

## Ex-Ante Evaluation (for Japanese ODA Loan)

Private Sector Investment Finance Division,  
Private Sector Partnership and Finance Department, JICA

### 1. Name of the Project

Country: Republic of Iraq

Project: New Container Terminal Development Project at Umm Qasr Port in Iraq

Loan Agreement: June 23, 2021

### 2. Background and Necessity of the Project

#### (1) Current State and Issues of Development in the Port and Harbor Sector in Iraq

The Republic of Iraq has a coastline of about 48 kilometers between Iran and Kuwait, and as a hub of international logistics, commercial port and harbor facilities in the southern governorate of Basra constitute basic infrastructure indispensable to the country's economic development. The volume of container cargo handled in Iraqi ports and harbors, which stood at 137,000 TEU<sup>1</sup> in 2006, grew to 778,000 TEU in 2014, and demand for such cargo is expected to rise by a factor of about six times to 4,718,000 TEU in 2035, which is in 20 years<sup>2</sup>. On the other hand, Iraq sees its ports and harbors significantly lacking in cargo-handling capacity because of insufficient new investments in port and harbor facilities due to economic sanctions and conflicts of many years, and this causes cargo that exceeds the handling capacity to be transported by land from ports in neighboring countries. In 2018, while the Umm Qasr Port, the largest in the country, and the Khor Al-Zubair Port, the second largest, were capable of handling 18.2 million tons/year of cargo and 9.3 million tons/year of cargo<sup>3</sup>, respectively, demand for cargo exports and imports in the country is estimated to have reached 53 million tons/year<sup>4</sup>.

In Iraq, all port and harbor services, including permission for vessels to enter and leave ports as well as cargo work, are provided by the General Company for Ports of Iraq (GCPI), a state-run corporation, but the Iraqi government gives

<sup>1</sup> TEU stands for "twenty-foot equivalent unit" for containers.

<sup>2</sup> The source for figures quoted up to this point is the JICA Project on Master Plan Study for Port Sector in the Republic of Iraq (December 2015).

<sup>3</sup> Source: FY2018 External Ex-Post Evaluation for the Port Sector Rehabilitation Project based on Japanese ODA loan

<sup>4</sup> Source: Trial estimates by Aloreen Company for Investment Ltd.

concessions to private terminal operators in an effort to enhance international competitiveness by raising service levels. In the port and harbor sector plan of its National Development Strategy (2018-2022), in addition to improving the existing equipment of ports and harbors that served as a hub of international logistics and constructing new ports and harbors, the government presented a policy of considering it important to promote utilization of the private sector in port and harbor operation projects, and in its White Paper on Economy (October 2020), it referred to the development of the Umm Qasr Port as part of its national policy.

Under these circumstances, this project assists Aloreen Company for Investment Ltd., an existing terminal operator in the Umm Qasr Port, the largest in the country, in developing a new container terminal in the port. Located about 50 kilometers south of Basra, Iraq's second largest city, the Umm Qasr Port is the country's only deep-water port and handles a wide range of cargo, including containers, bulk cargo, and vehicles and enables large vessels to call at<sup>5</sup>. In 2018, it handled approximately 69% of container cargo imported to Iraq, and as the country strives to meet demand for container cargo, which is predicted to grow substantially in the future, increasing the country's cargo-handling capacity and making its port and harbor functions efficient through this project are becoming an important initiative that corresponds with the development strategy of the Iraqi government.

## (2) Japan and JICA's Policy and Operations in the Port and Harbor Sector

Japan's Country Assistance Policy for Iraq (July 2017) designated strengthening basic economic infrastructure, including the transport sector, as a priority area, stating that the government would promote private investments through infrastructure development and enhancement of related operational capacity, and this project is in accord with this policy. To date, JICA has already provided assistance for Iraq's port and harbor sector through two Japanese ODA loan projects: the Port Sector Rehabilitation Project in fiscal 2008 and the Port Sector Rehabilitation Project (II) in fiscal 2014. In particular, the former involved dredging, removing submerged ships along sea routes, procuring cargo-handling equipment, and so forth at the northern part of the Umm Qasr Port. In 2013, JICA launched the Project on Master Plan Study for Port Sector in the Republic of Iraq as part of its technical cooperation, providing assistance in

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<sup>5</sup> Vessels carrying 50,000MT of cargo or more

the formulation of the whole development plan for the port and harbor sector in Iraq. In addition, from fiscal 2017 to 2019, it implemented the KCCP program (Project for Improvement of the Capacity on Port Management), providing personnel of the Iraqi port and harbor corporation and other officials with training in port and harbor management planning methods, practical knowledge of PPP projects, etc.

