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Elements for an EU strategy for Iraq

Introduction

The Iraqi people, their Government and their armed forces, with international support from the Global Coalition against Da'esh¹ have successfully ended Da'esh's effective territorial control in Iraq. The country has suffered years of conflict, since 2003 and before, but Da'esh's acts of terror from 2014 onwards have been the most gruesome manifestation of internal violence so far. Iraq now needs to seize the renewed opportunity it has to build an inclusive and accountable political system that serves all communities, regions and beliefs, preserves the country's diversity, and enhances its democratic order. This is essential to rebuild trust between the people and their Government and to avoid a return to divisive sectarianism and separatism.

The three-year struggle against Da'esh has taken a tremendous toll on the country. This includes the many civilian and military lives lost, the widespread human suffering and trauma, the millions of persons still displaced, the destruction of the social fabric, especially amongst communities affected by the conflict, the extensive destruction of public and private infrastructure, and a precarious financial and economic situation. Many challenges now lie ahead for the Iraqi Government and people. It is vital to Iraq, to the Middle East, and to the international community as a whole – all of whom have felt the consequences of the crisis and would be negatively affected by continued instability in Iraq – that Iraq overcomes these challenges.

The EU in particular has a vital interest in making sure that Iraq emerges from the crisis stronger. Failure to address the root causes of the crisis would damage the country's unity, its security, its democratic order, as well as its economic development, and would undermine the Iraqi Government's reform and reconciliation efforts. Such a scenario would most likely deepen the sectarian divide and ethnic tensions. Not only would it see Iraq remain a haven for terrorism that constitutes a direct and continuing threat to EU security, it would also submerge the country into a new crisis the humanitarian consequences of which would impact on neighbouring countries and the EU, particularly in the form of irregular migration. It is therefore essential that the EU and the international community remain engaged in supporting Iraq at this critical time.

Based on the broader aims of the Global Strategy on Foreign and Security Policy for the EU² and building on the lessons learnt in the implementation of the 2015 EU Regional Strategy for Syria and Iraq, as well as the Da'esh threat³, this Communication is a natural, next step in the EU's engagement moving beyond the territorial struggle against Da'esh to focus on the ways in which it can contribute to addressing the specific challenges that Iraq now faces. It responds to the request of the EU Foreign Affairs Council of 19 June 2017⁴ for the High Representative for Foreign and Security Policy and the European Commission to present a

¹ <http://theglobalcoalition.org/en/home/>

² <https://europa.eu/globalstrategy/en/global-strategy-foreign-and-security-policy-european-union>

³ https://eeas.europa.eu/sites/eeas/files/20150206_join_en.pdf

⁴ <http://www.consilium.europa.eu/en/press/press-releases/2017/06/19/conclusions-iraq/>

strategy which gives guidance on the next steps in the EU's engagement with Iraq. This strategy for Iraq has three main purposes:

- 1) to define the considerable challenges that Iraq faces;
- 2) to identify the EU's interests and strategic objectives in its relations with Iraq;
- 3) to identify the priorities for EU action, building on the EU's existing support, focusing in the first instance on EU support to the most immediate challenges of continued displacement, stabilisation and reconciliation, in line with the Iraqi Government's priorities. The success of the strategy's implementation will ultimately depend on the political will of the country's policy makers.

1. The challenges that Iraq faces and the regional context

1.1 The humanitarian, local governance and stabilisation challenge: Iraq faces a massive and immediate humanitarian challenge. The three year conflict throughout the country resulted in appalling violations of basic human rights for the local populations, including minorities, that are likely to constitute crimes against humanity, and has seriously affected the social fabric of the country. **More than 3 million Iraqis remain internally-displaced, and millions more are still in dire need of humanitarian assistance.** This includes vulnerable groups such as children who have been out of full-time education for several years and women who have been subjected to sexual violence. As a result of the conflict there is **widespread destruction of civilian infrastructure**, including water distribution systems, medical facilities and schools, and it has also led to severe shortages of essential services. The conflict has also significantly impacted the environment, through pollution of soil and groundwater, with corresponding effects on human health and livelihoods.

