

USAID/Iraq Economic Growth Projects

[From the 2005 USAID Annual Report]

Improve Economic Policy and the Business Environment

USAID/Iraq has made significant progress improving Iraqi laws, regulations, and the legal framework to enable a market-based economy. The Economic Governance II (Econ Gov II) Project has drafted and amended various laws and regulations for Government adoption, including the Commercial Agency Law, Competition and Consumer Protection Law, and Civil Society/Non-Profit Organization Law. A notable success was the new insurance law that was adopted by the Government of Iraq, bringing the Iraq Insurance Regulatory Commission into compliance with international best practices. USAID drafted legal assessments on the impediments of real estate and housing in Iraq, including key legal elements to be considered for the future of real estate finance development in Iraq. Comprehensive legal assessments and recommendations have also been provided on the areas of contracts and sales, bankruptcy, insolvency, collateral lending and secured transactions, competition and consumer protection, foreign direct investment, international trade, intellectual property, and labor and employment. To complement the promotion of legal and regulatory reforms, the Economic Governance II Project conducted 163 related training sessions in various ministries, of which Iraqi women represented 53% of participants. USAID began modernizing the Official Gazette, Iraq's announcement system for new laws, which will increase transparency by providing Iraqi citizens and international stakeholders with public and timely access to existing and newly enacted legislation.

USAID is playing an integral role in developing the capacity of ten key ministries to strengthen their ability to deliver public services. To supplement the policy and technical needs of the Ministry of Planning, USAID assisted with the establishment of Iraq's National Development Strategy, the setup of a donor coordination unit, and development of national statistics. USAID funded advisors to work with the Minister of Finance (MOF) to manage the national budget, to address IMF requirements in the Emergency Post-conflict Agreement (EPCA) and Stand-by Arrangement (SBA), and to prepare for negotiations with foreign creditors. Further, the Econ Gov II Project worked closely with the U.S. Treasury to assess the financial status of Iraq's public financial sector, and was key to helping the

GOI work through banking sector reform options. Other policy assistance was given to the Ministry of Industry and Minerals (MIM), resulting in the development of a framework to commercialize state-owned enterprises. In the Ministry of Labor and Social Affairs (MOLSA), a long-term social safety net project has been established and funded. The Ministry of Electricity has implemented new institutional reforms and commercialized operations.

USAID/Iraq is collaborating with the Government of Iraq to increase government-wide transparency and accountability. USAID's Economic Governance II Project is implementing the Iraqi Financial Management Information System (FMIS), and progress during 2005 gives the MOF a budget execution system covering over 85% of the government's budget, significantly enhancing the MOF ability to control finances in line with the Financial Management Law and international standards. At the request of the Deputy Governor of the CBI, USAID has developed and is delivering anti-money laundering training and supervision training to CBI staff. USAID also has significantly improved the effectiveness of customs control mechanisms at customs posts to reduce non-compliance and eliminate outdated processes and corrupt practices.

USAID/Iraq has made significant strides in helping the GOI to increase trade and investment opportunities in Iraq. The *Izdihar* project provided significant assistance to the GOI with its accession to the World Trade Organization (WTO) by drafting and ensuring timely submission of the Memorandum on the Foreign Trade Regime. In support of this effort, Iraqi trade-related legislation has been analyzed, drafted, and amended, and training was provided to Iraqi government officials on trade-related issues including tariffs and customs, intellectual property, and trade in services. To develop Iraq's trade and investment linkages, USAID helped establish the Iraqi Trade Information Center (TIC), in which eight of the original seventeen staff and managers are women, and the Investment Promotion Agency (IPA), which is managed and staffed by a team of eight women. The TIC and IPA will serve as intermediaries for Iraqi and international businesses seeking cross border trade and investment opportunities. To improve customs administration, the Econ Gov II project has strengthened the General Commission for Customs (GCC) and the General Commission for Taxes (GCT) by developing comprehensive modernization plans for reform and policy recommendations that will bring the GCC in line with international best practices and requirements for WTO accession.

USAID/Iraq has aggressively promoted monetary policy to stabilize the Iraqi economy. The Econ Gov II Project has focused its monetary policy assistance on the stability of the Iraqi dinar, the development of tools for the execution of monetary policy, banking supervision for the oversight of financial intermediation, the development of monetary and financial statistics, and supporting the Foreign Exchange auction. Success in these efforts is demonstrated by the stability of the Iraqi dinar for more than eighteen months. The Central Bank of Iraq (CBI) has now developed and implemented a second monetary policy tool - overnight and term deposits for dinar and dollars. Advice and assistance has also been provided to the CBI Research and Statistics Department to develop Iraq's first Monetary Survey, which meets a key structural benchmark requirement in Iraq's agreements with the IMF. To improve the development of statistical resources, USAID helped the Central Organization for Statistics and Information Technology migrate from the 1968 System of National Accounts to the 1993 System of National Accounts. To improve the Iraqi business environment USAID implemented a new and unified automated Business Registry in the Ministry of Trade, which is connected to the General Commission for Taxes in order to register companies simultaneously, as a 'one stop shop'. USAID also completed Investor Roadmap to advise the Government of Iraq on impediments to foreign direct investment as a basis for continued structural reforms.

