

# **The Contribution of the German KfW to the Reconstruction of the liberated Areas in Iraq. A Report by Moritz Remé \***



**Three KfW employees are travelling to Baghdad to clarify the details of investment packages to rebuild ruined public infrastructure.** Not an easy assignment given that efficient structures are lacking, so necessary decisions are often delayed for months and international payment transactions are often blocked. But the biggest problem is the deteriorating security situation.

As the first rays of sunlight appear, we start to circle down on our approach into Baghdad. After a long overnight flight and layover in Istanbul, we have hardly slept at all. From a bird's eye view, the Tigris meanders like a silvery ribbon through the city's flat residential areas. The houses look as though they are covered in a dusty grey mist.

Our bodyguards are waiting for us on the airport forecourt; they place bullet-proof vests on us and run through a quick briefing: do not open any doors without being told to do so and, if you hear any gunfire, duck deep down into the back of the armoured vehicle. Three of us have travelled together from Frankfurt and are now accompanied by the team head of the security company and five Iraqi bodyguards. We split up into three armoured vehicles. Our convoy leaves the specially protected area of Baghdad International Airport. Once we have left, our team take up their weapons. We hear a "click, clack" as the magazines engage.

For the most direct route, we travel over the infamous Irish Route – known as the world's most dangerous road just a few years ago – and head towards the International Zone (IZ), also known as the Green Zone. Special identity passes are required to get in here. We have to pass through five checkpoints, all manned by the largest militia, the Iraqi police, military and secret service. Finally, we are checked by an American unit with explosives dogs.

"Shlonak Habibi?" – "What's up, my dear?" asks the Iraqi driver when a soldier or police officer sticks their head into our vehicle before commanding us to continue with a languid wave of the hand and indiscernible mumble. The IZ contains the most important governmental buildings and embassies. The American embassy looks like a high-security block. It is the biggest embassy in the world. Our camp is located not far beyond it.

Three of us are here together: Dr Stefan Gramel, our Technical Expert, and Isabel Kleitch and myself as KfW project managers. Our job? To meet our Iraqi partners to clarify details concerning additional investment packages to restore public infrastructure in the destroyed areas in northern Iraq. We are accompanied by our Iraqi colleague, Mr Afif, who worked for the OECD until he retired. His official title is Liaison Officer. To our security team, he is known as our "Fixer" – a title which takes some getting used to when referring to an experienced consultant.

Mr Afif speaks very good English, has direct access to lots of high-ranking administrative bodies, and knows all the ins-and-outs of Iraqi administration like the back of his hand. Business trips to Baghdad like ours require a high degree of preparation and coordination. You are only able to drive up to institutions that are under strict surveillance; cars and chaperones have to be registered long in advance. Without Mr Afif, we would be stuck.

KfW's commitment in Iraq is a work in progress. A lot of communication, clarification and follow-up are needed. After all, we still barely know each other, and trust takes time – particularly in the Arab world. Iraq's experience with international financing institutions dates back no more than ten years. As well as the World Bank, the Iraqi government has been working primarily with Japanese banks and the UN for many years. They are keeping themselves to themselves – for now. To rebuild the areas destroyed in the battle against the Islamic State group (IS), the Iraqi government has admitted they will need up to USD 100 billion. They are desperately seeking investors for this project – both development financing organisations and private investors.

The aim of the finance credit provided by KfW to the Iraqi government on behalf of the German Federal Government is to restore destroyed infrastructure (bridges, roads, substations and power grids) and rebuild water supply networks and waste water disposal systems. It is hoped that these measures will make it easier for internally displaced persons to return to their homes. Of the 3 million or so people who ended up

fleeing the area, around half have yet to return home. The western part of the city of Mosul in Niniveh Province was hit particularly heavily; half of the houses there were razed to the ground. However, the level of destruction also reached a devastating scale in the other three northern provinces of Al-Anbar, Salah Ad-Din and Diyala.

Not all of the damage can be attributed directly to the bombs and fighting. During IS's almost four-year rule, which nearly closed in on Baghdad in 2014, many state systems were not run or maintained properly. The reconstruction process will take years. And it's a race against time to get it done in order to avoid new conflicts.