The initial Iraqi and international efforts to stabilise liberated areas have achieved significant progress, with two million displaced people having already returned back to their places of origin, mostly in a peaceful and orderly manner. Nevertheless much remains to be done to get the remaining 3 million displaced citizens back home. In order to enable the return of displaced citizens to their homes in a safe, voluntary, dignified and non-discriminatory manner, the Iraqi Government needs to provide security, undertake de-mining action, restore basic services and infrastructure, provide livelihood opportunities, as well as urgently guarantee the provision of accountable and representative civilian governance in the liberated areas in order to build confidence. It is also crucial to address issues relating to identity documentation, housing, land and property rights to ensure successful longer term stabilisation. This task will entail political, security, financial and logistical challenges. Difficulties in re-establishing the rule of law in full compliance with human rights have already been encountered in some recently liberated areas. For the stabilisation and reconstruction processes to be effective, they need to be coupled with efforts to achieve political reconciliation and to address grievances and vulnerabilities that facilitated the

emergence of Da'esh. This is also to mitigate any risk of these processes themselves becoming a catalyst for further inter-communal tensions.

1.2 The security challenge is two-fold: to defend Iraqi society from continuing terrorist attacks, and to overcome the *de facto* fragmentation of security structures. The collapse of large parts of the Iraqi army in 2014 in the face of the rapid Da'esh expansion compelled the Iraqi political and religious authorities to encourage Iraqi citizens to join new or existing armed groups, under the banner of 'Popular Mobilisation Forces', as an urgent and exceptional means to support the Iraqi security forces in halting Da'esh's expansion and in reclaiming lost territory. Iraq has retained a highly qualified but small core of a national army that will require further structural support. Iraqi Government forces, including the Peshmerga of the Kurdistan Region of Iraq, have received significant international support, including material and training for the immediate fight against Da'esh. Yet following years of conflict, which engendered a militarised policing response, there is a need to reform the Iraqi police to support rule of law oriented and accountable civilian policing which respects human rights and builds trust across all communities. **Effective and deep security sector reform** in both the military and civilian sphere **has become an urgent priority**, in order to consolidate state prerogatives and legitimacy, and to allow for an effective control of the territory and containment of terrorist and criminal threats. This will have to include proper mechanisms for the reintegration of a large portion of mobilised soldiers into society. The consolidation of rule of law and improved human rights standards are also essential to limit the risk of future cycles of violence.

1.3 The political challenge: The initial success of Da'esh was to some extent a reflection of the political fragmentation of Iraq following previous crisis situations, and in fact it reinforced it further. The preservation and strengthening of the country's unity, security and development are therefore as important as ever: **both political reform and national reconciliation** should remain **at the heart of the Iraqi political establishment's efforts**. The Government already set out, in September 2014, an ambitious programme of reform to address the most pressing needs; this plan needs to be rolled out at every level of the country. The pillars of the programme are the fight against corruption and fair distribution of national wealth, consolidation of the rule of law and full compliance with human rights, and efforts to achieve national reconciliation and political inclusiveness. However, its implementation has been held up not only by the need to focus on the campaign against Da'esh, but also by political divisions within the country and the pervasive long-standing challenge of corruption and nepotism. Building on the initiatives it has already taken, it will be critical for the Iraqi Government to restore trust in the political system, counter fragmentation and consolidate the unity of the country. A comprehensive national policy on the social, political and economic reintegration of the populations, particularly in the conflict-affected areas, as opposed to just a policy of returns, is essential, in order to avoid a repeat of the conditions that led to the rise of Da'esh. **The situation of Iraq's numerous minorities** also needs to be addressed urgently, in order to preserve the diversity of Iraqi society as well as its unity and stability. It will also be essential to address the issues of poverty and social exclusion in the areas not directly affected by the conflict, including in the south of the country, since balanced progress and

development across the whole of the country will be critical to its stability. Renewed engagement to find negotiated political solutions to longstanding and more recent disputes is critical for the long term stability of the country. One urgent priority is to help place **relations between the Federal Government and the Government of the Kurdistan Region** on a viable and stable footing through a constructive dialogue on all relevant issues across the political, security and economic spectrum. The guiding principle of such a dialogue must be that parties avoid unilateral action and seek the full implementation of the Iraqi constitution.

