

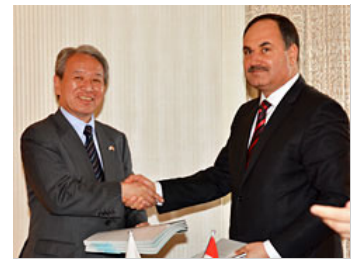
Signing of Japanese ODA Loan Agreements with the Republic of Iraq

–Japan Begins ODA Assistance Exceeding 3.5 Billion Dollars and Uses Japanese Commercial Technology While Strengthening Relations with Iraq–

On October 14, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Republic of Iraq to provide loans of up to 67.03 billion yen for four projects. This brings Japan's loans to the country to over 3.5 billion dollars, the amount promised by the Japanese government in 2003 for reconstruction efforts in Iraq.

At the Madrid International Conference on Reconstruction in Iraq held in Madrid in October 2003, the Japanese government pledged that it would offer 1.5 billion dollars of grant aid in support of Iraq's immediate reconstruction needs, and Japanese ODA loans of maximum of 3.5 billion dollars for medium- to long-term reconstruction of the country. At present, 15 projects are being carried out with yen loans (total loan agreements value of 364.6 billion yen, approximately 3.28 billion dollars). The new yen loans for four further projects, which include Special Terms for Economic Partnership (STEP),^[1] are symbolic of the Japanese government's strong commitment to the reconstruction of Iraq, and carve out a new path that strengthens bilateral relations.

Based on a request from the government of Iraq, STEP will be applied to the Basrah Refinery Upgrading Project (I), in STEP's first application in Iraq and Japanese technologies pertaining to plant construction are expected to be used in the project. The request for STEP application by the government of Iraq is an expression of the strong trust the country has in the technologies and know-how of Japanese firms, such as that used in plant construction in Iraq in the 1970s and 1980s, as well as of the high expectations that Japanese firms will re-enter an active Iraqi market.



Signing ceremony

Iraq has a population of 30 million that is growing at over 2 percent, and it holds the world's attention as an emerging business market. On the other hand, due to the repeated wars and economic sanctions suffered since the 1980s, its infrastructure, a cornerstone of a nation's economy, has been devastated. Therefore, there is an urgent need for reconstruction. For example, the capacity of its oil refining facilities is decreasing, and despite the fact that Iraq is an oil producer, the nation imports oil products. Moreover, Iraq's communications sector, a vital foundation of industry, has also suffered destruction and deterioration, and economic sanctions prevented the adoption of new technologies. The sector is much more fragile than those of neighboring countries, posing an obstacle to revitalizing the private sector in Iraq. Medical facilities and equipment, which directly affect the lives of Iraqis, are mostly dilapidated, and the outflow of medical personnel from the country has left medical services in a poor state.

In view of this situation, the Japanese ODA loans consist of the following:

(1) Supporting the Oil Sector, Key to Iraq's Economic Growth

The oil sector is the greatest key industry for the economy of Iraq, and it is just about the country's only source of foreign exchange. Deterioration of oil refining facilities has led to lower output capacity, and as the country has seen increasing demand for oil products, such as gasoline, since the end of the war, this has created a large gap between supply and demand. At present, Iraq is forced to import oil products in order to make up for the shortfall, and the expenditure poses a great economic burden. In view of this, JICA supports planning and its construction of new fluid catalytic cracking (FCC) complexes at existing refineries to improve the nation's oil refining capabilities (Baiji Refinery Upgrading Project (E/S) and Basrah Refinery Upgrading Project (I)).

(2) Revitalizing Iraq's Private Sector: Communications Network Development Project for Major Cities

The Iraqi government regards its communications sector as an area that provides an essential foundation for its people's lives and economic activities. According to the Iraq National Development Plan (2010-2014), both public and private funds are being used with the aim of bringing the nation's communications services up to international standards. To support this policy and to improve the nation's communications sector, a vital foundation for industry, JICA is working toward the installment of telecommunications networks and subscriber networks in Iraq's major cities. This major Japanese ODA loan for the communications sector will contribute to the revitalization of Iraq's private sector and ensure its continued development (Communications Network Development Project for Major Cities).

