



April 2010 edition

Japan International
Cooperation Agency

Overview of Reconstruction Assistance for Iraq



JICA in Iraq:

**Promotes reconstruction in the oil industry
and various industries**

(JICA Project: Basrah Refinery Upgrading Project)



**Works on the development of investment
environment**

(JICA Project: Electricity Sector Reconstruction Project)



**Works to resolve issues in improving
quality of life in Iraqi citizens**

(JICA Project: Improve Operation and Maintenance for Water Supply Project)



**Promotes reinforcement on
governance building**

(JICA Project: Election Management Training for Iraq)



**Deepens relationship with Japan
through ODA**

(JICA Project: ODA seminars)



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Introduction



ODA Loan Agreement
Signing Ceremony

- Water Supply Improvement Project in Kurdistan Region
- Baghdad Sewerage Facilities Improvement Project

(March 17, 2009)



IRAQ had been showing steadily economic growth until 1980s thanks to the world's third-largest oil reserves and great abundance of human resources. However, since 1980s, domestic economy and social infrastructures have been damaged and deteriorated due to three wars (the Iran-Iraq War, the Gulf War, and the Iraq War) and following economic sanctions over 10 years. Also, the controlled economy and huge military expenditures under the former regime had limited opportunities for economic development.

In the past 20 years, the GDP per capita has decreased to as low as \$790 in 2003 from \$3,600 at the beginning of the 1980's.

Its prosperity in the past and being an oil producing country, Iraq has a great potential for self-sustaining development; however, it will take some time to economic reconstruction.



Prime Minister Nouri al-Maliki
and JICA President Ms. Sadako Ogata
(October 11, 2009)

[Milestones after the Iraq War]

2003	March	The Iraqi War starts
	May	President Bush declares the end of major combat operations
	October	Madrid Conference [Government of Japan announces up to 5 billion dollars of assistance]
	December	Government of Japan starts to dispatch the Air Self-Defense Force
2004	January	Government of Japan starts to dispatch the Ground Self-Defense Force
	June	The Iraqi Interim Government is established
2005	January	Iraq National Assembly Election is held by the Interim Government: first time after the war
	April	The Iraqi Transitional Government is established
	October	Iraqi Constitution is approved
	November	Paris Club agreement Japan and Iraq sign the Exchange of Notes on debt relief
2006	May	Permanent Iraq government is established, and Mr. Maliki is inaugurated as prime minister
	July	The Ground Self-Defense Force completely withdraw Samawah governorate
2007	October	The third National Development Strategy (NDS) is formulated
2008	January	Loan Agreement for eight ODA loan projects is signed
	June	Loan Agreement for two ODA loan projects is signed
2009	January	Iraqi Local Council Elections are held
	March	Loan Agreement for two ODA loan projects is signed
	October	JICA President Ms. Sadako Ogata visits Iraq Three ODA loan projects are pledged by Government of Japan
2010	March	Iraqi Parliamentary Election is held Loan Agreement for three ODA loan projects is signed

Present Situation in Iraq

Basic Data

Area: 437.4 thousand km² (Appx. 1.2 times as large as Japan)

Population: 31.2 million (2009: IMF)

Nominal GDP per capita: \$2,245 (2009: IMF)



Ethic/Religious Composition:

Arab
 Shi'a (appx. 60%)
 Sunni (appx. 20%)

Kurd (appx. 20%)

