

Strategy for development cooperation with

# Iraq

July 2009 – December 2014



REGERINGSKANSLIET

Government Offices  
of Sweden

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## Strategy for development cooperation with Iraq

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### *Summary*

This strategy governs Swedish development cooperation with Iraq for the period 1 July 2009–31 December 2014. It is based on the Government's policies for international development cooperation and global development, the Paris Declaration and the EU Code of Conduct on Complementarity and Division of Labour.

The overall objective of Swedish development cooperation with Iraq is a lasting peace in Iraq, improved living conditions and democratic development. Sweden will also work towards improved aid effectiveness with stronger Iraqi ownership, improved coordination and harmonisation of development assistance under Iraqi leadership in accordance with the principles of the Paris Agenda.

Cooperation will focus on two sectors: (i) democratic governance and human rights, and (ii) trade, industry and financial systems.

As the security situation continues to make reconstruction difficult and future developments remain uncertain, conflict sensitivity and continuous risk assessment must be mainstreamed into all support activities. In 2010, the financial framework for Swedish support to Iraq's reconstruction will amount to approximately SEK 80 million; it is proposed that this amount should then be gradually increased to a maximum of SEK 120 million per year provided there are no significant changes in conditions that result in a lower amount.

## **Part 1. Objectives and direction of cooperation**

### **1. Objectives and priorities**

Swedish development cooperation with Iraq will contribute to equitable and sustainable global development, in line with the objective of Sweden's policy for global development, and will also help to enable

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poor people to improve their living conditions, in line with the goal of Swedish development cooperation.

The starting point for cooperation is in accordance with the perspectives in the policy for global development: the perspective of poor people on development and the rights perspective. Development cooperation in Iraq will focus on poverty in a broad sense, as characterised by rights violations and the absence of peace and security. The Government's three thematic development cooperation priorities – democracy and human rights, environment and climate, and gender equality and the role of women in development – will guide operations. Conflict sensitivity will clearly underpin all support – support which as far as possible in all parts of the country will aim to benefit all groups in society. In addition, the need to prevent and combat corruption will be integrated into all operations. The direction of this cooperation will also be characterised by the implementation of UN Security Council Resolutions 1325, 1820 and 1612.

*The overall objective of Swedish development cooperation with Iraq is a lasting peace in Iraq, improved living conditions and democratic development.*

The overall objective is in line with Iraq's National Development Strategy (NDS) and with the International Compact with Iraq (ICI), which include political reconciliation, economic and social development, respect for human rights, institution-building, public services and administration.

#### *Process objectives*

- Improved coordination and harmonisation of development assistance under stronger Iraqi ownership of the country's development and international development cooperation. Sweden will contribute actively to the establishment of donor coordination structures following the closure of the International Reconstruction Fund Facility for Iraq (IRFFI) and to greater European donor coordination.

#### *Key issues for dialogue*

- Human rights, focusing on gender equality and women's right to security and participation in the country's development, children's rights and the implementation of UN Security Council Resolutions 1325, 1820 and 1612.

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- Democratic governance, focusing on anti-corruption, openness and transparency and the importance of women's influence in politics.
- The importance of combating corruption as a prerequisite for positive economic development and trade.
- The role of civil society and the conditions affecting NGO operations.

## **2. Direction and scope**

### *2.1 Cooperation areas*

Although Iraq is a rich country, it has – on its own – considerable difficulty converting its resources into the reconstruction of its society. For this reason, capacity support should constitute the overall and principal working method in all forms of support. The choice of cooperation areas focuses on state-building in accordance with the OECD/DAC principles for engagement in fragile states and is based on the need to build greater trust between citizens and the state, and improve society's capacity to deliver services and create employment opportunities, and to strengthen democratic institutions and respect for human rights.

Swedish development cooperation with Iraq will be concentrated in two main sectors to support the overall objective:

- i) Democratic governance and human rights
- ii) Trade, industry and financial systems

Support within each sector will be focused to ensure effectiveness. Existing support that does not fall under this strategy will be phased out. Iraqi priorities and needs will guide all forms of support and be matched to Swedish comparative advantages. A results matrix will be drawn up and submitted to the Ministry for Foreign Affairs.

