

Signing of Japanese ODA Loan Agreement with Iraq: Supporting policy and system reform toward basic infrastructure for inclusive growth

On March 31, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Republic of Iraq in Baghdad, the capital city, to provide a Japanese ODA loan of up to 25 billion yen for the Fiscal Reform Development Policy Loan.

With the fifth largest crude oil reserves in the world and the 12th largest natural gas reserves, Iraq is blessed with natural resources, but the country's economy depends heavily on the petroleum and gas sectors, which account for 65 percent of the country's gross domestic product, 93 percent of revenue, and 98 percent of exports. Iraq is thus greatly affected by the dropping price of oil and the expansion of armed insurgents, leading to negative growth for the country's economy in 2014. The country had fiscal deficits in 2013 and 2014 due to the effects of dropping petroleum income, higher costs for maintaining public order, and increased expenditures for emergency aid for internally displaced persons. In addition, subsequent to a decrease until 2013, the sovereign debt has been rising again, making administrative and fiscal reforms a priority for fiscal reconstruction.

Specific priorities to improve the country's fiscal management include improvements to the employment and pension program in the government sector, state-owned enterprises which account for approximately half of the country's labor force, improvements to public investment management capacity, higher levels of efficiency and transparency in the operations of state-owned enterprises, and a review of the scope of operations of state-owned financial institutions.

The import of natural gas as a fuel for thermal power stations and power tariff subsidies are also a large strain on the country's finances. If flared gas, which is produced with crude oil but discharged into the atmosphere during the production process, could be utilized for power generation, it is expected that government expenditures could be greatly reduced.

With these dire circumstances in Iraq, a reform program was approved by the country's cabinet last August built on the important pillars of administrative and fiscal reform, public service improvements and fighting corruption.

With parallel financing by the World Bank, this program will provide support primarily to the administrative and fiscal reforms planned in the Iraqi reform program to assist governmental development policies for a stable macroeconomy.

This program supports reforms in the areas of: i) government budget management, ii) energy efficiency, and iii) state-owned enterprises.

In conjunction with this program, JICA is dispatching a Japanese expert to provide Japanese expertise in debt management, and support the creation of a mid- to long-term debt management strategy by the Government of Iraq.

Through such cooperation, JICA will encourage stable socioeconomic development and the development of a peaceful, democratic society.

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Fiscal Reform Development Policy Loan	25,000	Yen LIBOR + 5bp	-	15	5	General untied

2. Executing Agency

Ministry of Finance

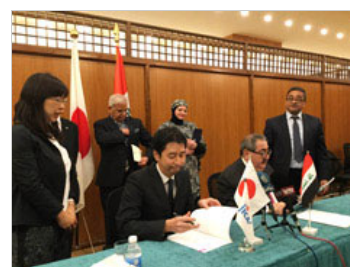
Address: Ministry of Finance Building, Baghdad, Republic of Iraq

3. Planned Implementation Schedule

(i) Completion of plan: April 2016 – with completion of the loan disbursement

(ii) Consulting services: No hiring of consultants is planned for this program.

(iii) Tender announcement of initial procurement package for international competitive bidding on construction: No work in conjunction with bidding is planned for this program.



Signing ceremony