1.4. The economic and financial challenge: Political reforms and reconciliation need to be underpinned by coherent policies for economic and social development that benefit all Iraqis, based on a fair model of wealth distribution and intergenerational equity. Iraq's oil revenue so far has failed to generate beneficial effects for the country as a whole, due to rent seeking, inefficiencies of state owned enterprises, a focus on short term consumption through a bloated public sector and rampant corruption. As a result Iraq faces persistent macro-economic vulnerabilities which need to be addressed urgently since a **sound fiscal and monetary framework is a decisive factor for stability in the country**. Iraq is classed as an upper middle income country, but this classification is based on gross domestic product (GDP) per capita, which fell from US Dollars (USD) 7,021 in 2013 to USD 4,533 in 2016, and does not reflect the stark reality that one quarter of the population now lives below the poverty line. Over the last three years, the increasing oil production which reached around 4.5 million barrels a day in 2017 on average has supported the economy and state revenue. However, the combined shock of the drop in oil price and armed conflict dragged the non-oil economy into recession and public finances into huge deficit to 14% of GDP in 2016. The Government meanwhile entered into a Stand-By-Arrangement (SBA) with the International Monetary Fund (IMF) in July 2016 which provides for USD 5.3 billion of support of which USD 2.1 billion have been disbursed so far. The G7, including the EU, has been supporting the arrangement which is conditional on a programme of fiscal and economic reforms. At the end of 2017, the continuation of the IMF SBA is at risk because the Iraq Government's fiscal policy does not sufficiently reflect the agreed reform programme. A failure of the programme would compromise Iraq's capacity to meet its financial obligations and leave the substantial G7 support ineffective.

Overall, the Iraqi economy has been in recession in 2017 with a slightly more positive outlook for 2018 depending on the security situation and the oil market. For 2017 Iraq has agreed within the Organisation of Petroleum Exporting Countries (OPEC) to cut its oil production by 6%, which has limited GDP growth and has reduced public revenue. As the OPEC agreement has been prolonged, public oil revenue is not expected to recover significantly in 2018 and stricter austerity measures are required to meet the SBA conditions and keep the government's finances afloat. Therefore, Iraq can only achieve the much needed macroeconomic stability and meet its financial obligations if it speeds up the governance and fiscal reforms which had already been overdue before the security crisis. Major economic and financial burdens lie ahead in view of the humanitarian, stabilisation and reconstruction challenges - the post-Da'esh reconstruction bill is currently estimated by the Iraqi Government to stand at USD 150 billion. The social costs of reconstruction will be enormous, for example for the re-integration

of millions of internally displaced persons, handicapped and traumatised people, veterans and young people with interrupted education. In addition, the country is facing an uphill struggle to generate jobs for a fast growing young population. Low oil prices are an opportunity to push for economic diversification, but while this structural transformation usually takes many years, immediate measures are necessary to integrate the growing young population into the labour market. The public sector cannot any longer provide them with employment as it did during the high oil price era, underlining the importance of strong private sector development and foreign direct investment (FDI) which could become a powerful engine for growth and job creation.

1.5 The migration challenge: Iraq is both a host country for refugees and a country of origin of significant migration flows. The country hosts 250,000 Syrian refugees, beyond the 3 million internally displaced persons (IDPs). The large number of IDPs, coupled with difficult conditions for returns to liberated areas and the volatile political and economic situation further increase the risk of migrations flows, both within Iraq and to Europe. Between 2014 and 2016 more than 135 000 Iraqis arrived irregularly in the EU. The number of asylum applications filed by Iraqi citizens in the EU reached 125 286 in 2016. After the start of the implementation of the EU-Turkey statement⁵ the number of irregular arrivals in the EU decreased significantly, but the risk of irregular migration to the EU stays high. Almost 7.500 Iraqis arrived irregularly in the EU in 2017 (January-September). So far only a limited proportion of the Iraqis staying irregularly in the EU have returned to Iraq⁶. There is, however, a steadily surging trend on voluntary returns from the EU to Iraq⁷. At the same time there is a declining trend in the asylum recognition rate⁸ which results in an increase of Iraqis subjected to returns from the EU, also due to the improving situation in Iraq and the defeat of Da'esh.

1.6 The regional challenge: Iraq's relations with its neighbours have an important part to play in the country's stability and its political and economic reform programme. Iraq has always been on the fault line of the sectarian differences in the region, and it is in its fundamental interests that these are not exacerbated. The post-Da'esh order offers Iraq **new opportunities for a rebalanced engagement with all its neighbours** and reintegration into the regional economy, building on the positive steps taken by the Iraqi government thus far to reach out to all of Iraq's neighbours. This could play a critical role in reducing and defusing regional tensions, in the general interest of Iraq and the whole region, including in the context of the Syria crisis.

⁵ <https://www.consilium.europa.eu/en/policies/migratory-pressures/countries-origin-transit/eu-turkey-statement/#>

⁶ 17.065 returns in 2016, i.e. 50% return rate, 4.950 returns in 2015, i.e. 16% return rate - Eurostat data.

⁷ 11.723 in 2016, compared to 3.237 in 2015 – IOM data.