#### *2.1.1 Democratic governance and human rights*

To make the focus clearer, the main sector is divided into two sub-sectors. However, links can be made between the two sub-sectors in the implementation process. The rights perspective, and especially women's enjoyment of human rights, is central to the entire sector. Relevant sections in the Government Communication 'Freedom from

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Oppression' (Government Communication 2008/09:11) will guide the initiatives in this sector.

In this sector, Sweden will further examine the conditions for benefiting from Swedish companies, relevant agencies and organisations in civil society and the Iraqi diaspora – including the Iraqi diaspora in Sweden – for know-how transfer at local level.

#### 2.1.1.1 HUMAN RIGHTS

Sub-sector objective:

*Strengthened capacity of Iraqi actors to promote and respect human rights in Iraq, with a special focus on the enjoyment of human rights by women and children.*

The state's responsibility to ensure respect for human rights is the basis for all support. This objective is to be achieved by Sweden supporting government institutions and structures that work to promote human rights. Support can be provided to cross-sectoral efforts aimed at strengthening respect for human rights and to specialised government institutions such as the Ministry for Human Rights and the new Human Rights Commission. Given the role of civil society and the difficulties affecting the operations of civil society organisations, support can also be provided to government bodies regulating the conditions for civil society organisations.

At the same time, Sweden will support civil society organisations in Iraq by providing capacity development and in their efforts to strengthen human rights. This can include accountability and advocacy work, but also support to women, children, young people and vulnerable groups. In this respect, Sweden will take into account the priorities expressed at local level and by independent actors.

The enjoyment of human rights by women, children and particularly vulnerable groups will be at the core of support efforts and special priority will be given to action to combat violence against women. In this context, support will be given to activities aimed at implementing UN Security Council Resolution 1325 on women, peace and security, Resolution 1820 on sexual violence and Resolution 1612 on children and armed conflict. Cooperation will be sought with other donors, including the European Commission.

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### 2.1.1.2 DEMOCRATIC GOVERNANCE

Sub-sector objective:

*Strengthened democratic state-building at different levels of society with a special focus on popular participation in decision-making processes.*

To achieve this objective, Sweden will support democratic governance at different levels of Iraqi society. This support will develop institutional capacity in public sector administration and organisations and place a particular emphasis on popular participation in decision-making processes. Electoral support will be part of this.

The initiatives will focus on local democratic administration but may also be directed at central and regional structures. In particular, the central structures that are a prerequisite for decentralised democratic governance should be supported. UN decentralisation and local development programmes will also provide a starting point. Administrative efforts that contribute to stabilising the security situation and reconciliation are to be considered.

Cooperation will be sought with other donors, including the European Commission. Efforts to prevent and combat corruption will be integrated into all support activities, which are to be characterised by openness and transparency. Special emphasis will be given to the main principles of women's participation in decision-making bodies, and in peace processes, reconstruction and electoral processes.

### *2.1.2 Trade, industry and financial systems*

Sector objective:

*Greater opportunities for poor people in Iraq to become self-sufficient*

As trade, industry and financial systems form a new area of cooperation in Iraq, conditions affecting specific operations will be investigated at the start of the strategy period. By 31 December 2009 at the latest, Sida is required to submit to the Ministry for Foreign Affairs a more detailed plan of the work envisaged during the strategy period in this sector in Iraq. Consultation will take place with Swedish organisations and relevant agencies and other Swedish actors, with international donors

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and practitioners and with Iraqi central government and private sector actors.

Support will be based on activities that in various ways promote economic development through improvements to the business climate and development of the private sector, and Iraq's capacity to trade with the rest of the world.

Support in this sector should include specific initiatives to strengthen the role of women as economic actors and a gender perspective will be mainstreamed into all operations. Support to Swedish organisations and agencies directed at actor-driven cooperation will be considered where such support is in keeping with OECD/DAC guidelines.

Support to this sector will supplement Sida's Regional Programme for the Middle East and North Africa for trade aimed at strengthening economic integration through trade policy and trade-related support, as well as investment promotion programmes at regional level. In this sector Sweden will, where appropriate, draw on the relevant knowledge and skills of people of Iraqi origin living in Sweden.

Support will be provided in two sub-sectors:

#### 2.1.2.1 SUPPORT TO STRENGTHEN INSTITUTIONAL CAPACITY IN THE AREA OF TRADE

Support to legislative work and relevant administration in the trade policy area – for example, expert and regulatory authorities and structures for mutual recognition of products – will be part of this support. Links can be established with relevant processes such as preparations for WTO membership and the implementation of the future partnership and cooperation agreement with the EU.

