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PUBLIC-PRIVATE PARTNERSHIPS BRIEFS

# Iraq: Electricity Distribution



## Overview

Iraq's electricity distribution network is overloaded and in need of significant investment to be able to meet current and future demand. The system is also negatively impacted by the absence of effective metering, billing systems, and customer management systems, which leads to significant technical and non-technical losses.

To support an effort to improve the system, the Public-Private Infrastructure Advisory Facility (PPIAF) analyzed the current overall performance of Iraq's distribution sector against international benchmarks and developed a roadmap for reform and improved distribution sector performance.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

## Background

Although Iraq has made progress in restoring and increasing oil production capacity through service agreements with international oil companies, its energy sector continues to face serious issues. These issues include chronic shortages of electricity supply and an inability to supply natural gas as fuel for power generation, alongside increasing levels of associated gas flaring. A decade of conflict and sanctions have left Iraq's institutions weakened and have resulted in under-investment in and deterioration of the energy infrastructure.

The situation is made worse by the absence of effective metering, billing systems, and customer management systems. These shortcomings result in significant technical and non-technical losses on the distribution side, resulting in a situation where only one-third of the power dispatched by generators is ultimately paid for by customers. The sector also faces significant financial, economic, legal, regulatory, and institutional challenges, including lack of capacity. These challenges are hampering effective strategic management of the sector as well as planning, development, and operation of its physical infrastructure.

Inadequate electricity services and infrastructure impede private sector development and negatively affect employment and economic growth; for example, power shortages are estimated to cost the Iraqi economy around \$43 billion per year. These shortages are creating hardship and undermining government credibility.

## World Bank Group Role

PPIAF's work analyzed best practices and lessons learned in distribution sector reform in other countries; provided international expertise and knowledge on sector reform; and designed a reform roadmap, capacity development activities, and an investment program to support reform that will be implemented by Iraq's Ministry of Electricity. PPIAF also identified the private sector's role in the reform process, as the Government of Iraq has expressed a

preference for private sector participation in, and eventual privatization of, its electricity distribution sector.

This approach took into account necessary policy, laws, and regulations, institutional structure and capacity, systems and infrastructure, and estimated the size and timing of investments required to support the reform process. It also provided a medium/long term roadmap for private sector participation into the reform process.

## Outcomes

Ongoing results include:

- PPIAF's delivery of an electricity distribution sector assessment report and benchmarking.
- Recommendations on how to improve sector performance, including specific reforms in the institutional structure, legal, and regulatory environment, and other performance improvements.
- Development of a reform roadmap, including recommendations for the role of the private sector, which involved a stakeholder consultation process.

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