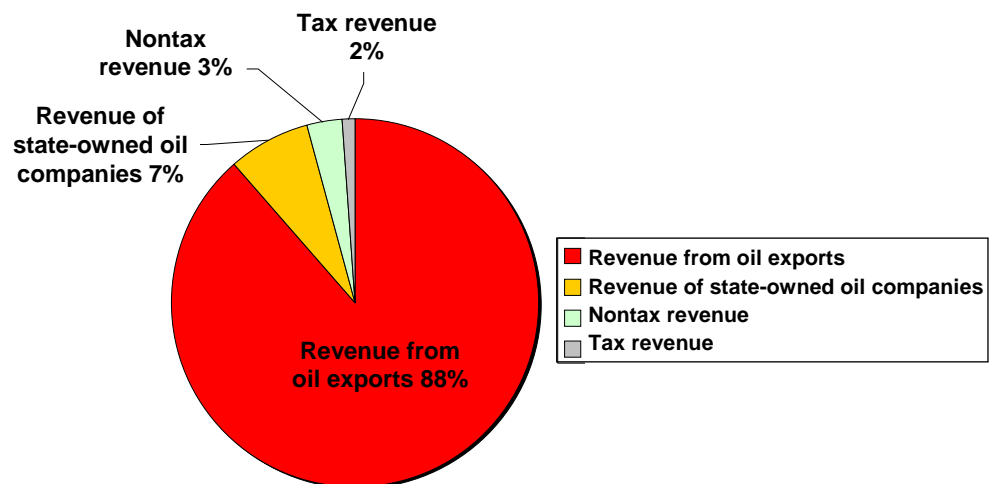
Others (Turkmen, Assyrian, etc.)

Appx. 97% of Iraqi population are Muslims.

Recent Economic, Social, and Security Situations

Economy: Iraq has the world's third-largest proven oil reserves (115 billion barrels) after Saudi Arabia and Iran, and over 70% of the GDP and over 90% of the national revenue depend on the oil sector.

This leads, it's economy and finances greatly influenced by violent fluctuations in oil prices.



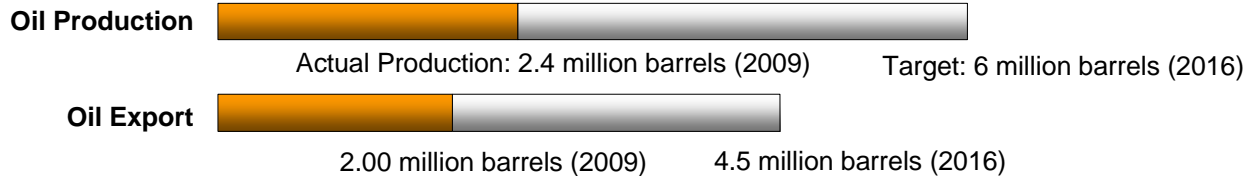
National Revenue of Iraq (2008)

Security: Since the beginning of 2007, the security situation in Iraq has been improved thanks to co-effort by the Awakening Council led by the Sunni neighborhood guards and U.S. forces, and the Support Council, an armed tribal organization led by the Maliki administration (The civilian death toll in November 2006 exceeded 3,500 while it was 169 in March 2010).

Development Needs in Iraq

Oil

Being an oil producer, national revenue of Iraq is directly affected by oil production and exports. To achieve target oil production and exports is a key to strengthen national finance.



Agriculture/Mining and Manufacturing

To secure stable economic growth, dependency on the oil sector is high-risk and industries must be diversified. Rehabilitation of aged equipment in the mining and manufacturing sector and improve capacity of irrigation in the agriculture sector serves to avoid economic risk and expand job opportunities.



Electricity

Lacking new investment and maintenance for many years, insufficient operation and maintenance let power interruption for over 10 hours a day in most regions. Iraq is facing substantial functional declines in all sub-sectors, i.e. power generation, power transmission, power transformation, and power distribution.