⁸ 84% in 2015, 62% in 2016, 53% in 2nd quarter 2017 – Eurostat data

2. EU strategic objectives in Iraq

In order to help Iraq overcome its internal challenges, the EU has identified a number of strategic objectives which will guide its support to Iraq over the next 5 years. Given the multitude of challenges, the EU should work towards all the objectives concurrently. EU strategic objectives should include:

- Preserve the **unity, sovereignty and territorial integrity** of Iraq.
- Strengthen the Iraqi political system by supporting Iraqi efforts to establish a **balanced, accountable and democratic system of government** which respects the rule of law and human rights. Improvements in the civilian security sector, especially law enforcement, and efficient and accountable central and local administration are an essential part of this.
- Support the Iraqi authorities developing and implementing a comprehensive and strategic response to the priority needs in the country post-Da'esh. This should include the provision of humanitarian aid, support for early recovery, stabilisation, development and reconstruction. This support should be delivered as seamlessly as possible in order to prevent a return to violence.
- Promote **sustainable, knowledge-based and inclusive economic growth** in Iraq which can generate jobs and an economic perspective for the growing young population in line with the Sustainable Development Goals.
- Support state and societal resilience in Iraq through national policies to promote, *inter alia*, Iraq's ethnic and religious diversity, the strengthening of its **national identity and reconciliation** amongst its diverse communities, based on equal citizenship, and the development of a vibrant civil society.
- Promote an **effective and independent justice system** and its efficient enforcement in order to improve overall accountability, including to deliver justice for Da'esh's crimes.
- Establish a **migration dialogue** with Iraq in order to address the main root causes of irregular migration, to assist the Iraqi authorities in managing the migration flows effectively, in particular enhancing cooperation in priority areas such as the readmission of irregular Iraqis from the EU (including agreeing on procedures facilitating the identification and returns of returnees), the assistance in border management, the facilitation of the contacts with the Iraqi diaspora in the EU, the organisation of information campaigns on risks of irregular migration as well as the fight against migrant smuggling and trafficking in human beings.
- Support **Iraq's good relations with all its neighbours** and promote its role as a contributor to regional peace.
- Pursue a **strong EU-Iraq partnership** overall.

The EU should pursue these objectives through a joined-up approach to its policies and with its Member States, in particular in the fields of common security and defence policy, economic development, investment and good governance, trade, humanitarian assistance and migration, whilst seeking full coherence with the on-going efforts of the Global Coalition against Da'esh, the United Nations (UN), North Atlantic Treaty Organisation (NATO), the World Bank (WB), International Monetary Fund (IMF) and other partners.

3. EU support so far

Since 2003 the EU has been supporting Iraq's transformation into an inclusive democratic state rooted in the rule of law and respect for human rights. Furthermore, in 2012 the EU and Iraq agreed on a long-term partnership in the form of the EU-Iraq Partnership and Cooperation Agreement (PCA) which has been provisionally applied and will enter into force shortly⁹. In the past three years the EU has been a staunch supporter of the Iraqi Government in its fight against Da'esh and in its efforts to carry out urgently needed progress on reforms and reconciliation as was already reflected in the 2015 EU Regional Strategy for Syria and Iraq, as well as the Da'esh threat¹⁰. In the period 2014 – 2017 EU support alone totalled more than EUR 650 million. In allocating these funds the EU has always taken a 'whole of Iraq' approach, which has included:

- significant humanitarian aid and resilience support on the basis of needs and vulnerability for all conflict affected populations, including in situations of displacement and where people have been able to return to retaken areas; the EU has led humanitarian advocacy efforts aimed at the protection of civilians during and after the conduct of hostilities, ensuring respect of International Humanitarian Law and has supported principled humanitarian assistance and protection;
- support for stabilisation in the liberated areas and for capacity building in the security sector - the EU has acted as the coordinator and a key contributor to Explosive Hazard Mitigation (EHM);
- advisory services for national and local reconciliation efforts within an improved human rights framework;
- support for improved local and national governance.
- support for inclusive, equitable and quality education.

This has been coupled with the EU's diplomatic efforts to maximise international support for Iraq in its fight to eliminate Da'esh.

⁹ Council Decision (EU) 2012/418/EU of 21 December 2011 on the signing, on behalf of the European Union, and provisional application of certain provisions of the Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Iraq, of the other part (OJ L204, 31.7.2012, p.18), and text of the Agreement (p.20). Pending its entry into force, the Agreement is provisionally applied in accordance with Article 3 of the Decisions.