It is already clear that completing these projects will pose a serious challenge. While the ministries may have huge teams of staff, they also lack efficient structures. Simple decisions are delayed by months. On top of that, you cannot simply take for granted that you can get by with English. International payment transactions are also heavily restricted as the majority of Iraqi banks are on sanctions lists. As well as widespread corruption, the main problem is the intense security situation, which means we are unable to visit the affected project areas.

## **HARD TO REACH**

Due to the unstable situation, KfW staff cannot visit the project areas affected. Instead, local engineers put photos on an online platform to document reconstruction.

When it comes to implementing the finance credit, all of these difficult circumstances must be overcome. To alleviate the situation, measures are being applied, such as broad support from local international consultants and a method known as remote monitoring, which sees local engineers at the various locations uploading geo/referenced photos onto an online platform to document the progress of building work. International construction companies and consultants who work with local companies are paid directly by KfW.

In November, KfW and the Iraqi Ministry of Finance signed the first loan worth EUR 45 million to be used to restore the power supply in large sections of western Mosul and the surrounding communities. The first deliveries are expected to take place in May. Further loans and invitations to tender for the construction of bridges, roads and water networks are already under preparation.

Today, we're at the Ministry of Finance to finalise the legal opinion, a legal assessment drawn up to confirm that the contract is legally binding. Weeks after we sent off the corrected document, it is still sitting among the many piles of paper on the desk of Dr Salah, patiently waiting to be dealt with by the General Director for Public Debt. All international loan and financing agreements go through his office. We go through the text together, word for word, remembering the hour-long meetings we sat through while coordinating the first loan agreement. These things just take time. "Mr Mohannad" – as Dr Salah calls his son – "will send the legal opinion to the legal department tomorrow or the day after – inshallah!"

When we leave the Ministry of Finance at around five in the afternoon, the building is empty – all the staff have gone home. Our convoy makes its way back through the city of T-walls, barbed wire and checkpoints and over to the other side of the Tigris. The river feels deserted. Only the odd rusty steam boat or jetty bear witness to the golden age of the 1980s, when the population of Baghdad savoured the cool night air in the riverbank cafes. In the summer months, the thermometer has been known to climb over 50 degrees Celsius. It is lovely and cool at the moment. "Baghdad – dusty", says my iPhone.

After one last appointment, it is time to head back to our camp in the IZ. The streets here are bustling. As well as staff from international organisations, you now often meet representatives from foreign companies here, mainly from the oil industry. At the camp, they serve English breakfasts and stew or shepherd's pie for dinner. It's quite the hearty buffet, which seems to meet the calorie requirements of our muscle-bound bodyguards. In the evenings, the small community meet at the local bar, which points out that tabs will now no longer apply: "sorry for the inconvenience". Has anyone ever tried to scarper without paying?

The security team are former soldiers, normally from the British army. The older members of the team have been involved in Iraq since 2003. According to the security team, they have yet to encounter any critical incidents. The camp has only been evacuated once, back in 2014. Just a handful of people stayed behind, tasked with defending the assets in the camp at all costs. Luckily nothing ended up happening. For reasons unknown, IS turned back when they got to the gates of Baghdad so they could continue expanding their rule of terror in the north of the country.

The alarm is only raised every now and then when the IZ's defence systems detect a passing rocket-controlled grenade. When this happens, you've got just two or three seconds to seek shelter in one of the double-roofed buildings. The last alarm took place over a year ago.

Iraq is scheduled to go to the ballot box in May. It is rumoured that political opponents of current Prime Minister Abadi are using the security issues for their own purposes in order to highlight weaknesses in the government. Statistics say that Baghdad experiences the most incidents in the country – Baghdadis say that it hasn't been this calm for a long time. We hope that this trend will continue. Nevertheless: after two days and two nights, we are happy when the security staff take back our vests at the airport. On the way home, we fly via Kirkuk and Erbil. Far away on the horizon behind us is Mosul.



## THE AUTHOR

Moritz Remé studied Arabic Studies and Politics and has been working for KfW since 2007. In his first few years working as a consultant, he was responsible for projects such as the restoration programme in Lebanon. After working as a project manager in South Asia, he returned to his Middle Eastern roots in March. He is supervising the finance credit in Iraq, which is being used to finance restoration measures in the country on behalf of the German Federal Foreign Office. He travels to the Middle East on a regular basis, visiting Iraq every two months on average.

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