

Country Development Cooperation Policy for the Republic of Iraq

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1 Purpose of Development Cooperation for Iraq

(1) Stabilization and nation building of Iraq

In Iraq, a large part of its economic and social infrastructure has been severely damaged due to repeated wars and economic sanctions against the Saddam Hussein Administration by the international society since the 1980's. In addition, the so-called "Islamic States of Iraq and the Levant (ISIL)" extended its power and influence to Iraq from 2014, and clearing operations against ISIL have been conducted. Therefore, it becomes a critical priority to achieve social stability and reconstruction of liberated areas. It is of vital importance for peace and stability of the Middle East region and of the international society that Iraq, consisting of various ethnic and religious groups, achieve its national reconciliation and reconstruction as a peaceful and democratic state, keeping its sovereignty and territorial integrity. It is important as well for Japan as a member of the international society to make due contribution to support Iraq and this is also consistent with 'realizing a peaceful and secure society', which is described as one of the priority policies in the Development Cooperation Charter of the Japanese Government.

(2) Energy security

The Middle East occupies approximately 50% of the world oil reserves (Iraq is the fifth 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 80% of its import of crude oil, and imports 55, 000 barrels per day (1.6 %) from Iraq. The 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 their reputation among the Iraqi people in the 1970s and 1980s, are still highly trusted in the country, and their reengagement in Iraq is eagerly awaited. Japan's assistance for reconstruction of Iraq through ODA is expected to contribute to the promotion

of investment in Iraq, where there is a huge demand for infrastructure development; the development of its private sector; leading to more future activities by Japanese companies in the country.

2 Basic Policy of Japan's ODA: Inclusive assistance towards the stability of Iraq

In its 'National Development Plan (NDP) 2013-2017', Iraqi government expresses its intention to make efforts for realization of its objectives, such as increase in oil revenues, job creation, diversification of industries like agriculture, mining, manufacturing, tourism, and strengthening of public-private partnerships. These objectives are consistent with Japan's assistance to the stabilization in the Middle East region, made clear at the G7 Summit in Ise-Shima in 2016, namely, 'building a tolerant and stable society'. Japan extends inclusive and seamless assistance which contains both humanitarian aspects and developmental aspects including infrastructure rehabilitation, in order to swiftly materialize stability and development of Iraq, which has profound strategic significance for Japan.

3 Priority Areas

(1) Development and diversification of industries for economic growth

a) Japan will provide assistance which will directly or indirectly contribute to the 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 and eventually into sustainable development.

b) Japan will assist development of industries which create job opportunities in order to attain sound economic and social growth and industrial diversification which are durable against low oil price 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 of Iraq in the non-oil sector.

(2) Strengthening economic infrastructure

Japan will assist economic infrastructure development and related capacity 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 resources development as well to vitalize private economic activities and to improve the investment and business environment from a mid and long-term perspective.

(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. In addition, the battle against ISIL has caused destruction of basic living infrastructure and influx of internally displaced persons, and this urgently needs to be addressed. Japan will assist facility improvement and human resources development in such sectors as sanitary environment (water and sewage etc.), health, medical, and educational services, which are directly linked to the people's daily lives.

(4) Strengthening governance

Administrative capacity development is essential in order for Iraq to achieve sustainable development as a stable democratic state. Japan will support human resources development, institutional development and reforms for improving administrative and fiscal policies as well as relevant management capacities.

4 Points to be considered

(1) ISIL has been undermined since 2015 and the territory under its control is on decline, however the security situation in Iraq is still volatile in most areas. In implementing ODA projects, utmost care and attention should be paid for the safety of personnel and due security measures should be taken.

(2) Japan will take into consideration fully the fact that all Iraqis, including the Iraqi Kurdistan region, benefit from its assistance as was stated in the G7 Ise-Shima Leader's Declaration.

(3) Anti-corruption is one part of governance enhancement and is important to also secure effectiveness and transparency of assisted projects. Careful monitoring is necessary in implementing each individual project.

(4) 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-sustainable development by way of private capitals.

End.