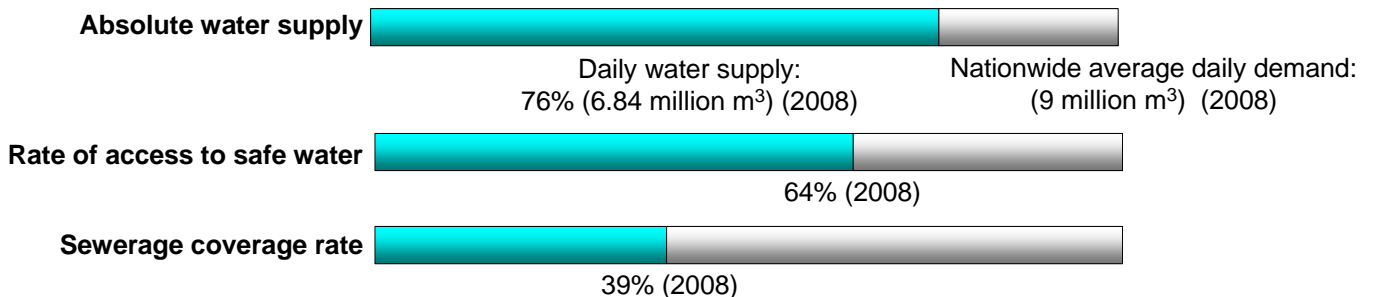


Transportation (Ports, Roads and Bridges)

As the country has become safer, land and maritime traffic have been increasing. Development of roads across the nation from north to south is necessary for land transportation. For maritime transportation, improvement and development of the Umm Qasr Port and other major ports is necessary.

Water and Sewerage

Iraq has poor water supply and sewerage systems due to economic sanctions and military conflicts.



Japanese Reconstruction Assistance for Iraq and JICA Projects

Issues in Economic Reconstruction in Iraq

- **Political & Security Risk:**
 - **Commercial Risk**
- Due to fluid political situations (Political Risk), unstable security (Security Risk), prolonged economic sanctions; Iraq has been isolated from international commercial practices (Commercial Risk).
- **Insufficient Capability of Government Functions:**
- Due to decreased capability of government personnel attributable to economic sanctions after the Gulf War as well as loss of government personnel after the Iraq War including murders and abduction debilitates government functions.

Even Iraq may have these challenges, co-effort by various public sector including Japanese ODA helps to reduce issues and can maintain investment climate for private funds.

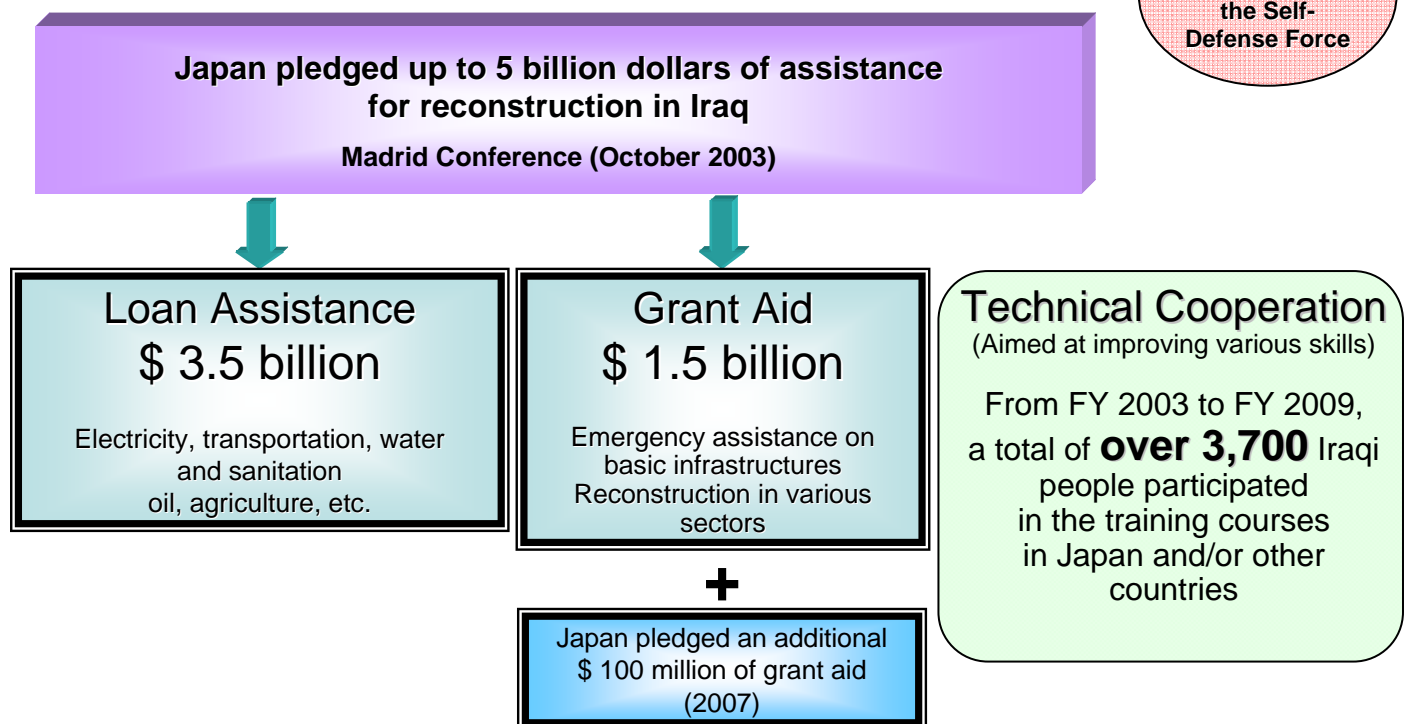
International Framework for Reconstruction Assistance for Iraq