#### 2.1.2.2 SUPPORT TO PRIVATE SECTOR DEVELOPMENT

This support will include efforts to promote the development of markets and an Iraqi private business sector. Links can be established with environment- and climate-related business development. A functioning financial market is a prerequisite if Iraqis are to be able to contribute to the country's economic development. Support for structural and regulatory developments in the financial market will therefore be examined.

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## *2.2 Aid modalities*

Iraq has substantial resources of its own and budget support will not be provided during the strategy period. On the other hand, joint financing with Iraq is an important instrument that Swedish cooperation will aim for and that can increase Iraqi ownership. The joint donor fund, the International Reconstruction Fund Facility for Iraq (IRFFI), will be phased out during the strategy period and this will affect donor coordination. Sida will therefore examine other programme-based support possibilities in the two sectors. Multilateral channels and forms of joint financing will be used as far as possible. Support will be supplemented by initiatives channelled through Swedish civil society organisations and international organisations working to strengthen Iraqi organisations.

To supplement efforts funded through the country budget, Sida can offer loan guarantees to support the use of local financial resources in Iraq and encourage investments. Loan guarantees can supplement capacity-enhancing public administration support in the area of infrastructure. Given the situation in Iraq, caution should be exercised with regard to the risk of corruption.

A large number of people in Sweden are of Iraqi background. Among them, they represent a broad spectrum of knowledge and skills that are an important resource for support to Iraq. The potential for using this Swedish-Iraqi expertise in programmes and projects should be continuously taken into account. A starting point will be the policy on migration and development that is expected to be adopted during the strategy period.

The choice of aid modalities and forms of cooperation will be characterised by flexibility and the capacity to provide increased humanitarian aid if needed. The portfolio as a whole must include risk management and planning for alternative channels in the event of a deterioration in the security situation. All programmes will have an exit strategy. Taking account of each strategy, humanitarian aid and long-term development cooperation will, as far as possible, interact so as to complement each other. Sweden's humanitarian support to Iraq is governed by the strategy for Sida's humanitarian assistance for 2008–2010, which is based on the Government Policy for Humanitarian Assistance (Government Communication 2004/05:52).



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### *2.3. Dialogue issues*

To promote democratic values and greater political commitment to human rights and democracy, and to fostering economic development and employment, Sweden will conduct an ongoing dialogue with Iraqi government counterparts at national, regional and local level and with NGOs. The start-up phase of programmes and projects offers opportunities for dialogue, as does involvement in follow-up and evaluation. Meetings and other events related to new Iraqi legislative proposals or initiatives also represent opportunities for dialogue. Experiences from Swedish projects constitute important aspects of the dialogue.

In the dialogue on human rights and gender equality, the situation of women and children, and of other potentially vulnerable groups, will be especially highlighted. Women's political participation is particularly important. Priority will be given to dialogue on the implementation of Security Council Resolutions 1325 and 1820 on women, peace and security and on protection against violence and abuse, as well as to Security Council Resolution 1612 on children's rights to protection in armed conflicts.

In the dialogue on democratic governance, the issue of managing the risk of corruption as a prerequisite for improved development cooperation and democratic accountability will be emphasised. Iraq's compliance with the United Nations Convention against Corruption (UNCAC) should be underscored.

The problem of corruption will also be highlighted in the dialogue on trade, industry and financial systems and the importance of preventing and combating corruption, particularly in procurement processes, will be stressed as a prerequisite for positive economic development and increased trade.

In the dialogue on the role of civil society and the conditions affecting NGO operations, the positive contribution that an active civil society can make to social development will be particularly emphasised, as will the importance of legislation and structures that enable civil society involvement and organisation.

### *2.4 Scope (volume)*

In 2010, the financial framework for Swedish support to Iraq's reconstruction will amount to approximately SEK 80 million; it is

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proposed that this amount should then be gradually increased to a maximum of SEK 120 million per year provided that there are no significant changes in conditions that result in a lower amount.

If Iraq takes increasing financial responsibility for reconstruction, or if the security situation makes effective implementation impossible, support should be reduced. Any such measures will be considered in consultation with the Ministry for Foreign Affairs.

During the strategy period, an annual follow-up of the programme and its conditions will be conducted and submitted to the Ministry for Foreign Affairs. After three years, a thorough evaluation of results and experience will be conducted and submitted to the Ministry for Foreign Affairs, with preparedness for changes in the direction, scope and channels of cooperation.