USAID is promoting reforms in the telecommunications and electrical sectors, and laying the groundwork for an e-government initiative in Iraq. USAID has assisted in the development of rules, procedures, and transparent measures to prepare the National Communications and Media Commission (NCMC) to stand as an independent entity. Through the Econ Gov II project, USAID has been developing NCMC's capability to conduct fair and transparent licensing tenders and instituting other measures that allow foreign telecommunications companies to openly compete for investment in the Iraqi telecommunications sector. Through the same project USAID has built the Ministry of Electricity's capacity to improve operating efficiency, enhance revenue collection capability, and develop a firm foundation for attracting private capital for much needed infrastructure investment. The GOI has adopted in principle a structure that USAID developed to bring together Chief Information Officers (CIO) from each ministry in a Council of CIOs that would be chaired by the National CIO and report to the Office of the Prime Minister. A government-wide Enterprise Architecture and

Information and Communication Technology (ICT) strategy have been developed to standardize the deployment of information systems and policies and allow the Iraqi government in all agencies and workplaces to use compatible technologies for a wide range of governmental services.

The Ministry of Labor and Social Affairs (MOLSA) has adopted a USAID-developed social safety net project, demonstrated by the allocation of \$330 million to address the needs of 850,000 families (25% of the families in Iraq), up from 157,000 families. The social safety net will enable the GOI to begin reducing subsidies for fuels and electricity, phase out the PDS, and pursue privatization reforms.

To prepare Iraqis for employment opportunities in the public and private sector, USAID strengthened vocational training and job placement services provided by the Ministry of Labor and Social Affairs. Over 12,000 Iraqis received training, 34% of which were women, and 7,000 persons obtained short-term employment as a result of USAID's assistance. In Baghdad, four training centers were rehabilitated, including structures, equipment, furnishings, and curriculum, enabling MOLSA to provide training to an additional 2,500 students per month. MOLSA has agreed to fully fund and manage the rehabilitated centers.

Improve Private Sector Competitiveness

Developing the skills and competitiveness of the private sector is a critical to creating a market-based economy. USAID has delivered business skills training to over 1,100 Iraqi small business representatives, including 545 women, and provided grants to more than 350 businesses, resulting in increased employment and greater productivity.

USAID/Iraq is developing the capacity of professional and business associations. Through the Private Sector Development and Employment Generation (*Izdihar*) Project, substantial one-on-one technical assistance has been provided to ten associations, including two women's associations, focusing on business plan development, skills training, adoption of model by-laws and codes of ethics, and developing advocacy strategies. Through development of targeted associations, emphasis is placed on business skills development, advocating for privatization of state-owned enterprises, broadening access to capital from private financial institutions, and promoting international trade-related issues.

Increased access to capital is occurring through USAID's work across the financial sector. USAID/Iraq is working to modernize the publicly-traded debt and equities markets by improving the structures, rules, procedures, and operations of the Iraqi Stock Commission, the Iraqi Stock Exchange, the Iraq Central Securities Depository, and the Iraqi Association of Securities Dealers. New lending capacity is being introduced by direct involvement with private banks, illustrated by four private banks formalizing their commitment to begin cash-flow based lending to small- and medium-sized enterprises (SMEs). USAID also supported four new microfinance institutions and began engaging private banks to provide credit for the agricultural sector. To ensure accounting standards and reporting requirements consistent with international standards, USAID initiated training of International Accounting Standards (IAS) throughout the country, assisted the Iraqi Union of Accountants and Auditors with the formation of the Continuing Professional Education Working Group and the Standards Setting Working Group, and is assisting with the revitalization of the Iraqi Certified Public Accounting Exam. Over 760 participants have received IAS training, including 136 women.

Increase Agricultural Sector Productivity

USAID is providing broad assistance to the agriculture sector to increase productivity and land utilization, and to rehabilitate Iraq's second largest contributor to GDP. Wheat production on demonstration plots has increased by 40% from the previous year owing to the introduction of improved seed and modern production techniques. USAID sponsored the distribution of 169 seed cleaners, which directly benefited 32,800 farm families in all of Iraq's 18 governorates, and they are expected to increase targeted farm yields by 30% in the next year. More than 470 crop demonstrations introduced new technologies, which will increase yields of tomatoes, olives, dates, wheat, barley, rice, and maize to over 26,000 farmers, MOA and university staff and students. Working with the Ministries of Agriculture and Water Resources, USAID is implementing agro-ecological zone mapping technology to produce crop suitability maps to enable efficient agricultural production planning to maximize returns from all production inputs and result in production cost savings. Vision and policy direction have been developed in the MOA, illustrated by the adoption of a five year integrated pest management plan for priority crops of wheat, date palm, vegetables, and orchards, and a separate five year plan to expand the MOA's extension projects.

USAID is introducing new technologies and developing the capacity of government officials responsible for natural resource management. Through the Agriculture Reconstruction and Development program for Iraq (ARDI), USAID assisted with the development of Iraq's Strategy for Water and Land Resources, enabling the GOI to coordinate water use and planning, giving it a strong position when negotiating international water treaties. USAID is also assisting with the restoration of the Iraqi marshlands by developing a restoration strategy for the GOI, and imbedding teams in the marshlands to monitor and report on the bio-diversity recovery of plants and animals in the marshes. To improve the efficiency of water distribution and use, USAID has rehabilitated irrigation infrastructure, serving 130,000 ha of farm land and 445,000 rural Iraqis.

USAID is providing direct assistance to Iraqis to combat the spread of infectious diseases from animals to humans. Working with the Ministry of Agriculture, one million head of sheep have been vaccinated against brucellosis to improve animal health and prevent the spread of the disease to humans. Modern practices in animal breeding and handling techniques have been introduced to 240 villages, encompassing 4,800 Iraqi women, to further reduce the risk of spreading diseases from animals to human populations.