International Conference on Reconstruction in Iraq (October 2003, Madrid):

Government of Japan pledged up to \$ 5 billion of assistance, \$ 1.5 billion in grant aid + up to \$ 3.5 billion in ODA loans; second largest to US assistance, \$20 billion.

Assistance by Government of Japan

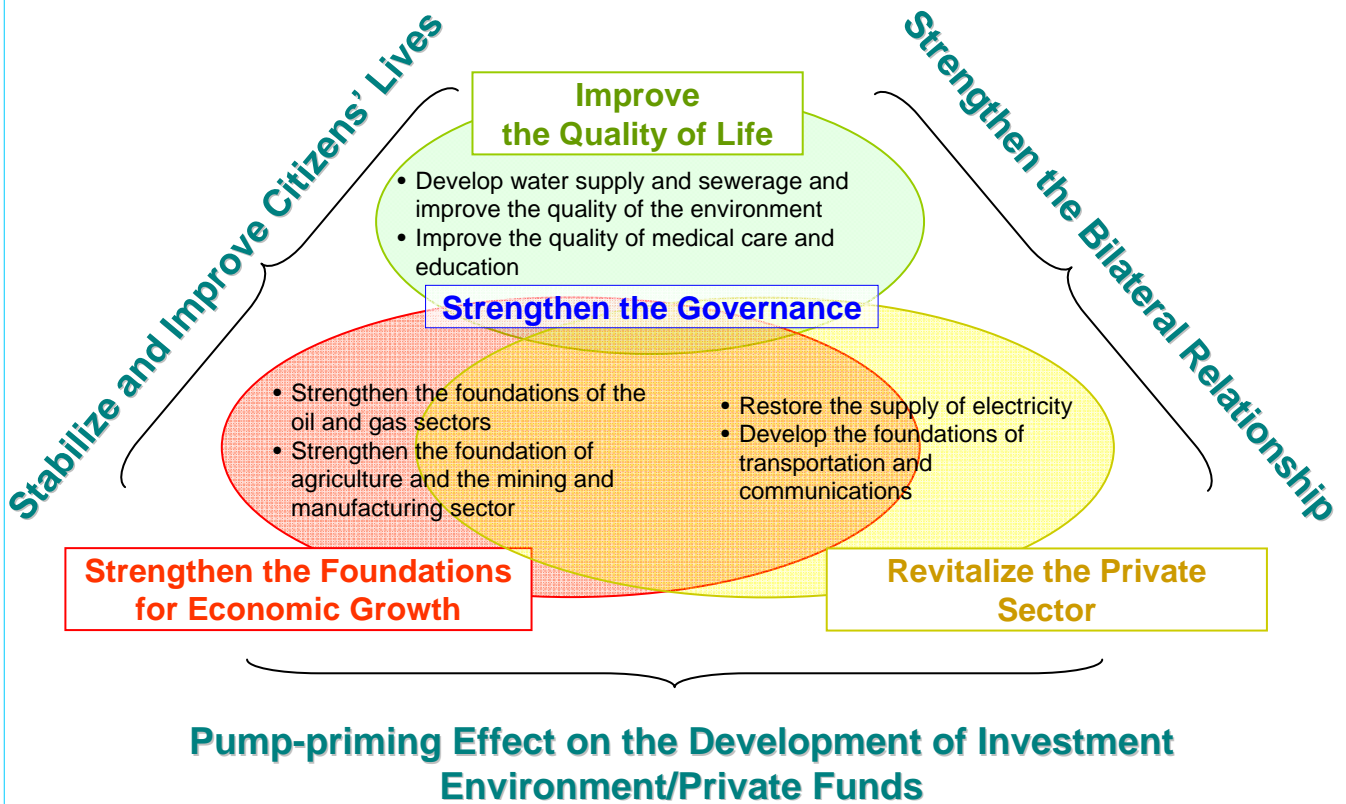
Reconstruction assistance by the Self-Defense Force



