

World Bank Iraq Trust Fund
Private Sector Development Project (TF054462/P091344)
August 2011

Project Summary Sheet

Title	Private Sector Development Project				
Implementing Agencies	Ministry of Planning and Development Cooperation (MOPDC) Iraqi Telecommunications and Post Company (ITPC)				
Location	Private Sector Development: Erbil Telecommunications: Nationwide				
Sector code (OECD DAC)	25010 Business support services and institutions				
Compact Priority	4.3.2.1 Undertake specific measures to design and implement private sector development policies				
Project Cost	US\$65 million				
Duration	87 months				
Approval Date	November 2004	Effective Date	December 2004	Closing Date	March 2012
Project Description	<p>The Project has three core components. First, support for the Government of Iraq (GOI) Economic Development Fund (EDF) to improve access to finance and build institutional capacity. Second, to facilitate the establishment of industrial zones in Iraq, including in Erbil and Basra. The main counterpart for these first two components is the Ministry of Planning and Development Cooperation and support totals US\$14 million. The third component focuses on telecom and includes building a nationwide communication backbone and an Iraq inter-banking network (IIBN). It also provides technical assistance for telecom reform in Iraq. This component includes the installation of a national high capacity telecommunications network and a communications platform to link the Central Bank of Iraq (CBI) to commercial banks in Baghdad area. It also includes upgrading an existing node as an additional back up core node in IIBN to improve the reliability of this banking network after experiencing damage of networking equipment in a June 2010 attack on CBI. Support for this third telecom component totals US\$51 million.</p>				
Beneficiaries	<p>The Project has national coverage, benefiting every Iraqi and business by improving access to finance and the functioning of Iraq's financial system. It provides a stronger legal and institutional basis for the establishment and operation of industrial zones in Iraq. It also includes financing Iraq's national communications backbone and provides capacity building for key GOI policy, regulatory and also private sector institutions. This support will underpin development and growth of the telecom sector and support the development of the private sector in Iraq.</p>				
Near Term Employment Creation	<p>The EDF and industrial zones components will generate medium-term employment following the development of industrial and increasing access to finance. Installation of telecommunications infrastructure is estimated to create at least 1,000 short-term jobs. More importantly, the national communications backbone will create thousands of jobs through downstream communications companies, and will help enable private sector development.</p>				

Strategic Context and Donor Coordination

The EDF component is coordinated with ongoing support for the operation of the Iraq financial system provided by the World Bank Group and other development partners including USAID, DFID and EC. The industrial zones component is coordinated with other development partners, including UNIDO. The telecommunication components of the Project were designed to complement assistance provided by Japan and the US on the payment system.

Project Development Objective

- Lay the foundation by addressing certain key priorities in institutional capacity building and essential communications infrastructure to help foster the development of the private and financial sectors
- Generate job creation through the development of the private sector

Outputs, Key Activities and Procurement

Outputs	<ul style="list-style-type: none"> • Telecommunications network constructed • Payment system developed • Industrial estates master plans and related documents including draft laws created for Basra and Erbil • Capacity for private sector investment and job creation developed further
Activities	<ul style="list-style-type: none"> • Construction of telecommunications network • Development of payment network • Preparation of industrial estates master plans, draft legislation and related institutional capacity development
Procurement	Goods and Civil Works: US\$46.08 million Consulting Services: US\$17.87 million Operating Costs: US\$ 1.05 million

Financial Data

Funds Committed	US\$58.6 million	% approved	90
Funds Disbursed	US\$58.4 million	% approved	90
Forecast Closing Date	March 2012	Delay (months)	

Progress against Indicators

Export Promotion Agency, Economic Development Fund capacity strengthened.	Recently the Government of Iraq dissolved the Economic Development Fund (EDF) and created a section within MOPDC called Private Sector Development Department. For that this indicator is no more active and recommendation is to drop it from the structure of the project.	% of planned	80
100 private enterprises develop export plans and/or feasibility studies for new funding from financial institutions	This indicator is also no more active for the reason mentioned above and recommendation is to drop it from the structure of the project		100
Central Bank of Iraq (CBI) connected with Government-owned banks and the headquarters of private	The inter-banking network has been installed and commissioned at 46 sites. The network has been tested and applications for payment, real-time gross settlement, and check-enabled systems are already working.		100

banks with high capacity and reliable communications infrastructure			
Rehabilitation and upgrading of 56 national background microwave routes.	The microwave network has been installed and commissioned at 56 sites in the northern, southern and western regions, and 11 towers in the three regions have been set-up. All three routes have been tested.		100

Qualitative Assessment of Project Performance

The feasibility studies and development plans for Basra and Erbil Industrial Zones contracts were extended at no cost for three months in late September 2010, when final reports were presented to the GOI and the KRG. MOPDC has requested further support for establishing an industrial zone in Basra. KRG has indicated its intention to establish an industrial zone in Erbil and is currently completed the necessary legal reforms to enable the establishment of this zone.

Both Iraqi Inter-Banking Network (IIBN) and Microwave Network have been installed and are operational. On June 13, 2010, an attack on CBI damaged the IIBN site at CBI. IIBN consists of 35 sites altogether of which CBI site is one of the two core sites. IIBN is currently still operational. A plan to rehabilitate the CBI site is being prepared in consultation with the PMT.

Major Implementation Obstacles

The PSD component was affected by the lack of participation of the Export Promotion Fund, which delayed completion of this contract by three months, to end-June 2009. The nine month delay in forming a new government in Iraq has delayed significantly reforms, including consideration of draft legislation to support the operation of industrial zones and to provide a clearer mandate for the operation of EDF. The formation of the new GOI and appointment of new ministers provides an opportunity to take these reforms forward.