¹⁰ https://eeas.europa.eu/sites/eeas/files/20150206_join_en.pdf

4. EU policy measures that support the strategic objectives

In order to achieve its strategic objectives, the EU should provide support to Iraq in the following areas:

4.1 Continued delivery of humanitarian aid and resilience support to Iraqi citizens in protracted displacement

Iraq is not a poor country, but years of conflict and the effort to uproot Da'esh have taken their toll on the country. As a result Iraq has many poor, even destitute, people. The humanitarian consequences of the conflict, in their full scale and depth, are only now becoming fully visible. Local and national response capabilities have been strained to breaking point and require the sustained engagement of international actors, with the EU aspiring to play a leading role in the humanitarian and early recovery response. The EU's objective should therefore be to help plug the gap and **to enable the Iraqi state to meet the needs of its people better.**

The EU's humanitarian assistance in Iraq should continue to provide aid and protection for all Iraqis affected by the conflict and will strengthen advocacy for their protection in accordance with Iraqi national law, International Humanitarian Law and the Guiding Principles on Internal Displacement.

Additional EU support should be provided to help ensure that the acute and longer term suffering of conflict-affected populations is addressed. In this regard, providing direct aid services will be crucial for survivors of physical injury and trauma, conflict-related gender and sexual based violence, for families having lost relatives in the fighting, as well as for detainees and their relatives. The EU's humanitarian and longer term resilience assistance will also continue to support the Iraqi authorities in catering for families and individuals who have been prevented from returning to their areas of origin and have been subject to secondary or protracted displacement as a result of inter-community conflict. The provision of basic life-sustaining services and advocacy for their access to durable solutions for their forced displacement situation will be essential. In order to help Iraq overcome its emergency assistance needs as quickly and effectively as possible, the EU should seek the best possible use of and interaction between its various instruments.

4.2 Facilitate the stabilisation of liberated territories and early recovery in order to support the return of displaced persons in a safe, voluntary and dignified manner

A core objective for the EU in the first 18 months following the territorial defeat of Da'esh should be to support the Iraqi Government's efforts to **stabilise the liberated areas and to facilitate the safe, informed, voluntary and dignified return of displaced citizens** to their rightful homes as soon as possible, including minority groups. This is essential to counter the disillusionment and hopelessness - fertile ground for extremism and violence - that protracted displacement could lead to. Stabilisation and returns are also a crucial factor for longer term stability and the preservation of the diversity of the country, and act as a disincentive to

irregular migration and the resulting brain drain with its negative impact on long-term prospects for Iraqi growth.

The EU's stabilisation support efforts should continue to provide strong support to Explosive Hazard Mitigation (EHM) efforts (removal of booby traps and explosives that have already killed returning civilians) which in view of the widespread contamination, is an essential precursor to a number of other stabilisation activities. The EU, will continue to coordinate the Subgroup on EHM within the stabilisation working group of the Global Coalition against Da'esh implementing the new "blended" approach which draws comprehensively on all national and international EHM resources and capabilities available in Iraq.

Furthermore, under the aegis of the Iraqi Government, and with the support of the Global Coalition to defeat Da'esh and the UN and other appropriate channels, the EU should deliver financial assistance in the areas below, and should insist on the full involvement of women and young people in the following actions:

- a) restoration of key public services (e.g. electricity, water and sanitation, healthcare, including measures to clean up polluted sites) and essential, light infrastructure;
- b) support to livelihoods as a source of income to returning households and to jumpstart the economy;
- c) capacity building of local administration, the establishment of effective governance and community engagement;
- d) community reconciliation: it is essential that stabilisation support is inclusive of particularly vulnerable persons. More effective and accountable assistance through the overhaul of current social protection systems will therefore be essential.

4.3 Restructuring and supporting the civilian security sector, including in the fight against terrorism

A thorough reform of Iraq's civilian and military security sectors will be critical for long term stability. The EU will concentrate its support in this area on the civilian security sector, drawing on the capacities of several Member States. In order to regain Iraqi citizens' confidence the Government will need to prove its ability to deliver security and rule of law through trustworthy, regular civilian security forces that respect human rights, are in tune with citizen's needs and constitute the sole providers of security.