### **3. Implementation**

Development cooperation in Iraq requires major efforts that include conflict sensitivity and risk assessment in all operations as well as contingency planning. In addition to ongoing risk analysis – also in relation to security and conflict – Sida will conduct continuous analysis of corruption risks in operations undertaken and take action to minimise the risks. This action should, as far as possible, be coordinated with other donors. It is extremely important that the support does not contribute to national disunity but, on the contrary, that it benefits all of Iraq and all its population groups. A gradual increase in future appropriations should also be flexible in relation to what can actually be done to achieve tangible results. The strategy therefore allows for implementation to be adapted to developments on the ground. This can be done by shifting the focus to other areas of cooperation in consultation with the Ministry for Foreign Affairs. If the situation improves significantly and Iraqi reconstruction keeps a good pace, the following should be considered:

- Iraq will probably be able to take an increasing share of the financial responsibility for reconstruction.
- Swedish development cooperation should gradually be able to shift its focus so as to concentrate even more on the area of human rights, and on trade and private sector development.

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- Sweden should be able to examine the forms of cooperation so as to change over to broader actor-driven cooperation with a special focus on business and trade.

However, if the security situation deteriorates, development assistance – following consultation with the Ministry for Foreign Affairs – will be characterised by:

- support with a stronger focus on well-established multilateral channels such as the UN, the World Bank and cooperation with the European Commission to facilitate coordination;
- preparedness for increased humanitarian assistance;
- preparedness – in consultation with the Ministry for Foreign Affairs – to propose changes to the direction, scope and channels of cooperation.

### *3.1 Cooperation with other donors, including multilateral actors*

Swedish development cooperation will be conducted in close cooperation with other donors and multilateral organisations in accordance with the Paris Declaration. Support through the UN, not least in the area of democratic governance, human rights and gender equality, is an important part of development cooperation and cooperation with the World Bank should be considered. The potential for joint action with other donors will be investigated. The European Commission is a natural partner. The agreed principles of Nordic+ support to civil society in the South will guide operations, as will the EU Code of Conduct on Complementarity and Division of Labour.

### *3.2 Alignment, harmonisation and coordination*

The overall process objective is that Sweden will work towards improved coordination and harmonisation of development assistance under stronger Iraqi ownership of development cooperation.

At present, there is insufficient donor coordination in Iraq. The phasing out of IRFFI, the joint donor fund, creates new coordination problems. Iraqi ownership of policy documents such as the ICI and NDS has been divided but a new Iraqi-led planning process is gradually emerging and this should be followed closely. In dialogue with others, Sweden will promote the coordination of development assistance with other actors and donors and initiate a dialogue on the division of labour. At the same time, Sweden will promote coordination under Iraqi leadership. Sweden

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will also promote coordination between the UN and the World Bank in Iraq. Through the EU, Sweden will also promote improved coordination in the EU sphere and with other donors. Joint initiatives – as well as joint analysis, monitoring and evaluation – should be sought.

#### **4. Monitoring**

There will be regular consultation between the Ministry for Foreign Affairs, Sida and the embassy. Due to the difficulty of monitoring initiatives in unsafe parts of Iraq, Sida will be responsible for ongoing checks to monitor financial resources and other monitoring. Sweden should monitor development cooperation by maintaining an active presence in Iraq. The difficult security situation is further reason for Sweden to cooperate with other donors to facilitate the work. Sweden should evaluate support with other donors on a regular basis to enable planning for realistic outcomes. Reconstruction support to Iraq should also supplement and be coordinated with projects and programmes outside the budget allocated to the country, for example within the NGO appropriation or the regional appropriation for the Middle East and North Africa.

### **Part 2. Background**

#### **1. Summary country analysis**

Six years after the US-led invasion and overthrow of Saddam Hussein's regime, Iraq is now in the process of reconstruction and normalisation. Provincial elections were held in January 2009 in 14 of the country's 18 provinces and parliamentary elections are expected in early 2010. The US military presence is now regulated under a bilateral agreement and will be phased out by the end of 2011. Most other coalition countries have withdrawn from Iraq. The security situation in Iraq has improved in 2008–2009 but the situation is still unstable and the major tensions remaining risk unleashing new spirals of violence. Small minority groups are in many cases particularly vulnerable.