(3) Installing Local Infrastructure for Livelihood: Health Sector Reconstruction Project

The Iraqi government is working to construct a comprehensive national medical system, and one of its initiatives attempts to address the disparity in medical services between urban and rural areas. At present, the Iraqi government is using its own funds to build large hospitals with 400 beds at various provincial capitals. However, fiscal difficulties prevent similar endeavors from being implemented in the countryside. JICA is working toward the construction of 200-bed hospitals in rural areas to provide a vital link between primary care facilities in less populated areas and special medical facilities, thereby promoting the implementation of a nationwide medical system that improves the lives of the Iraqi people (Health Sector Reconstruction Project).

JICA plans to actively work toward the development of Iraq by strengthening its cooperation in various ODA schemes, including ODA loans, technical cooperation, and grant aid schemes.

Reference

1. Terms and Amounts of Loan

Project Title	Amount (Million Yen)	Annual interest rate (%)		Repayment (Years)	Grace Period (Years)	Procurement
		Project	Consulting services			
Health Sector Reconstruction Project	10,245	0.65	0.01	40	10	General Untied
Communications Network Development Project for Major Cities	11,674	0.65	0.01	40	10	
Baiji Refinery Upgrading Project (E/S)	2,676	-	0.01	40	10	
Basrah Refinery Upgrading Project (I)	42,435	0.2*	0.01	40*	10*	Tied*

*STEP terms apply.

2. Project Summaries

(1) Health Sector Reconstruction Project

Background and Necessity

Iraq has seen a marked decline in medical services, due to the numerous conflicts and economic sanctions since the 1980s, to the decline in governance leading to the deterioration of medical facilities and equipment, and to the trend of medical professionals leaving the country. This has meant that there are only 1.3 hospital beds available for each 1,000

people in its population (2009), lower than the international standard of 3.0 to 3.3 hospital beds. In addition, the infant mortality rate (23 deaths per 1,000 births in 2009) is two to six times higher than in other Gulf Nations. Although an improved security situation has seen people return to the country in recent years, and although there is active medical training, efforts to overhaul deteriorated facilities and equipment remain insufficient, and shortages of medicines and materials continue. In response to this situation, the Iraqi government has prioritized the rebuilding of its health sector, and has designated the shortage of medical facilities and equipment as an urgent issue.

Objective and Summary

This project aims to contribute to the enhancement of Iraq's medical system and the reduction of health disparities among regions, to improve the welfare of the Iraqi people and to promote the nation's socioeconomic and social development by establishing core general hospitals (of about 200 beds) in the governorates of Dhi Qar, Basrah, Salaheddin, Kirkuk, Diyala, Babylon and Karbala. Loan funds will be used in various ways, including the construction of middle-scale general hospitals, the procurement of medical equipment, and for consulting services.

Executing Agency

Ministry of Health
Address: Ministry of Health Building, Bagdad, Iraq
WEB: <http://moh.gov.iq/english/index.php>

Planned Implementation Schedule

- (i) Completion of project: January 2020 – with completion of the construction work
- (ii) Issuing of letters of invitation for consulting services (preliminary planning, etc.): February 2013
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Construction and Procurement of Equipment
Release date: August 2014

(2) Communications Network Development Project for Major Cities

Background and Necessity

Communications infrastructure is a vital foundation for both industry and the lives of the national public. The lack of sufficient investment in Iraq's communications sector in the past, however, meant that the percentage of its people with fixed-line telephones before 1990 had stagnated at 5.6 percent. In addition, the 1991 Gulf War and the following economic sanctions resulted in the destruction and deterioration of existing communications infrastructure, reducing the percentage of those with fixed-line telephones to 4.0% in 2002. After the war, the building of communications and subscriber networks remained stagnant despite aid targeted at restoring and building various networks, and the percentage of those with fixed-line telephones remained at 6.1 percent in 2009. (Neighboring Jordan has a 12 percent penetration rate.) Currently, global communications infrastructure is switching over from conventional Public Switched Telephone Networks to Next Generation Networks (NGN), which make the transmission of both sound and data possible, and new NGN infrastructure is badly needed in Iraq.

Objective and Summary

This project will work toward the economic and social reconstruction of the country by establishing subscriber networks in Iraq's major cities and improving the communications environment of the country, an important cornerstone of industry. Loan funds will be used for construction works for subscriber networks, for equipment, and for consulting services.

