

Signing of Japanese ODA Loan with the Republic of Iraq

Contributing to real socioeconomic reconstruction in Iraq

On June 29, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of the Republic of Iraq to provide Japanese ODA loans of up to a total of 88.188 billion yen for two projects. With these loans, the total number of Japanese ODA loan agreements with Iraq is 23, and Japan's cumulative commitment to Iraq reaches over 500 billion yen.

One of these two projects, the Electricity Sector Reconstruction Project (Phase 2), will construct power transmission and distribution facilities in central and southern Iraq, where the demand for electricity is especially high. The other project, the Sewerage Construction Project in Kurdistan Region (I), aims to establish the first full-scale sewerage system in the Kurdistan Region of Iraq.

Due to repeated wars and economic sanctions since the 1980s, the infrastructure that forms the economic basis in Iraq has not been upgraded or has seriously deteriorated, resulting in a huge demand for extensive reconstruction. Now, 10 years after the end of war, circumstances remain difficult, and the Iraqi people still struggle to live. Despite being the basis for all economic and social activities, the electricity sector suffers from a chronic power shortage, greatly hindering the restoration of social stability and economic reconstruction. The sewerage coverage in Iraq is just slightly more than 30 percent, and diarrhea, infectious diseases and other problems caused by unsafe water are reported in all regions of the country.

These two signed Japanese ODA loan projects will provide assistance in the electricity and sewerage sectors, which directly affect people's livelihoods and activities in the private sector, implementing extensive socioeconomic reconstruction and thereby contributing to sustainable reconstruction and development.

JICA will work proactively to address the development challenges in Iraq by utilizing Japanese ODA loans and promoting synergistic benefits with technical cooperation.

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Electricity Sector Reconstruction Project (Phase 2)	53,771	0.95	0.01	20	6	General untied
(2) Sewerage Construction Project in Kurdistan Region (I)	34,417	0.1	0.01	40	10	Japan tied

Note: Special Terms for Economic Partnership (STEP) apply to project (2).

(1) Electricity Sector Reconstruction Project (Phase 2)

(a) Background and Necessity

Three wars and years of economic sanctions since the 1980s have left the electric power infrastructure in Iraq, including power plants and transmission and distribution networks, aging and decayed. Since the end of the Iraq War in 2003, the infrastructure of the power sector has been gradually rehabilitated, but Iraq's current capacity to supply electricity is only approximately 12,000 megawatts for a total national demand of around 16,000 to 18,000 megawatts. It is not unusual for electricity outages to last for more than 10 hours a day. Although reconstruction has progressed gradually since 2003, due to serious destruction and inadequate maintenance of existing transmission and distribution networks since the Gulf War, there is still a power loss in the transmission and distribution networks of approximately 35 percent, which is significantly higher than other Middle Eastern countries. Given these circumstances, there is an urgent need to secure a sufficient and stable power supply.

(b) Objective and Summary

This project will install and rehabilitate electricity facilities in Iraq to improve the power transmission and distribution networks, as well as to stabilize the power supply, thereby contributing to socioeconomic reconstruction in Iraq. The ODA loan will be allocated to the construction of substations, the rehabilitation of power transmission and distribution facilities, consulting services and the like. This loan will be provided in the form of a sector loan to promptly address security and reconstruction needs, and sub-projects will be defined at later stage.

(c) Executing Agency

Ministry of Electricity (MOE)

Address: MOE Building, Baghdad, Iraq

(d) Planned Implementation Schedule

(i) Completion of project: August 2019 – at the time of commissioning

(ii) Issuing of letters of invitation for consulting services (including detailed design work): September 2015

(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 2016

(2) Sewerage Construction Project in Kurdistan Region (I)

(a) Background and Necessity

Since the Iraq War ended in 2003, the Republic of Iraq has experienced a high level of economic growth and population increase, as well as improvement in the economic infrastructure for the petroleum and other industries. In the sewerage sector, there were many facilities built until the 1980s, but due to the Iran-Iraq War, the Gulf War, economic sanctions, and the Iraq War starting in the early 1980s, few rehabilitation or maintenance projects were carried out on the sewerage facilities, leading to a serious deterioration in sewer treatment plant and pipe function. The sewerage coverage rate is just over 30 percent in the country overall.

In Erbil, the core city of the Kurdistan Region of Iraq with a 3.5 percent annual population increase and rapid urbanization, there is no modern sewerage system, night soil infiltrates the ground, and there are concerns about the risks of polluting the groundwater, which is a source of drinking water in the region. Although general wastewater is discharged outside the city through storm water pipes installed in recent years, sewage treatment plants have not been installed, and diluted general wastewater is released into the rivers that are public water sources, spreading pathogens and worsening the water quality. In the surrounding agricultural areas, river water is used for irrigation, leading to health concerns.

(b) Objective and Summary

The objective of the project is to improve the capacity of sewage treatment by establishing a sewerage system in Erbil, Kurdistan Region, located in northern Iraq, thereby improving the environmental sanitation conditions of the region, and securing water resources and contributing to effective water use. Special Terms for Economic Partnership (STEP) apply to this loan. Advanced Japanese technology will be utilized, including, for example, an energy-saving sewage treatment system, which is easy to maintain and significantly lowers the cost of electricity, and a pipe-jacking method that will reduce the time required for pipe installation. The ODA loan will be allocated to construction work for the sewage treatment facilities, procuring the equipment and materials for the sewerage pipe network, and consulting services (including bidding assistance and construction supervision). Detailed design work is planned to be undertaken with JICA technical cooperation.

(c) Executing Agency

Ministry of Municipalities and Tourism, Kurdistan Region

Address: The City Center, Erbil Governorate, Kurdistan Region, Iraq

(d) Planned Implementation Schedule

(i) Completion of project: December 2023 – with completion of the warranty period

(ii) Issuing of letters of invitation for consulting services (including construction monitoring): September 2015

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package title: Construction of Sewerage System

Release date: November 2016