In this regard, and to respond to the request by Iraqi authorities for support with security sector reform, the EU deployed in November 2017 to Iraq a **European Union Advisory Mission in support of civilian Security Sector Reform (EUAM Iraq)**¹¹ to help the Iraqi authorities strengthen state institutions and governance in line with Iraq's National Security Strategy. This EU Common Security and Defence Policy (CSDP) Mission will enable the EU to provide strategic policy advice to the Office of the National Security Advisor and Ministry of Interior and assess the possibility of future broader EU engagement. Strategic advice

¹¹ Council Decision (CFSP) 2017/1869 of 16 October 2017

should be provided on overall security policy, combating terrorism and organised crime, countering violent extremism, and institutional reform. It will also promote closer coordination between the international community and relevant Iraqi authorities on the implementation of a comprehensive Iraqi Security Sector Reform. Thus the Mission will work closely with the Iraqi authorities, the EU institutions and Member States, as well as with other partners, including the UN (the UN Development Programme – UNDP - and the UN Assistance Mission for Iraq - UNAMI - amongst others), the Global Coalition against Da'esh and NATO, so as to establish clear boundaries between military and civilian sector support. Addressing the needs of former combatants will have to be an integral part of the reform as it is a key issue in stabilising the country. This can be achieved by offering them education and employment opportunities and reintegrating them in a peaceful society.

The EU should also continue to deliver sustained support to the broad counterterrorism efforts of the Global Coalition against Da'esh, as well as of the UN, that have a direct impact on Iraq's struggle with violent extremism. It should seek to boost Iraq's capacities in dealing with terrorist threats, through a dialogue on counterterrorism issues and measures to counter violent extremism that may lead to further technical support and advice. Iraq being on the lists both of the EU and of the Financial Action Task Force (FATF) of high-risk third countries with strategic deficiencies in anti-money laundering/countering terrorist financing, it should also address this issue as a priority matter, in close cooperation with the EU.

4.4. Political reform, improved governance, human rights and reconciliation

The core aim of the EU's policies in Iraq is to support the Iraqi Government in carrying out political reform that leads to greater **political inclusiveness and a sustained process of reconciliation**.

Progress on reforms, in line with the Iraqi Government's 2014 and 2015 reform programmes is essential. These should focus on improving democratic political governance, inclusiveness, respect for human rights, equal citizenship, fair resource distribution and the fight against corruption, and are critical to any attempt to stabilise the country, promote peace and generate prosperity for all Iraqis. The pace of reforms so far has been slow. However, there are encouraging signs that a new momentum of support for reforms amongst the Iraqi public and civil society has been building as reflected in public demonstrations and online campaigns that took place, even as the country was grappling with Da'esh. Strengthened by the victory over Da'esh and the preservation of the country's territorial integrity, the Iraqi Government should seize this opportunity to reinvigorate its efforts and to work towards post-conflict reconciliation.

The EU should continue to deliver support to reconciliation initiatives, if appropriate, in coordination with UNAMI. A core aim for the EU in this regard should be to support mediation and dialogue that target not just national, but also the local and regional levels. Provided that the Federal Government's reform and reconciliation efforts show satisfactory progress, the EU should be willing to invest in targeted good governance support for Iraqi state institutions that are representative, inclusive and reflect the common Iraqi identity and avoid the pursuit of narrow sectarian interests. Such institutional support would serve as a

critical adjunct to the Government's reform and reconciliation efforts which are aimed at the same goals and render them more sustainable. The EU also stands ready to provide support to political reforms, to the electoral process conducted in line with international standards and commitments, as well as to the necessary accompanying measures to **support civil society** organisations. Full participation of civil society actors is essential for the success of the reform process. Particular attention should also be paid to the **proper representation of women, youth and persons belonging to minorities** through adequate platforms for their inclusion.

The challenge of stabilising and restoring civilian-led security and governance in the liberated areas has brought to the surface questions about the future relationship between the federal authorities and the governorates, especially with regard to the control of security forces, resources and the establishment of representative and effective local governance. The EU stands ready to support any decentralisation/deconcentration measures that Iraq may wish to undertake within the federal constitutional framework, provided they are part of the broader reform drive. It is also ready to provide capacity building for civilian governance to local authorities in dealing with the stabilisation challenge. This support would be based on a plan to be drawn up by the Iraqi Government.

4.5 Resolution of disputes between the Federal Government and Kurdistan Regional Government through a constructive dialogue

The success of the Mosul military campaign was in no small part due to the good cooperation and unity of purpose between the Federal Government and the Kurdistan Regional Government. These good relations have been challenged by the Kurdistan Region's unilateral decision to hold a referendum on independence. The EU should remain fully committed to Iraq's unity and should encourage the parties to rekindle this spirit of cooperation in order to strengthen Iraq's federal order and to address the longstanding points of disagreement that have hampered relations. This should include a resolution of the disputes over oil and revenue sharing and the settlement of the disputed boundary areas (DIBs) through a constructive dialogue process between the Federal Government and the Kurdistan Regional Government that is based on the Iraqi constitution and the respective responsibilities and prerogatives of the parties. The EU believes that **a sustained dialogue on all outstanding issues** is essential in order to find solutions that meet constitutional requirements and shape a stable relationship that satisfies both parties.

