

Telecommunications

Investment Overview of Iraq

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Key Stats and Figures

Installed Fiber:

Approximately 60,000km

National GSM Providers:

Zain, AsiaCell, Korek

Cell Subscribers:

Approximately 20 million

Fixed Line Density (2003):

3%



Photo credit: Thomas Hartwell/USAID

Sector Overview

Iraq's telecommunications sector has been significantly damaged as a result of economic sanctions over the 12 years preceding 2003. During this time, rapid advancements in telecommunications technology did not reach Iraq, and the country fell behind global telecommunications standards. By 2003, the fixed-line telephone system was quite limited, and a nationwide telecommunications market did not exist.

Today, Iraq's Telecom sector is one of the fastest growing markets in the region, with the private sector one of the primary drivers of this growth. Iraq's mobile subscribership has reached almost 20 million since 2003.

Mobile Telephone

The introduction of mobile telephony has been one of the most significant developments in everyday life of many Iraqis and has been widely adopted. In 2003, Iraq was the only country in the Middle East that did not have a national cell phone network. That year, the Government issued three temporary regional cellular phone licenses, roughly corresponding to the three geographical sections of north, center, and south.

In 2007, these were repackaged and sold as 15-year licenses. Since the first licenses were issued in 2003, Iraq has reached a total subscribership base of roughly 20 million. Iraqis see this technology not only as a communications and security device, but also as a source of entertainment, using phones to vote in national song competitions and to send jokes and greetings to loved ones. The technology is so well adopted that recent surveys have indicated that Iraqis view their cellular phones as essential to their daily lives.

There are now three licensed GSM operators in Iraq: Zain, Asia Cell, and Korek. Zain and Asiacell operate

GSM networks in the southern, central, and northern regions of Iraq while Korek operates a GSM network primarily in the Kurdistan region. Zain is currently the largest mobile provider in Iraq after it acquired the Iraqna network from Orsacom for \$900 million in 2008, creating a subscriber base of over 10.2 million. Additionally, there are two other smaller regional operators, Santel and Mobitel, operating in the Kurdish region.

Fixed-Line Telephone and Fiber

In the 1980's, the country had a national fixed-line density rate of 5.6%. As economic sanctions prohibited the import of spare parts, the telephone system experienced rising problems after 1990. Throughout Iraq, the fixed-line infrastructure continued to decline as replacement parts became unavailable. By 2002, density rates had dropped to 3.7%.

There is approximately 10,000 km of installed fiber optic cable in Iraq connecting all Iraqi telephone switches and major Iraq Army bases. Telecommunications reconstruction began in 2003 with the restoration of telephone switches and international gateway communications via satellite. Since that time, several initiatives have evolved including the installation of 13 Lucent 5ESS class telephone switches, laying of 1300 km of high capacity fiber optic backbone connecting the Al Faw area to the Baghdad telecommunication fiber hub, and construction of a high speed, broad band, fiber optic communications backbone for government ministries. There are also plans to install additional fiber optic submarine cables at Faw port south of Basrah to the international submarine fiber cable which would significantly improve telecommunications speed across Iraq.



Fixed Wireless Local Loop

In 2006, the Communications and Media Commission (CMC) licensed three nation-wide and three local fixed wireless local loop (WLL) service providers who are now building networks to deliver a full range of telecommunications services. Initially these will include internet-based voice and data services, but eventually television and other media services will be made available. The licensees are intended to provide comprehensive broadband internet service including voice services, at affordable rates.

Internet

Through the State Company for Internet Services (SCIS), businesses, government, and individuals can access the internet through DSL and dial-up internet. Although wired internet and data subscriptions have been growing in Iraq, a neglected backbone infrastructure has hampered rapid growth. More frequently, connections are made utilizing Very Small Aperture Terminal (VSAT) satellite technology.

The Role of Government in Telecommunications

There are two government bodies that oversee telecommunication licensing in Iraq – the CMC and the Ministry of Communications (MoC). The CMC is the primary regulatory body in Iraq and is charged with defining regulations for telecommunications and media, promulgating policy for frequency management, and licensing wireless and telecommunication services. The CMC is Iraq's first independent media and telecommunications regulator.

In recognition of the growing importance of the telecommunications sector, the Government of Iraq opted to separate the Ministry of Transportation and Communications in two separate ministries in 2004. The MoC operates two state owned companies, the Iraqi Telecommunications and Post Company (ITPC) and the SCIS.

The ITPC employs 22,000 people and is responsible for the operation and management of the 1.9 million public switches telephone network (PSTN), the fiber optic network, and the microwave backbone for all of Iraq. The ITPC also provides a limited Fixed Wireless Local Loop (WLL) CDMA network (serving 200,000 subscribers), tower lease and co-location facilities, and Iraq Post services.

The SCIS is responsible for internet subscribers and internet communications in Iraq. It provides broadband wireless internet access for government agencies, DSL and dial-up Internet access, wireless internet access through Wi-Fi, video conferencing (VTC) and Voice Over Internet Protocol (VOIP) services, and Internet Protocol (IP) address registration.

There are plans for the MoC to be restructured into public/private partnerships including The National Mobile Company, an Iraq Telecommunication Company, an Internet Company and a National Infrastructure Company. The post office will likely become a separate agency.

Opportunities for Investment in the Iraqi Telecommunications Sector

There are considerable opportunities for investments across all areas of the telecommunications sector.

Mobile Telephone

In addition to the three national mobile licenses issued in 2007, the MoC has proposed issuing a fourth license. The MoC is currently considering a wide range of options for the fourth national license but as with the other licenses, there is a strong focus on providing broader coverage across the country. To meet this objective and expand the mobile telephony's penetration in Iraq, investments will be required across the mobile industry ranging from retail service to infrastructure and equipment.

Fixed-Line Telephone and Fiber

Iraq's fixed line telephone infrastructure and fiber network are in need of significant repair and expansion. The MoC has identified several opportunities for private investors and suppliers to be involved in this sector. Opportunities include projects to repair Iraq's legacy network, expand the existing network, and supply and construct new telephone exchanges. Iraq also requires significant improvements to its fiber optic network. The MoC has proposed several projects, including significant expansions of the fiber optic network and connecting Iraq's fiber optic network to its neighbors.

Fixed Wireless Local Loop

Fixed Wireless Local Loop technology has the potential to offer considerable advantages in Iraq. Without broad fixed

line communications available directly to businesses and homes, WLL offers the potential of providing these services without massive network construction projects.

Internet

Iraq's internet markets are still taking shape and significant opportunities to provide internet services to Iraqis are emerging. The largest obstacle to the expansion of internet services in Iraq is the quality and speed of its communications infrastructure. As the country improves its infrastructure and internet use continues to grow, Iraq will require many of the services offered around the world.

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www.investpromo.gov.iq
info@investpromo.gov.iq