Sectarian violence between Sunni and Shia Muslim groups has now diminished but risks flaring up again if the political process is not managed responsibly. The same applies to the tensions between, on the one hand, the Kurdish struggle for even greater autonomy and expansion of the Iraqi region of Kurdistan and, on the other hand, primarily Arab advocates of a strong central state. Among the crucial issues that need to be resolved is the status of the city of Kirkuk and

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other disputed areas in a future Iraq, the management of the country's oil and gas resources, integration of former Ba'ath party members into state structures and combating terrorism and militia groups. Clans and family structures are elements in this complex situation.

There are great differences between different parts of the country. In the Iraqi region of Kurdistan in northern Iraq, the security situation is considerably better than in the rest of the country. In several southern provinces and in the Anbar Province in the west, the situation is relatively calm. In Baghdad, and in the provinces of Diyala, Nineveh, Salahuddin and Tamim (Kirkuk), the situation remains difficult almost everywhere. However, the situation is multifaceted and can change rapidly, both security-wise and politically.

Iraq reportedly possesses about ten per cent of the world's total oil reserves. In addition, by regional standards, the population is well educated. In the 1980s and 1990s, however, monetary poverty increased as a result of war and sanctions and it has increased further in the years since the invasion although the figures vary substantially between different parts of the country. Total unemployment is estimated at 18 per cent. As in many countries in the Middle East, young people constitute a large and growing share of the population. In 2008, as much as 42 per cent of the population in Iraq was under the age of 15.

Today an estimated 3.7 million Iraqis are displaced both within Iraq and outside. Many refugees and internally displaced people are living under extremely difficult conditions. Iraq has also lost a great deal of knowledge and know-how due to the large refugee flows. This is particularly noticeable in critical sectors such as health and education. It is also clear that capacity has fallen in other areas of public administration as a result of experienced and well-educated people leaving their home areas and workplaces. This plainly illustrates one aspect of the link between migration and development in Iraq. While some return is taking place, it is still very small-scale.

Human rights developments in Iraq are a cause for deep concern and the overall security improvements that have taken place recently have not been accompanied by entrenchment of the rule of law. Torture and capital punishment occur. Civil society has limited ability to operate, both for structural reasons and due to the difficult security situation. The legal and social position of women has deteriorated, including as a consequence of legislation. Violence against women is a problem

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throughout Iraq. Access to clean water, electricity and sanitation varies across the country but is generally very inadequate.

Unemployment and social problems, along with distrust generated by corruption and lack of access to basic social services, exacerbate the security problems. At the same time, the currently low oil prices have reduced the budgetary scope for necessary public investments and reforms. Central government finances are expected to show a deficit in the coming years. The public sector employs most of the active workforce in Iraq. Diversifying the economy and developing the private sector is therefore of crucial importance. The capacity to convert oil revenue into investment and reform projects that benefit the population needs to increase.

The long isolation of Iraq's business sector has led to major knowledge gaps about the regulations and agreements governing international trade. The private sector is weak and has little capacity to operate in the international market. Iraq is not yet a member of the World Trade Organisation (WTO). Negotiations are ongoing between Iraq and the EU on a partnership and cooperation agreement which, among other things, will pave the way for increased trade between the EU and Iraq. The international financial crisis and a more stable security situation have led to a growing interest among international companies to establish themselves in the Iraqi market.

Today Iraq is completely dependent on its oil and gas revenues but given the environmental consequences of oil both globally and nationally, there is an increasing need to develop alternative energy sources. Climate change hits the poorest people in Iraq hardest – those who are already suffering from a lack of clean water and arable soil due to contamination caused by the many wars, oil production and inadequate environmental measures.

## **2. Summary results assessment**

In 2003 Swedish development assistance to Iraq amounted, in total, to just under SEK 560 million; almost half of this went to humanitarian aid. Two Experience and Results Assessments of development cooperation have been conducted: one for the period 2004–2006 and the other for the period 1 January 2007–31 August 2008. Both assessments reveal limited results in relation to the objectives. The most recent assessment underscores that Sweden's objectives have been unrealistic and over-ambitious, and the indicators unclear. The absence of concrete interim targets has led to unfocused planning. However, the

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focus of Swedish support on infrastructure, human rights and democracy has been relevant. Therefore, in this strategy, the objectives have been more clearly specified and the number of sectors has been reduced. A higher degree of coherence with Swedish comparative advantages has also been sought.

