

Country Development Cooperation Policy for the Republic of Iraq

September 2023

1 Purpose of Development Cooperation for Iraq

(1) Stability of Iraq and its sustainable development:

Iraq's economic and social development has been hampered by repeated wars since 1980, economic sanctions, the Iraq War of 2003, and the subsequent confusion. In recent years, the country, particularly in the north-west, has suffered devastating damage due to the invasion by ISIL. There are various actors with different ethnic and religious backgrounds in the country, including the Kurdistan region, and there are factors of political instability throughout the country. Under these circumstances, however, with the support of the international community, the security situation in Iraq is on a significant improvement trend under Al-Sudani administration which took office in October 2022.

It is of significance for peace and stability of the entire Middle East region and the international community that Iraq continues to build and foster stable relationship with its neighboring countries. Iraq's medium- to long-term economic growth will contribute to “realizing a peaceful, secure and stable society, and maintaining and strengthening a free and open international order”, which are key policies of Japan’s Development Cooperation Charter.

In the Vision for Sustainable Development 2030 which was issued in 2019, the government of Iraq has set human resources development, good governance, economic diversification, safe society and sustainable environment as its priority areas. Climate change is causing a decrease in water resources, the loss of swamp, and increasing desertification. These factors also trigger an increase in sandstorms, a shortage of crops, and impacts on biodiversity.

(2) Energy security:

The Middle East region accounts for approximately 50% of the world's oil reserves and 40% of its natural gas reserves. Japan depends on the region for more than 90% of its crude oil imports. Several major Japanese oil exploration companies have been engaging in oil field development and production projects in Iraq, which is the fifth largest country in the world in terms of proved oil reserves. The development cooperation that Japan has been engaged in oil and port sectors of Iraq over the years has contributed to Japan’s national interest. Iraq

will continue to be important partner of energy security for Japan.

(3) Enhancement of business relationship with Japan:

Japanese companies and products, which won reputation among the Iraqi people in the 1970s and 1980s, are still highly trusted in Iraq, and their reengagement is eagerly awaited in Iraq, which is currently in a phase of economic development. Iraq possesses a great potential for economic growth due to its abundant natural resources and the large number of younger population. Based on the huge demand in Iraq, Japan's engagement in infrastructure and private sector development through ODA is expected to contribute to economic and industrial diversification, and also to create an environment that encourages more Japanese companies to come into Iraqi market.

2 Basic Policy of Japan's ODA: Comprehensive support towards the stability of Iraq and its sustainable development

The stability of Iraq and its sustainable development is a cornerstone of peace and stability in the Middle East. Based on the recognition that Iraq is of great strategic significance, Japan will comprehensively and seamlessly provide support to Iraq, for cementing Iraq's economic and social foundation, strengthening private sector, addressing climate change, and developing human resources. Japan will also continue to provide humanitarian/reconstruction assistance in areas, particularly in the north-west, where the situation still remains difficult due to the invasion by ISIL.

3 Priority Areas

(1) Strengthening economic foundation for sustainable economic growth:

- ✓ With regard to crude oil, gas and oil-related products, which are main source of Iraq's revenue, Japan will provide support that will directly or indirectly contributes to creating high value-added products and increasing exports, while taking into account the reduction of environmental impacts, so that Iraq will be able to secure capital fund to build a country that will enable sustainable economic growth.
- ✓ Japan will provide support for developing economic and social basic infrastructure such as electricity, transportation, water and sewage, ports, and roads, as well as for strengthening autonomous management and maintenance capabilities of these infrastructure.

- ✓ Japan will provide support for creating investment/business environment that will attract foreign investment, including the financial sector, so that Iraq will be able to promote economic development led by the private sector. Japan will also provide support for promoting tourism through preservation of archaeological sites, with the aim of contributing to private sector development.
- ✓ Japan will provide support for industrial diversification so that Iraq will be able to achieve healthy economic and social growth without depending on oil. In the agricultural sector, Japan will provide support for improving productivity through developing irrigation infrastructure and formulating value chains of high value-added products. In addition, Japan will provide support for supporting entrepreneurship and promoting small- and medium-sized companies.
- ✓ With regard to climate change, Japan will provide support for promoting renewable energy, reducing energy loss and enhancing high energy efficiency as mitigation measures, and also for improving water resources management capabilities and enhancing agricultural efficiency as adaptation measures.

(2) Strengthening stable basic living environment / human resources development / governance:

- ✓ Japan will provide support for social development, including health/medical services and job opportunity, to meet the people's needs of addressing delayed restoration of public services.
- ✓ Japan will utilize its knowledge, high-quality technology and systems, and provide support for developing the capacity of youth who will take the responsibility of Iraq's future and for protecting women's rights through education and vocational trainings, based on high expectations in Iraq to Japanese technology and education.
- ✓ Japan will provide support for developing Iraq's administrative capacity through ① administrative and fiscal policy improvement, including anti-corruption measures, ② human resources development and institutional reform with the aim of strengthening policy implementation capacity, and ③ public services improvement using DX, so that Iraq will develop independently as a stable democratic country and that its citizens will enjoy good public services.

(3) Humanitarian assistance to realize “a peaceful, secure and stable society”:

In the north-western region, there remain many internally displaced persons and refugees who will not be able to return home due to delayed reconstruction of basic infrastructure and social services in their community. It is still essential to achieve solidarity and inclusion for the socially-marginalized vulnerable people. Japan will provide support for reconstruction and social stability through ensuring access to basic infrastructure and WASH services, constructing housings, and providing protection and self-reliance support for women and children.

4 Points to be considered

(1) With the passage of 20 years since the start of the Iraq War, Japan will shift its focus from reconstruction to development support with the aim of achieving economic and social stability in Iraq.

(2) Japan, at the same time, will pay close attention to the fact that there are various actors with different ethnic and religious backgrounds and that political instability continues throughout the country.