### (3) Necessity of Assistance with Private-Sector Investment Finance

This project will bring high development effects in that it contributes to resolving delay port and harbor facility development, a bottleneck to economic growth in Iraq, by increasing the volume of cargo that can be handled and enhancing the handling capacity of ports and harbors through development of a new container terminal, as well as by utilizing a private business operator's know-how to ensure efficient port and harbor operation and management. On the other hand, Iraq's country risk, including public order, remains high, and it is difficult to procure long-term loans for projects to be carried out in the country from private financial institutions. For this reason, providing assistance through overseas investment and finance is highly significant.

## **3. Project Description**

### (1) Project Objective

The objective of this project is to increase the handling capacity of the port and make its functions efficient, by developing a new container terminal at the Umm Qasr Port in Basra Governorate, thereby contributing to trade expansion and economic development in the Republic of Iraq.

### (2) Target Area

Umm Qasr Port in Basra Governorate

### (3) Project Components

Aloreen will develop a new terminal in Yard No. 5 of the Umm Qasr Port. The existing terminal already in operation in Yard No. 3 is currently handling both container cargo and ordinary cargo, but plans call for the new terminal to be used exclusively for container cargo after the cargo-handling equipment is transferred when it starts operation and for the existing terminal to continue to handle ordinary cargo, including bulk cargo, and in addition serve RoRo ships in part of its area, and facilities needed for that purpose will be developed.

### (4) Estimated Project Cost

198.9 million U.S. dollars

(5) Schedule

August 2022: Start of operation of part of the new terminal (planned)

February 2023: Start of full-scale operation of the new terminal (planned)

(6) Project Implementation Structure

- 1) Borrower: Aloreen Company for Investment Ltd.
- 2) Executing Agency: Same as above
- 3) Operation and Management System: Same as above

(7) Cooperation and Sharing of Roles with Other Donors

1) Japan's Assistance Activities

The Port Sector Rehabilitation Project in fiscal 2008 and the Port Sector Rehabilitation Project (II) in fiscal 2014, both Japanese ODA loan projects, involved dredging, removing submerged ships along sea routes, and procuring cargo-handling equipment at Umm Qasr's northern port. Starting from 2013, the Project on Master Plan Study for Port Sector in the Republic of Iraq was carried out to help formulate the whole development plan for Iraq's port and harbor sector. In addition, from fiscal 2017 to 2019, the Project for Improvement of the Capacity on Port Management was implemented to provide personnel of the Iraqi port and harbor corporation and other officials with training in port and harbor management planning methods, practical knowledge of PPP projects, etc.

2) Other Donors' Assistance Activities

This project strives to appropriately control risks involved in its implementation through co-financing with IFC, which has experience in financing seven past port and harbor terminal projects in which TILH took part as a sponsor.

(8) Environmental and Social Consideration / Cross-Sectoral Issues / Gender Category

1) Environmental and Social Consideration

(i) Category: B

(ii) Reason for Categorization: This project does not fall into large ones in the port and harbor sector as stipulated in the JICA Guidelines for Environmental and Social Considerations, promulgated in April 2010. The adverse effects of the project on the environment are not considered to be serious, nor does the project fall into the category of having characteristics that easily affect the environment and areas whose environment is easily affected as stated in the Guidelines.

(iii) Environmental Permit: Iraqi laws do not require the project to compile an

environmental impact assessment report, but the project produced an environmental and social impact assessment report in 2018. Based on the concession agreement with GCPI, the business operator carries out the project on a tract of land owned by GCPI, and environmental permits are obtained by GCPI as required. GCPI has confirmed that no environmental permit needs to be obtained when the new terminal is developed in the project.

(iv) Anti-Pollution Measures: The borrower has worked out an environmental and social management plan and is controlling and monitoring the risk and effect of the project affecting the environment, including the atmosphere, soil, and water quality. Taking effects on ecosystems into account, it plans to minimize water pollution by using bubble curtains, silt screens, and other measures to mitigate it.

(v) Natural Environment: The project site does not fall into areas whose natural environment is easily affected or their peripheries, meaning that the adverse effects of the project on the natural environment are minimal.

(vi) Social Environment: The project does not involve land acquisition and resident relocation, because the new terminal is constructed at the existing port under the jurisdiction of GCPI, a port and harbor authority.