The security situation has had a negative impact on the conditions for development cooperation. The absence of a permanent official Swedish presence in Iraq to follow developments has also made implementation of the strategy difficult. The most recent experience and results assessment highlights, in particular, the difficulty in conducting real needs assessments and monitoring in the country under the prevailing security conditions and without a permanent Swedish presence. These limitations have also affected multilateral organisations, which is reflected in the Swedish support.

The attempts during the strategy period to involve Swedish-Iraqi organisations in Sweden in supporting Iraqi civil society had limited effect, partly because many organisations lacked sufficient capacity to reach Iraq with their support. New ways of drawing on Swedish-Iraqi know-how will therefore be sought.

The experience and results assessment stresses that it is crucial to reach out to Iraqi organisations working for democracy and human rights. These organisations are vulnerable and in need of support.

Support via Swedish organisations such as Qandil and Diakonia has been effective. Their permanent and long-term presence in Iraq means they have gained local trust and have good implementation capacity.

One conclusion of the most recent results assessment was that a future strategy must carefully weigh up development policy ambitions against realistic and achievable objectives. Sweden should take on a more active role on the ground in Iraq and develop cooperation with other donors. Initiatives should be strategically focused in each sector.

Sweden should engage in local development. Capacity support in all sectors is Iraq's major need and there is considerable potential for, and experience of, linking infrastructure programmes for urban development or electricity supply to democratic governance. Continued Swedish support to Iraqi NGOs working for human rights is especially required. Opportunities for exchanges in the private sector should be reviewed. In this context, the Swedish-Iraqi diaspora has a role to play.

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Moreover, Swedish development support should be planned in close cooperation with humanitarian aid so that the two forms of assistance complement each other.

### **3. Summary analysis of other donors' activities and roles in the country, including multilateral actors and the European Commission**

It is difficult to obtain a clear and complete picture of the activities of other donors. Coordination and harmonisation are markedly deficient. Following the invasion, the United States has held a special position and is the largest single donor in Iraq. Figures indicate approximately 19 000 American activities worth, to date, USD 15.7 billion. Like other coalition countries, the US has conducted many activities within the framework of the Provincial Reconstruction Teams (PRTs). These activities have often focused on strengthening local provision of social services and rehabilitation of infrastructure. Iraqi ownership in PRTs, however, has often been inadequate.

The UN presence has increased in recent years and a growing number of UN bodies are now represented in Baghdad. Small regional offices have also been set up around the country. However, a large number of UN staff are still stationed in Amman and their freedom of movement is substantially curtailed, making their work more difficult. Shortcomings in coordination between the various multilateral donors are evident.

To facilitate donor coordination, the International Reconstruction Fund Facility for Iraq (IRFFI) was established in 2004, and is administered by the World Bank and the UN. This joint donor fund has been criticised for its slow pace of implementation and inefficiency and will be terminated in 2010. For Sweden and many other donors, IRFFI offered an opportunity to contribute to the reconstruction of Iraq despite their limited presence. It is still unclear what will take the place of the fund but the donors agree on the importance and value of some kind of mechanism to replace the IRFFI. By the same token, Iraqi ownership of development is believed to be growing stronger and this will hopefully, in time, result in Iraqi-led donor coordination.

Sweden is a relatively small donor in Iraq but it is one of the few countries with a long-term aid commitment in the country. Japan, the European Commission and the UK are among the larger donors. As the security situation slowly stabilises and Iraq's revenues increase, more donors are beginning to phase out or reduce the scope of their



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development assistance. Most European donors aim to be engaged in strategic capacity development activities that are limited in terms of volume. The European Commission has contributed more than EUR 900 million to Iraq since 2003 but has so far mainly channelled its support through the IRFFI. Now that the fund is to be terminated, the Commission is investigating new channels for bilateral development cooperation with Iraq. Alongside humanitarian aid to refugees and returnees, the European Commission is providing capacity support to ministries, upgrading emergency medical care and delivering support in the area of water and sanitation. The Commission has expressed a wish for closer cooperation with Sweden, and in light of the efficiency gains that cooperation can bring, this is something that should be considered.

In the present situation, it is important that Sweden weighs its own efficiency, results and visibility against coordination in accordance with the Paris Agenda with a view to, if possible, contributing to better donor coordination and effectiveness. In this perspective Sweden will cooperate with other donors. Sweden should also contribute to European responsibility for coordination.

