and Mosul City

(3) Outline of the project (including procurement method)

1) Development of IP communications network and installation of 150,000 subscriber lines (international competitive bidding)

2) Construction of a maintenance and management center (domestic competitive bidding)

3) Consulting service (detailed design; bidding support; implementation management, etc.) (shortlist method)

(4) Total project costs

12,821 million yen (including ODA loan of 11,674 million yen)

(5) Implementation schedule

December 2012 ~ August 2016 (44 months). The start of using the facility service shall be the time of the project's completion (Aug 2016).

(6) Implementation structure

- 1) Borrower: The Government of the Republic of Iraq
- 2) Project executing agency: Ministry of Communications (MOC)
- 3) Operations management and maintenance system:  
Iraqi Telecommunications and Post Company (ITPC) and the State Company for Internet Service (SCIS)

(7) Environmental and social considerations, poverty reduction, and social development

- 1) Environmental and social considerations
  - (1) Classification: Category C
  - (2) Reasons for classification: The project is likely to have minimal adverse impact on the environment under the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (established in April 2002).
- 2) Promotion of poverty reduction: N/A
- 3) Promotion of social development: N/A

(8) Schemes and partnerships with other donors:

The core transmission network has been developed with Japanese grant aid and assistance from the World Bank. It is expected to deliver a synergistic effect through the implementation of this Project.

(9) Other special issues: N/A

4. Output of the Project

(1) Quantitative output

1) Operation and effect indices

Index name	Baseline	Target (2018) (2 years after the project completion)
The number of fixed broadband service subscribers	300 (2011)	407,000
Landline telephone penetration rate in the governorate of Baghdad	8.9% (2009)	15.92%

2) Internal rate of return:

This Project's financial internal rate of return (FIRR) is 14.9%, while the economic internal rate of return (EIRR) is 20.9%.

- (1) Expenses: Project expenses, and operations and maintenance expenses
- (2) Benefits: Subscription fees and access & connection charges
- (3) Project life: 18 years

(2) Qualitative outputs

Creation of employment opportunities during the Project implementation, vitalization of the private sector as a result of improvements in the communications environment, and strengthening of the operations and maintenance system of the executing agency through training and making manuals

5. External conditions and risk control

Rapid deterioration of the security in Iraq

6. Evaluation results of past similar projects and lessons learned

(1) Evaluation results of similar projects

The ex-post evaluation of the past projects points out the necessity of pursuing the accuracy improvement of preliminary studies such as F/S while reserving flexible changes in the project's contents in the communications sector that has been undergoing drastic technical innovations.

(2) Lessons for this Project

In this Project, JICA examined the technologies to be adopted with the consideration of the recent international trend of communications technologies and their applicability to the target areas at the stage of its Feasible Study and Appraisal.

7. Plan for future evaluation

(1) Indexes to be used in the coming evaluation

- 1) The number of fixed broadband service subscribers (in person)
- 2) Landline telephone penetration rate in the governorate of Baghdad (%)

(2) Time of the evaluation in the future

Two years after the Project Completion