(vii) Other/Monitoring: During construction work, air, soil, and water quality, noise and vibration, waste, and traffic volume are monitored by the contractor and its subcontractors with the monitoring of air quality, noise and vibration, waste, and traffic volume undertaken by the borrower.

2) Promotion of Poverty Reduction: None in particular

3) Promotion of Social Development: None in particular

4) Category of Gender: Not applicable

In light of the nature of the project, it is difficult to include initiatives planned from the perspective of gender, and the project stopped short of including any specific activity that would contribute to gender equality or women's empowerment.

5) Other Important Issues: None in particular

**4. Targeted Outcomes**

(1) Quantitative Effects

Operation and effect indicators for the project (Yards No. 5 and No. 3):

Indicator	Baseline (2019)	Target (2025) (3 years after project)
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		completion)
Annual number of container terminal work units (move <sup>6</sup> )	135,369	185,113
Annual volume of ordinary cargo handled, including bulk cargo) (tons)	775,460	944,000
Average number of hours during which ships are anchored (days) <sup>7</sup>	5 to 6	2 to 3

## (2) Qualitative Effects

Trade expansion, economic development, achievement of greater logistic efficiency, promotion of private investments, and job creation

## 5. Prior Conditions and External Factors

(1) Prior Conditions: None in particular

(2) External Factors: None in particular

## 6. Lessons Learned from Past Projects

(1) Evaluation Findings of Similar Past Projects

- In the Subic Bay Port Development Project, a Japanese ODA loan project for the Philippines, a new port was constructed to replace and complement the Manila Port, which was heavily congested, but additional berths were built at the Manila Port later, keeping the number of containerized ships that called at the new Subic port lower than initially predicted. The lesson learned from this was that in the examination of a project, the policy and plan of various projects (such as surrounding trunk road development plans and port and harbor development plans) related to the one covered by its loan should be fully analyzed and verified.

- The lesson learned from the Port Sector Rehabilitation Project, a Japanese ODA loan project for Iraq, was that it is effective that if, in terms of public order, there are restrictions on conditions under which Japanese are engaged in a project, a system of cooperation with related organizations should be built when the project is organized and that a structure of project operation and supervision should be established after division of roles with other donors is considered as

<sup>6</sup> A move is a unit of service provided per container in the handling of container cargo. In general, work between a ship and a yard or work between a yard and an external chassis is counted as 1 move.

<sup>7</sup> The number of hours refers to the length of time from a ship calling at or reaching a port to its departure after cargo unloading and loading, refueling, and other operations.

required.

## (2) Lessons for the Present Project

In Iraq, for more than ten years there has been a plan for developing a new deep-water Faw Port in addition to the Umm Qasr Port. Construction started at the Faw Port around 2010, but due to the lack of project funds, the construction work has been interrupted frequently. One report says that ten years after the start of construction, preparations are finally under way to place an order for the construction of quays<sup>8</sup>, but it is highly unlikely that the Faw Port will compete with the Umm Qasr Port in the short to medium term. A direct confirmation of the positioning of the new Faw Port with GCPI indicated that, unlike the Umm Qasr Port, which has played its role as a gateway to Iraq, meeting domestic demand extensively, the new Faw Port aimed at playing its part as a hub of east-west routes from the Mediterranean Sea to Asia. GCPI also commented that the Faw Port was expected to complement the Umm Qasr Port if demand for cargo imports grew even further in the future, exceeding the latter's cargo-handling capacity. Thus, it was confirmed that the two ports were differentiated from each other in the development strategy.

Furthermore, this project will work with the borrower and IFC, a co-financier, to establish a project monitoring system based on the lessons learned from the above-mentioned Port and Harbor Sector Reconstruction Project.

## **7. Evaluation Results**

This project is in accord with Iraq's development tasks and development policy as well as Japan's and JICA's cooperation policy and analyses and contributes to economic development in Iraq through development of a new port terminal, a pivot of international logistics in the country. It is also expected to contribute to achieving Goal 9 (Industry, Innovation and Infrastructure) and Goal 17 (Partnerships for the Goals) of the SDGs. For these reasons, the assistance that it provides through overseas investment and finance is highly significant.

## **8. Plan for Future Evaluation**

### (1) Indicators to Be Used

As shown in Section 4 above

### (2) Timing:

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<sup>8</sup> <https://www.hellenicshippingnews.com/iraq-seeks-funds-for-al-faw-grand-port-project/>  
<https://www.al-monitor.com/pulse/originals/2020/08/iraq-basra-fao-port-persian-gulf.html>

An ex-post evaluation will be conducted in December 2025 (three years after the terminal is brought into service).