The Four Pillars of Iraqi Development Strategies and JICA Assistance

JICA provides strategic and comprehensive assistance in light of the four pillars of reconstruction and development in accordance with the reconstruction plan by the Iraqi government (third National Development Strategy 2007-2010).

- | | | |
|---|--|---|
| ① | Strengthen foundations for economic growth: | Strengthen infrastructure of the oil, gas, agriculture and the mining/manufacturing sectors |
| ② | Promote the private sector: | Restore the supply of electricity and develop infrastructure of transportation and communication |
| ③ | Improve the quality of life: | Maintain water supply and sewerage system, improve the quality of medical care and education |
| ④ | Strengthen the Governance : | Develop administrative foundations and human resources |



The Four Pillars of JICA Assistance

① Strengthen the Foundations for Economic Growth

Crude Oil Export Facility Reconstruction Project

Assist oil export in Iraq as main source of foreign currency

Though most of the oil sector related infrastructure was developed in 1970's, their capacity is substantially deficient due to lack of adequate new investments, operation and maintenance. In particular, oil export facilities in the offing of Fao, Basrah in southern Iraq, where about 80% of oil exports are handled, have seriously deteriorated. JICA assists Iraq with installing pipelines connecting inland oil storage and shipping facilities and offshore shipping terminals and offshore shipping facilities to promote the export of oil.

ODA loan: 50,054 million yen



Basrah Refinery Upgrading Project

Assist Iraq in improving oil refining capacity to meet domestic demand

Iraq is a world-leading oil producer, but the capacity of its oil refining facilities have decreased because of aging and damage from the war. For this reason, even though Iraq is a producer of oil, Iraq import oil products and amount of \$ 200 million foreign currency (equivalent) flow out every month. In order to improve current situation, JICA assists in building new plants to improve oil refinery efficiency in existing facilities at Basrah in southern Iraq.

ODA loan: 2,079 million yen

Irrigation Sector Loan

Assist agriculture in Iraq by developing irrigation infrastructures

Agriculture is an important industry in Iraq to diversify industries and create job opportunities, however, recent crop production including barley, wheat, and rice has been significantly decreased due to economic sanctions, military conflicts, and frequent droughts. Although irrigated agriculture is indispensable in many regions of Iraq since it has low annual precipitation, only 60% of the possible irrigable farm land has been irrigated. JICA assists agriculture in Iraq in introducing materials and equipment to manage irrigation facilities to further promote agriculture in the country.

