

World Bank Iraq Trust Fund
Project #: P091344
March 2008 / 1st Quarter
Project Summary Sheet

Title	Emergency Private Sector Development Project				
Implementing Agency	Ministry of Planning and Development Cooperation (MoPDC) Iraqi Telecommunications and Post Company (ITPC)				
Location	<i>Telecommunications</i> <ul style="list-style-type: none"> • Nationwide (all 18 governorates) <i>PSD</i> <ul style="list-style-type: none"> • Erbil, Basra 				
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\$55 million				
Duration	54 months				
Approval Date	December 2004	Effective Date	December 2004	Closing Date	June 2009
Project Description	The project aims to help Iraq strengthen its institutional capacity and build essential communications infrastructure to help foster the development of the private and financial sectors, and increase investment and economic growth. Communications infrastructure will be improved through the installation of a national high capacity telecommunications network and a communications platform to link the Central Bank to commercial banks in the country.				
Beneficiaries	The project has national coverage, benefiting every Iraqi and business, by financing Iraq's national communications backbone, and by building institutional capacity of key private sector institutions..				
Near Term Employment Creation	Installation of telecommunications infrastructure will 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. There will also be medium term employment generation following the development of industrial estates supported under the project as well as increased business activity through institutional strengthening.				

Strategic Context and Donor Coordination

The telecommunication components of the project were designed to complement assistance provided by JICA and the U.S. work on the payment system. The private sector components were conceived in consultation with the Iraqi private sector and the main donor agencies. The private sector agenda continues to be coordinated with USAID, DFID, the EC, and UNIDO.

Project Development Objective

- Help create the key building block necessary to develop the Iraqi private and financial sector

Outputs, Key Activities and Procurement

Outputs	<ul style="list-style-type: none"> • Telecommunications network constructed • Payment system developed • Industrial estates master plan created • Capacity for private sector development (Exports / Investment Promotion, etc...) developed
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Activities	<ul style="list-style-type: none"> • Construction of telecommunications network • Development of payment network • Preparation of industrial estates master plan • Private Sector Capacity Building activities
Procurement	Goods and civil works: US\$42.5 million Consulting services: US\$12.2 million Operating costs: US\$0.3 million

Financial Data (as of 3/31/2008)

Funds Committed	US\$58.6 million	% approved	107
Funds Disbursed	US\$4.4 million	% approved	8
Forecast Closing Date	June 2009	Delay (months)	24

Progress against indicators

Investment Promotion Agency, Export Promotion Agency, Economic Development Fund capacity strengthened.	Contract was signed with TSG in November 2007 and implementation has started.	% of planned	10
Eligible firms develop export plans	Eligible firms are being identified	% of planned	0
Iraqi private enterprises develop feasibility studies for new funding from Financial Institutions	Eligible firms are being identified	% of planned	0
Central Bank of Iraq connected with Government owned Banks and the Headquarters of private Banks with high capacity and reliable communications infrastructure	Contract was signed in February 2007. Detailed site surveys, with the exception of sites outside Baghdad, have been completed. The contractor is expected to ship equipment soon for installation.	% of planned	10
Rehabilitation and upgrading of national background microwave routes.	Alcatel-Lucent has completed all site surveys with the exception of Baquba and the Western route.	% of planned	0

Qualitative Assessment of Project Performance

The installation of the national telecommunications network is underway, after suffering initial delays in the bid evaluation process and in the issuing of the Letter of Credit. Iraqi labor, supervised by an international supplier, will install the telecommunications infrastructure. Due to security conditions in Baquba and the Western route, the Government has agreed to facilitate the contractor's access to these sites. Contracts for the public institution and competitiveness components, as well as the payment systems component have recently been awarded. International and local consultants will deliver technical assistance under the private sector development components, although most contracts require local participation during implementation and emphasize the importance of building local capacity.

The Bank is currently finalizing a US\$9 million additional financing package for the project to cover the funding gap caused by cost increases and currency fluctuations.

Major Implementation Obstacles

The major implementation impediment affecting the Emergency Private Sector Project is the depreciation of the US dollar relative to the Euro, since the major contract for the supply and installation of the telecommunications infrastructure is denominated in Euros (€30.4 million). The increase in costs have prompted the implementing agencies to request supplemental financing of US\$9 million to ensure the project can be completed and achieve its development objective. In addition, the security issue may delay installation of MW towers, although arrangements were made with the Government to provide security.