

Country Assistance Policy for Iraq

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1 Relevance of Assistance

(1) Peaceful nation building

In Iraq, a large part of its economic and social infrastructures have been severely damaged due to repeated wars and economic sanctions of the international society since 1980's. It is of vital importance for the peace and stability of the Middle East region and of the international society that multi-ethnic Iraq be reconstructed as a peaceful and democratic state, keeping its sovereignty and territorial integrity. It is of importance as well for Japan to make due contribution to the reconstruction of Iraq as a member of the international society. Japan's continuous support to reconstruction of Iraq is consistent also with 'peace building', which is described as one of the priorities of Japan's ODA in Japan's ODA Charter.

(2) Energy security

The Middle East occupies approximately 60% of the world oil reserves (Iraq is the fourth largest country in the world in terms of proved oil reserves) and 40 % of the natural gas reserves. Japan depends on the Middle East for 90% of its import of crude oil, and imports 120,000 barrels per day (3.2%) from Iraq. Stabilization of the Middle East and enhancement of Iraqi capacity in energy supply is directly connected to energy security of Japan and of the international market as a whole.

(3) Enhancement of the relationship in trade and investment between Iraq and Japan

Japanese engineers, companies and products which won a reputation in Iraq in 1970s and 1980s, are still highly trusted among Iraqi people, and their comeback to Iraq is eagerly awaited. Japan's assistance for reconstruction of Iraq by ODA is expected to contribute to the promotion of investment in Iraq, where there is a huge demand for the infrastructure; the development of its private sector; and also Japanese companies' future activities in the country.

2 Basic Policy of Assistance: Transition from post-conflict reconstruction to self-sustainable development

In its 'National Development Plan (NDP) 2010-2014', Iraqi government expresses its intention to make efforts for realization of its objectives, such as robust economic growth, job creation, diversification of industries like agriculture, mining and manufacturing, strengthening of the private sectors, improvement of the productivity, promotion of competition, reduction of poverty and regional disparity, sustainable development based on the balance of economy, society and environment, and so on. These objectives are consistent with the principles of Japan's assistance to Middle East and North Africa, made clear at the G8 Summit in 2011, namely, 'Fair politics and government management', 'Human resource development' and 'Creation of job opportunities and fostering of industries'. Japan provides assistance in line with the NDP, utilizing its ODA as a bridge between the post-conflict reconstruction and the self-sustainable development, to swiftly materialize the latter.

3 Priority Areas

(1) Industrial development and diversification for economic growth

- a) Japan will provide assistance which will directly or indirectly contribute to increase of Iraqi production and export of oil, gas and oil-related products, which are the key industries for the Iraqi economy, in order to secure stable government revenues to finance its own effort toward reconstruction.
- b) Japan will assist industrial development which creates job opportunities in order to attain sound economic growth and industrial diversification in the long term. Japan aims to assist in particular infrastructural reconstruction, improvement of productivity, development of water management capacity etc, since agriculture, mining and manufacturing are key industries in the Iraqi non-oil sector.

(2) Strengthening economic infrastructure

Japan will assist economic infrastructure development such as electricity, transportation, telecommunication, water and sewage facilities etc. in order to promote domestic and foreign private investment and to create job opportunities. Japan will support human resource development as well to vitalize private economic activities and to improve the investment environment from mid and long-term viewpoints.

(3) Basic Living Infrastructure Rehabilitation

Basic living infrastructure in Iraq has deteriorated rapidly in the past 20 years. People's dissatisfaction has become apparent because of the delay of rehabilitation in public services, and it urgently needs to be addressed. Japan will assist facility improvement and human resource development in such sectors as sanitary environment (water and sewage etc.), health, medical, and educational services, which are directly linked to people's life.

4 Points to be considered

- (1) Security situation in Iraq is improving, but is still unpredictable excluding some areas after the complete withdrawal of U.S. army from Iraq. Utmost care and attention should be paid for the safety of personnel and due security measures should be taken in implementing assistance projects.
- (2) Anti-corruption is one part of governance enhancement and important also for securing effect and transparency of assisted projects. Careful monitoring is necessary in implementing individual projects.
- (3) Administrative capacity development is essential in order for Iraq to achieve sustainable development as a stable democratic state. Japan will support human resource development which leads to capacity building of administrative agencies and improvement of administrative system.
- (4) Iraq is a multi-ethnic state and consists of various groups. Japan will take regional balance etc. into consideration in assistance.
- (5) Japan's technical advantage, synergy effect in the future and complementary effect of private capitals should be taken into consideration in attempts towards Iraq's self-sustained development by way of private capitals.

End.