ODA loan: 9,514 million yen



Khor Al-Zubair Fertilizer Plant Rehabilitation Project

Support domestic fertilizer supply in Iraq to develop agriculture in the country

Previously, in Iraq, two fertilizer plants (Khor Al-Zubair and Beiji) had supplied fertilizers to domestic market. Since 2003, however, due to insufficient supply of natural gas, which is a raw material in fertilizers, shortages of electricity, aging of equipment, and insufficient backup supplies, production in these plants has been significantly reduced, causing shortages in the fertilizer supply. JICA is helping to rehabilitate the existing fertilizer plant in Khor Al-Zubair, Basrah, contributing to the reconstruction of the fertilizer industry and the development of agriculture in Iraq.

ODA loan: 18,120 million yen



4 Pillars of Assistance by the JICA

② Develop Basic Infrastructures and Investment Environments That Serve as Foundations for Promoting the Private Sector

Electricity Sector Reconstruction Project

Assisting reconstruction of the electricity sector in Iraq

Lacking new investment and maintenance for many years, insufficient operation and maintenance let power interruption for over 10 hours a day in most regions. Iraq is facing substantial functional declines in all sub-sectors, i.e. power generation, power transmission, power transformation, and power distribution.

JICA assists power transmission sector by introducing materials and equipment in mid-western and southern Iraq.

ODA loan: 32,590 million yen



Human Resource Development in the Electricity Sector

Provide training to develop human resources in the electricity sector

The current electric power supply satisfies only 50% of demand in the country, which is partly because of the loss of engineers due to several war. JICA provides training for Iraqi power engineers at the Power Generation Training Center of the Jandar Electric Power Training Center (JTC) established in Syria in 1998 under JICA grant assistance; it contributes to the autonomous development of the JTC and to improve efficiency of electric power supply in Iraq.

Training in Syria

July 1, 2007 to August 31, 2011

Port Sector Rehabilitation Project

Rehabilitate important port and contribute to economic and social reconstruction

The transportation sector in Iraq has been facing substantial functional insufficiency due to military conflicts and/or economic sanctions in all sub-sectors. In particular, the Umm Qasr Port and the Khor Al-Zubair Port, which are two of the most important physical distribution bases and industrial ports in this country, have suffered serious functional declines. JICA contributes to the economic and social reconstruction of Iraq by providing assistance i.e., dredging, removal of sunken vessels, and provision of equipment primarily in the Umm Qasr Port in Basrah, the gateway to maritime transportation in Iraq.

ODA loan: 30,211 million yen



Improvement of Port Operation and Maintenance Skills

Provide training on port operation and maintenance in parallel with the Port Rehabilitation Project

In parallel with the Port Sector Rehabilitation Project (an ODA loan project), JICA provides training on port operation and maintenance for workers at Umm Qasr Port with the corporation in Yokohama. After this training, JICA expects that the Umm Qasr Port will be operated and maintained smoothly even after full-scale operation so that the project will be sustainably operated.

Training in Japan

March 2007 to August 2008

In addition to these projects, JICA has promoted a number of **grant aid** projects, including the **Provision of 23 mobile substations throughout Iraq**, the **Construction of a diesel power station (60 MW) in Al-Samawah**, the **Rehabilitation of Taji Gas Turbine Power Station**, and the **Rehabilitation of Taji Gas Turbine Power Station**. In the Construction of a diesel power station (60 MW) in Al-Samawah, a power station which satisfies appx. 30% of demand for electric power in Muthanna Governorate was constructed.

The Four Pillars of JICA Assistance

③ Develop Foundations That Help Stabilize and Improve Citizens' lives

Basrah Water Supply Improvement Project

Improve water supply to access safe water

Water supply conditions in Iraq have significantly deteriorated due to economic sanctions and military conflicts. In Harsa and Basrah, the second largest city in Iraq, the water treatment capacity is less than half of the demand, and the daily water supply is limited to less than 12 hours in appx. 70% of all households. In order to supply safe water, JICA assists the country in developing water treatment plants, transmission line and distribution network, and water supply facilities in Harsa and Basrah, Basra Province in southern Iraq.