#### **4. Summary analysis of Sweden's role in the country**

Sweden is a very minor actor in Iraq as regards volume of support for reconstruction but it has a long history of humanitarian work in the country. In 2008 Sweden was the fourth largest donor of humanitarian aid in Iraq. Also, Sweden has very close ties with Iraq due to the large number of people living in Sweden who have roots in Iraq and the many Swedish-Iraqi people who operate in Iraq. Sweden's historically close trade relations with Iraq offer good prospects for future cooperation.

##### *4.1 Conclusions from Swedish and EU political decisions and processes that are relevant to the cooperation*

Sweden has no cooperation agreement for development cooperation with Iraq but it is reopening its embassy in Baghdad in summer 2009. This offers new opportunities for development assistance as well as for political and economic relations. The embassy should be able to serve as a platform and meeting place for Swedish development cooperation. Sida will be represented at the embassy, which will facilitate the dialogue on needs analysis, donor coordination, monitoring and evaluation with Iraqi counterparts.

The European Commission will remain in the circle of donors in Iraq and is expected to increase its presence in Baghdad. In 2009 the

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Commission will adopt an 'information note' on the direction of development assistance to Iraq. It will apply for two years, after which the Commission intends to publish a three-year country strategy (2011–2013).

#### *4.2 Coherence for development*

Relations with Iraq are broad and include, apart from diplomatic relations and development assistance, an increasing number of trade contacts, exchanges and cooperation projects in, for example, research and education. The large number of Swedish-Iraqis serve as a bridge between the countries in many contexts and are an asset in these relations.

The number of Iraqi asylum seekers in Sweden has fallen substantially since 2007, when 18 600 Iraqis applied for asylum in Sweden. This corresponded to half of all asylum applications in Sweden that year, and to half of the total number of Iraqis who applied for asylum in the EU. In 2008, 6100 Iraqis applied for asylum in Sweden, a 67 per cent drop on the previous year. However, migration issues are still relevant, not least because of the increasing number of people who are obliged to return to Iraq after their asylum application in Sweden has been rejected. Since 2008 a bilateral agreement has facilitated returns to Iraq. The Swedish Migration Board provides a certain amount of financial support to individuals who repatriate or return voluntarily and finances targeted reintegration programmes for Iraqis returning to Iraq. This support to individuals is supplemented by international humanitarian support for Iraqi returnees through, for example, the UN Refugee Agency (UNHCR), funded by Sweden and the European Commission, among others. Swedish humanitarian aid to Iraq, including support to Iraqis who have fled to neighbouring countries, is managed by Sida through the humanitarian appropriation governed by Sida's strategy for humanitarian assistance for 2008–2010.

As regards trade and support to the private sector, several Swedish initiatives are in place. The Swedish business community has a long history in Iraq and a growing interest in the country. Swedish companies are also well equipped to contribute to the reconstruction of Iraq. State-owned venture capital company Swedfund is investing in Iraq, as is the Swedish Trade Council, which is also going to establish a presence in the country to promote business opportunities for Swedish companies. There are also several initiatives in Sweden to establish Swedish-Iraqi chambers of commerce. In this context, people of Iraqi background living in Sweden are an important resource. The

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Government has launched a project to make Swedish entrepreneurs, including those of Iraqi background, a resource in developing international trade relations.

Several initiatives have been established for cooperation between higher education institutions in Sweden and Iraq. A number of Swedish and European scholarship programmes exist but in some cases Iraqi scholarships can be used and Iraqi higher education institutions are often prepared to cover their own costs.

Despite different roles and mandates, cooperation with other Swedish agencies and organisations working with Iraq is important when planning development assistance. It also provides a potential platform for future broader actor-driven cooperation. When planning development assistance, Sida will therefore consult and exchange experiences with other Swedish actors on a regular basis. Sida will also contribute to Swedish agencies complementing each other without overlap and will be open to cooperation in the form of joint projects in areas such as trade or activities that are connected with or strengthen measures in, for example, the area of migration.

#### *4.3 Other Swedish relations*

Qandil and Diakonia are Swedish organisations that have been operating in the Iraqi region of Kurdistan since the early 1990s. A number of smaller Swedish-Iraqi organisations have also been working in the area of human rights through Forum Syd. The Kvinna till Kvinna Foundation also supports networks of women's organisations in Iraq. In view of the few organisations that have been prepared to set up operations in the country, it is worth taking advantage of those that are already present in Iraq.