4.6 Economic and financial reforms and trade

The EU supports the economic reform intentions of the Iraqi Government, in particular its aim of reducing subsidy and capital expenditure whilst keeping up social protection expenditure and improving budgetary transparency and monetary stability. The ongoing IMF Stand-By Arrangement is crucial to help Iraq regain macroeconomic stability (maintaining the currency peg, reducing the fiscal deficit, controlling debt levels, paying arrears to international oil companies, restructuring state owned banks etc.).

Resolute reform implementation by the Government is needed since so far the necessary fiscal reforms and reduction of the fiscal deficit to a sustainable level have not occurred. A more credible commitment by the Iraqi Government to fiscal and governance reforms, in coordination with the International Financial Institutions is crucial for a successful continuation of international support, including the IMF programme. The more efficient use of the substantial oil and gas revenues and the mobilisation of non-oil revenues will be needed for fiscal sustainability, for the economic development that will create jobs for the country's young population, which is one of the best defences against the appeal of terrorist ideology, as well as for reconstruction purposes. Structural reforms are critical to improve Iraq's business environment and for restoring service provision of utilities, in particular in the electricity sector. The ongoing reforms supported by the World Bank, with EU support, in particular in the sector of good governance, modernisation of public financial management systems, reform of state owned enterprises, and reform in the energy sector are of strategic importance if Iraq is to reap the benefits of its extractive industries and untapped renewable energy sources for the good of the entire population.

The EU should offer its expertise to support these economic reforms in Iraq, drawing on the several tools that are available to it, including the EU-Iraq Partnership and Cooperation Agreement. In a first stage, the focus will be on improving public financial management, in close cooperation with the International Monetary Fund and the World Bank.

The EU sees closer trade ties with Iraq as an important part of the reconstruction and development of Iraq. There is substantial potential for bilateral trade between the two economies. Investment from the EU would have a highly beneficial effect on Iraq's development. The EU should continue to support the accession of Iraq to the World Trade Organization (WTO) and encourage Iraq to apply for the World Bank's assistance (Trade Facilitation Support Programme) in order to facilitate Iraq's integration into the global economy.

4.7 Support for an effective and independent justice system and transitional justice

The EU should support the Government in developing an independent and efficient justice system which adheres to democratic values, principles of good governance, the rule of law and international human rights norms and standards. It is crucial to overhaul the penitentiary system and the legal conditions for detention, in particular for individuals detained for screening purposes, in line with national and international laws and standards that ensure humane conditions of detention. Failure to address this problem would jeopardise stabilisation and reconciliation efforts.

Da'esh's egregious crimes have caused immense suffering for the victims and their families. It is essential that the reconciliation efforts include a process which leads to the prosecution of those responsible for all such crimes, delivers justice and redress for the victims, and is integrated into a **broader process of transitional justice**, ensuring accountability for all human rights violations and abuses committed in the context of the conflict. The EU should also seek to support international efforts to prevent the trafficking in cultural goods and to restore and preserve Iraq's cultural heritage.

The Iraqi Government has agreed under UN Security Council resolution 2379(2017) to hold Da'esh accountable for its actions in Iraq. A UN team will be deployed to Iraq to collect, preserve, and store evidence of acts that may amount to war crimes, crimes against humanity and genocide committed by the terrorist group in Iraq, operating in full respect of Iraq's sovereignty and jurisdiction over crimes committed in its territory. The EU stands ready to support the Iraqi Government's efforts in this regard, and has already taken steps to foster cooperation based on Iraq's and the EU's mutual interests in this domain. Considering that a proportion of foreign fighters who joined Da'esh are from EU Member States, the investigation and prosecution of their crimes in independent criminal proceedings adhering to principles of due process that are consistent with international law, is also an urgent priority for the EU. The EU's aims in this regard are closely aligned with the aims of the Paris Action Plan¹² and the Madrid Priorities for Action¹³ on accountability for Da'esh's crimes.

4.8 Support for inclusive, equitable and quality education

The recent crisis has significantly disrupted the education system in Iraq and it is estimated that 3.5 million children are out of school. There is an urgent need to train teachers, increase the number of school buildings and tackle the obstacles children face in accessing education in order to **avoid the emergence of a 'lost generation'**. The EU should increase its support for primary and secondary education, focusing on education reform, the reestablishment of national curricula in liberated areas, and access for displaced children and those living in rural areas. It should also continue its support for higher education opportunities for all and particularly displaced persons and refugees. An important priority for the EU in implementing these measures should be to maximise the access to education at all levels for girls, including those that have so far been excluded.