ODA loan: 42,969 million yen



Water Supply Operation and Maintenance

Provide training to help develop human resources in the water supply sector

The functional declines in the water supply sector in Iraq have affected the health of children, and caused an increase in the death rate from diarrhea of children aged 5 or younger. Administrative problems in this sector include a lack of proper development planning, the deterioration of capable administration and technical divisions, and a shortage of human resources. In parallel with assistance in the development of facilities, JICA also assists the country in establishing proper systems or planning functions, improving operational efficiency, developing operation and maintenance systems, and solve other administrative problems.

Training in Jordan

June 1, 2007 to March 31, 2010

Training on Management and Maintenance of Medical Equipment

Provide training to improve the quality of medical care

The health sector in Muthanna Governorate includes Samawah faces a critical situation. 70 to 80% of health care facilities in this region have fallen into disrepair after the Iraq War, and scarcity of medical equipment and drugs both in type and amount, and face an absolute shortage of medical staff. JICA has contributed to medical care in Muthanna by offering lectures and training on maintenance of medical equipment provided in ODA projects and humanitarian and reconstruction assistance by the Ground Self-Defense Force.

Training in Japan

January 15, 2007 to February 15, 2007



Medical Training in Egypt



Share the results of Japan's assistance to Egypt with Iraq

Pediatric Hospital in Cairo University constructed by a grant assistance project of Japan, JICA has contributed to development of human resources involved in medical care, strengthening of systems for medical treatment, and establishment of emergency medical systems. In order to apply high-level medical know-how of this hospital to Iraq which has the same language and culture as Egypt, JICA trained 504 Iraqi participants to take medical training courses. JICA also contributed to the improvement of the quality of medical care in Iraq by providing four training courses, courses on ICU, endoscopic surgery, pediatric internal medicine, and nursing.

Training in Egypt

March 2004 to October 2007

In addition to these projects, JICA has promoted other **grant aid** projects, including the **Provision of compact units to the city of Baghdad** and the **Rehabilitation and provision of equipment to general hospital in the South, North, and Central**. In the Rehabilitation and provision of equipment to general hospital, 10 hospitals which were developed before the Iraq War by assistance of Japan and have played an important role in medical care in Iraq were restored.

The 4 Pillars of JICA Assistance

④ Strengthen Governance by Enhancing the Abilities of Human Resources and Developing the Foundations of Transparent Administration

Assistance for Iraqi Police

Improve identification technologies to promote the improvement of security

The reconstruction of the police organization in Iraq is an important issue, and the Iraqi Ministry of Interior has promoted its reconstruction by training and assigning policemen. JICA trained the Iraqi personnel from Ministry of Interior and Iraqi police in Japan and provided training including lectures on police practices (overview of a police organization and identification technologies) and inspection tours (to the Fingerprint Identification Center and the National Research Institute of Police Science). JICA also provided equipment for identification to participants when they left Japan to help them reconstruct identification facilities and improve the functionality of Iraqi police. Hence, JICA contributes to the improvement of security in Iraq.

**Training in Japan
October 2004 –**



Iraqi Constitution Establishment Assistance Seminar Training on Election Administration for the members of the Independent Electoral Commission of Iraq



Support for the democratization process

Since the end of the Iraq War in May 2003, Iraq has been in political turmoil for years. A parliamentary election was held in January 2005 for the first time after the Iraq War, and a constitution was approved in October. A permanent government was formed in 2006, and local council elections were held in January 2009. The country has steadily promoted the process of democratization. JICA has supported this process by providing various training courses in Japan.