Executing Agency

Ministry of Communications
Address: Ministry of Communications Building, Bagdad, Iraq
WEB: <http://www.moc.gov.iq/english/e-contactus.htm>

Planned Implementation Schedule

- (i) Completion of project: August 2016 – with completion of the construction work
- (ii) Issuing of letters of invitation for consulting services (detailed design, etc): April 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction
Procurement package title: IP communications system
Release date: May 2013

(3) Baiji Refinery Upgrading Project (E/S)

Background and Necessity

The oil sector is the greatest key industry for Iraq, making up approximately 60 percent of its GDP and 90 percent of its national revenue, as well as being the nation's only major source of foreign exchange. Because of the numerous conflicts and economic sanctions, however, the production of oil has decreased to approximately two million barrels per day. Many oil refineries have also suffered damage and deterioration, and the existing 14 refineries operate at a limited capacity of 60 percent to 75 percent, and even production at its three large-scale refineries is limited to a total of 580,000 barrels a day. Gasoline shortages stand at 40,000 barrels per day, and with its population's demand for oil products greatly undersupplied, the country has been forced to import oil products despite being an oil producer itself, at great economic burden. Iraq is in need of various reconstruction measures, but a priority is to secure investment in its oil-refining sector in order to address its need to import oil products, which results in the loss of foreign exchange. Greater oil-refining capabilities would mean the ability to manufacture oil products themselves and to add to the nation's foreign exchange reserves. An unstable political and security situation, however, prevents sufficient investments from being obtained by the private sector.

Objective and Summary

JICA will increase its oil products by installing a new Fluid Catalytic Cracking (FCC) facility at the Baiji Refinery in the Northern Governorate of Salaheddin. This will reduce the gap between supply and demand for oil products by enhancing productivity and promoting the transfer of other related technologies to ease the environmental burden, contributing to the economic and social reconstruction of Iraq. This Engineering Services (E/S) loan offers necessary funds for such things as Front End Engineering Design (FEED), which will be carried out prior to the construction of the main facilities.

Executing Agency

Ministry of Oil
Address: Ministry of Oil Building, Bagdad, Iraq
WEB: <http://www.oil.gov.iq/moo/contact.php?lang=en>

Planned Implementation Schedule

- (i) Completion of project: December 2016 – with completion of the FEED
- (ii) Issuing of letters of invitation for consulting services (preliminary planning, licensor selection support, etc.): November 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: No international competitive bidding is planned at this stage.

(4) Basrah Refinery Upgrading Project (I)

Background and Necessity

The oil sector is the greatest key industry for Iraq, making up approximately 60percent of its GDP and 90percent of its national revenue, as well as being the nation's only major source of foreign exchange. Because of the numerous conflicts and economic sanctions, however, the production of oil has decreased to approximately two million barrels per day. Many oil refineries have also suffered damage and deterioration, and the existing 14 refineries operate at a limited capacity of 60percent to 75percent, and even production at its three large-scale refineries is limited to a total of 580,000 barrels a day. Gasoline shortages stand at 40,000 barrels per day, and with its population's demand for oil products greatly undersupplied, the country has been forced to import oil products despite being an oil producer itself, at great economic burden. Iraq is in need of various reconstruction measures, but a priority is to secure investment in its oil-refining sector in order to address its need to import oil products, which results in the loss of foreign exchange. Greater oil-refining capabilities would mean the ability to manufacture oil products themselves and to add to the nation's foreign exchange reserves. An unstable political and security situation, however, prevents sufficient investments from being obtained by the private sector.

Objective and Summary

This project will increase oil production by constructing a new refining plant (FCC complex) that includes a FCC facility at the existing Basrah refinery in Basrah Governorate in southern Iraq. That will increase the quality of oil products while decreasing the gap between the supply and demand. Additionally, the new plant will ease the environmental burden. The project will also promote the transfer of related technologies, contributing to the socioeconomic reconstruction of Iraq. This is the first Japanese ODA loan to Iraq to which STEP applies. Japanese technology will be used and promoted in the project.

Executing Agency

Ministry of Oil
Address: Ministry of Oil Building, Bagdad, Iraq
Website: <http://www.oil.gov.iq/moo/contact.php?lang=en>

Planned Implementation Schedule

- (i) Completion of project: December 2019 – with completion of the construction work
- (ii) Issuing of letters of invitation for consulting services (including basic design and licensor selection assistance): November 2012
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Construction and Procurement of Equipment
Release date: April 2014

Note

[1] These special Japanese ODA loan terms were established to provide greater visibility of Japanese aid through the transfer of advanced technology and expertise to developing countries.