Considering the full potential of education as a catalyst for development, the EU should support Iraq in reforming policy and governance in this sector, creating the enabling conditions for learning, building the capacities of educators and trainers, as well as empowering youth with local-led initiatives. This should go hand in hand with a sustainable child protection system as part of the improved governance of the country. Efforts to strengthen and support the Iraqi academic institutions, particularly the universities and research centres – once among the best in the region – are also essential.

4.9 Managing migration

Talks on migration with Iraq have been conducted for several years in the framework of the Budapest regional process. The June 2017 EU Foreign Affairs Council reaffirmed that the EU remains firmly committed to supporting Iraq in its recovery, notably through the implementation of the EU-Iraq Partnership and Cooperation Agreement, including cooperation on migration in all its aspects, and called on Iraq to cooperate further in the facilitation of return of Iraqis to their own country.

¹² <https://www.diplomatie.gouv.fr/en/country-files/north-africa-and-middle-east/events/article/the-paris-action-plan-09-08-2015>

¹³ http://www.exteriores.gob.es/Portal/es/SalaDePrensa/ElMinisterioInforma/Documents/20170524_MADRID%20PRIORITIES%20FINAL.pdf

Building on the technical visit of the EU representatives in Iraq in December 2017, the EU aims to develop a **tailor-made approach to managing migration** for the benefit of both the EU and Iraq. Cooperation will be based on a specific needs assessment conducted in mutual consultation between the parties. It will focus on priority areas such as enhanced cooperation in the readmission of irregular Iraqi migrants from the EU in full respect of fundamental rights and international standards, providing assistance in enhancing the nexus between migration and development, organising information campaigns on the risks of irregular migration, and fighting migrant smuggling and trafficking in human beings. The parties agreed to readmit their respective illegal migrants, including those who choose to return voluntarily.

5. Implementation and international engagement

In implementing the policies and measures set out in this strategy, **the EU should work closely with the Iraqi Government** to identify precise needs and establish priorities. Close coordination and shared labour with the Member States, UN, the Global Coalition against Da'esh, the International Monetary Fund, the World Bank, as well as other regional and international partners will be essential for a successful implementation of the proposed measures. Full use of the mechanisms established under the EU-Iraq Partnership and Cooperation Agreement, will allow the EU to monitor progress and gradually deepen its ties with Iraq. The EU will make sure that wherever possible women and young people, as well as Iraqi civil society, are involved in the implementation of this strategy, the policy measures and processes described therein.

Financial means under the availabilities in the EU budget to implement the proposed measures have been programmed within development cooperation. Funding may also be available from humanitarian aid and other external financing instruments within EU's current seven year financial planning cycle which ends in 2020.

The EU – together with contributing Member States – will explore opportunities to extend the portfolio of the EU Regional Trust Fund ('Madad Fund') in Iraq covering the ground between humanitarian and longer term development assistance.

The EU will also continue to encourage and fund the participation of Iraqi private and public entities in the EU research and innovation programme Horizon 2020.

A crucial factor for the speed and success in the implementation of this strategy is the situation in Iraq itself and the willingness and ability of the Iraqi Government and people to carry out the necessary reforms. Actual developments on the ground, in particular the security situation, political stability, the implementation of reforms, as well as progress with national reconciliation, may require the EU to modulate the policies and instruments that it deploys in Iraq. **The level of support the EU delivers to Iraq should be linked to the country's commitment to reform, its respect for democratic principles, inclusiveness, the non-use**

of violence and the prioritisation of civilian state institutions in security and political governance.

The approach taken by Iraq's neighbours will be a crucial determining factor in the stabilisation of the country, in the success of the national reconciliation process and in reconstruction efforts. The EU should therefore discuss this issue with partners in the region, to reinforce the message that a constructive and supporting role by Iraq's neighbours towards the Iraqi people and Government would lead to benefits not just for Iraq itself, but for the stability of the whole region.

In order to help consolidate regional and international engagement in support of Iraq, the EU intends to co-chair with the Iraqi Government, Kuwait, the United Nations, the World Bank and other partners a **Conference on Iraq's Reconstruction and Development** in February 2018. The conference will be hosted by Kuwait and will involve all key donors as well as countries in Iraq's neighbourhood.

The EU foresees a review of this strategy after two years, to assess the impact of the actions outlined therein and to make adjustments as appropriate. This should include an assessment of the perception of the EU's policies amongst its primary stakeholders in Iraq, in order to ensure the necessary, continued buy-in of the local population and of the Iraqi Government to the EU's engagement.