#### *4.4 Sweden's comparative advantages*

Besides the close ties fostered through the historically generous Swedish refugee policy and the many Swedish-Iraqi people, Sweden and Iraq have also enjoyed close trade relations. Sweden, Swedish products and consulting services are still well known and appreciated in Iraq. Sweden has given humanitarian aid to Iraq since 1991 and after the invasion in 2003 it has been beneficial for Sweden's reputation among the Iraqi population not to have been part of the coalition forces. Sweden also has a strong international reputation in the areas of democracy, gender equality and children's rights.

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#### *4.5 Conclusions about Sweden's role*

Sweden is a small but well-regarded and relatively well-known actor in Iraq. The close relations make Sweden a respected donor. Sweden's long democratic tradition puts Sweden in a good position to pursue democracy and human rights issues, an advantage enhanced by the perception of Sweden as neutral in an otherwise highly politicised environment. Sweden should be careful to maintain and make use of this role both in dialogue and strategic choices about support. In view of the above and the reopening of the embassy, Sweden has the opportunity to fill niches that other donors would find hard to fill.

#### **5. Considerations concerning objectives and the direction of future cooperation**

The continuing difficult security situation and the absence of rule of law are serious obstacles to the development of Iraq. The lack of capacity to convert large oil revenues into reconstruction and investment projects is a major obstacle. For this reason, capacity support will be the overall method of Swedish development cooperation in Iraq.

Respect for human rights in Iraq is seriously lacking. Therefore, support is warranted both for work with government institutions promoting human rights and for continued Swedish capacity support to Iraqi civil society organisations working on human rights. The conflict and poverty analysis on which this strategy is based also emphasises support to civil society organisations as being particularly necessary from a poverty perspective.

At the country meeting in Baghdad, the Iraqi Government and UN representatives underscored the importance of a stronger private sector to kick start reconstruction, create employment and diversify the economy in Iraq, not least in view of rising youth unemployment. The great lack of knowledge among Iraqi agencies and companies regarding international trade regulations and agreements worsens the prospects for trade. Sweden will therefore review entry points for support to structures that help Iraq's private sector develop and take greater part in international trade based on the principles of responsible entrepreneurship.

In the Government communication 'Global challenges – our responsibility' (Government Communication 2007/08:89) the Swedish business sector is identified as an important actor whose capacity for initiative, experience, expertise and potential to contribute to global development and poverty reduction need to be harnessed, both in the

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development cooperation dialogue and as a potential cooperation partner. In Iraq Swedish companies have extensive experience in the area of sustainable infrastructure, for example, and this should be taken into account.

The choice of cooperation areas is based on the need for greater trust between citizens and the state, which is linked in part to society's failure to deliver services and create opportunities for employment, and to the lack of respect for human rights and the weakness of democratic institutions. On the basis of previous experience and the need for peaceful democratic development, strengthened respect for human rights, and reconstruction and employment, Swedish development cooperation will focus on the following sectors: (i) democratic governance and human rights, and (ii) trade, industry and financial systems.

The strategy presents clear and measurable interim targets, which will allow for more strategic planning than has previously been the case. Human rights and democratic governance are divided up, each forming a sub-sector with its own objectives, for the sake of clearer focus. If developments in Iraq take a positive turn and the country is able to take increasingly greater financial responsibility for reconstruction, Sweden can gradually change over to broader actor-driven cooperation and shift the focus of development cooperation to intensify human rights efforts.

Donor coordination in Iraq has been found to be seriously lacking and the limited presence caused by the security situation is a challenge for all actors. The changeable political environment and widespread corruption require particular risk awareness. Nevertheless, increased presence, strategically selected measures, a focus within sectors and activities and cooperation with other donors on analysis, monitoring and evaluation will enable Sweden to make an effective contribution to the development of Iraq.

Sweden is a small donor but benefits from its good reputation in Iraq. Sweden is well known for its long democratic tradition and its human rights and gender equality work. The large number of Swedish-Iraqis creates strong ties between the two countries. The reopening of Sweden's embassy in Baghdad offers new opportunities for supporting reconstruction and further strengthening relations between the countries, and thus despite its limited development cooperation budget, Sweden has strong comparative advantages in development work in Iraq.



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