Training in Japan

Training on election administration:

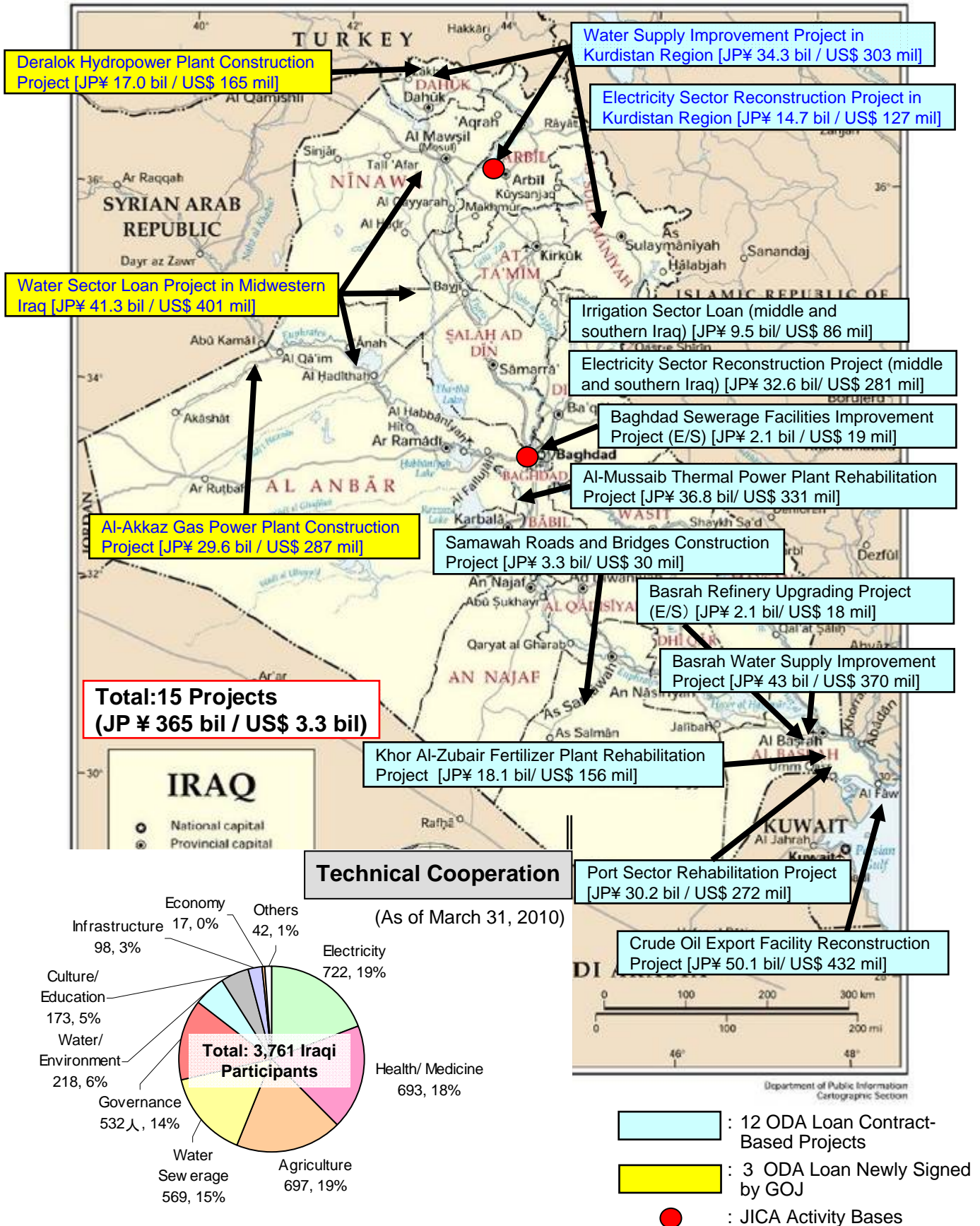
December 2004 to May 2005

Constitution Establishment Assistance Seminar:

June 2005

ODA Loan Projects in Iraq

(As of April 8, 2010)





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