

<b>USAID Mission:</b>	Iraq
<b>Program Title:</b>	Expand Economic Opportunity
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	267-003
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$365,236,000 IRRF
<b>Prior Year Unobligated:</b>	\$10,490,000 IRRF
<b>Proposed FY 2006 Obligation:</b>	\$230,000,000 ESF
<b>Year of Initial Obligation:</b>	2003
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID is engaged with the Iraqi government to develop and implement international best practice solutions to improve economic governance and create a policy-enabling environment for private sector-led growth. USAID's program in 2005 will provide assistance in economic governance, private sector development, agriculture, vocational training, and business skills development. All USAID programs in Iraq are designed to adapt to a complex and dynamic environment.

Planned FY 2005 obligations shown above include administrative expenses for this program.

**Inputs, Outputs, Activities:**

**FY 2005 Program:** Improve Economic Policy and Governance (\$100,000,000 IRRF; \$10,490,000 IRRF Prior Year Unobligated). In 2005, USAID's contractor BearingPoint and its principal subcontractor, Chemonics are continuing to support reforms in tax, fiscal, legal, institutional, and regulatory frameworks. USAID partners are also continuing work with the Ministry of Finance to further enable policy makers to formulate and implement policy decisions based on international best practices. Capacity building efforts at the Central Bank of Iraq (CBI) will expand the ability of the CBI to develop and monitor an effective monetary policy, strengthen its supervisory role, and modernize banking operations. At the same time, assistance will be provided to the electricity and communications ministries and other relevant government ministries to implement master plans. This assistance will strengthen budget and investment planning and provide training for and build capacity of participating ministries. USAID will also support the development of a reliable social safety net, ensuring assistance to displaced workers and the provision of sustainable pension benefits.

Increase Private Sector Growth (\$101,285,000 IRRF): This program will drive economic development and employment generation by supporting key private sector institutions and reforms. The Micro, Small, and Medium Enterprise (MSME) initiative will provide businesses with reliable access to credit and technical assistance. This program builds the foundation for privatization, in addition to developing the institutions and framework for domestic and foreign investment promotion. USAID will provide assistance in trade policy and market access to support Iraq's integration with the international economy, including a program that could see them admitted into the World Trade Organization in a few years. A capital markets component will establish international best practices for equity/bond regulation and trading, and will develop fair, efficient, liquid, and transparent systems for market regulation and trading. Prime implementer for this program is Louis Berger with The Services Group as the primary subcontractor.

Protect and Increase the Assets and Livelihood of the Poor During Periods of Stress (\$62,666,000 IRRF). Through its contractor Louis Berger, USAID will continue work begun with FY 2004 funds with the Ministry of Labor and Social Affairs (MOLSA) to provide vocational training and employment services by establishing Employment Service Centers (ESCs) and Vocational and Technical Training Centers (VTTTCs) throughout Iraq. USAID is helping to staff, operate, fund, monitor, and train the staff of ESCs throughout Iraq.

Through a consortium of non-governmental organizations (NGOs) known as Volunteers for Economic Growth Alliance, and with funds obligated in FY 2004, USAID will continue to provide training and technical assistance to entrepreneurs and businesses of all sizes through a dynamic "virtual business center" model. Virtual business training centers provide services to clients in a specific geographical area. Services include business incubation, business basics training, in-house mentoring and consulting, access to business and market information, access to a small grants program, access to public-use

computer terminals, and communications equipment.

Increase Agricultural Productivity (\$101,285,000 IRRF). Through its implementing contractor, Development Alternatives Inc., and principle subcontractors Texas A&M, Land of Lakes and SAGRIC, USAID's Agriculture Reconstruction and Development Program is working closely with the Ministry of Agriculture and assisting them with the rehabilitation of Iraq's most productive sector in terms of employment and GDP, after oil. By providing technical assistance, grants, and contracts, this program is helping to rebuild and reform the agriculture sector, jump start crop and animal production, improve soil and water resources management, and stimulate agribusiness development and marketing. This program contributes to economic development and reform by transitioning Iraq from public to private sector production of agricultural commodities, and by moving toward private sector provision of related goods and services. Revitalization of Iraqi agriculture through policy reforms and modern technology are key to enabling the Iraqi Government to modify agricultural subsidies and re-evaluate the Public Distribution System.

USAID's Integrated Marshlands Restoration Program (IMRP), through Development Alternatives Inc., supports restoration of the ecosystem through improved marsh management, and provides social and economic assistance to Marsh Arabs. IMRP operates at a national and a local level.

**FY 2006 Program:** FY 2006 funds will be used to continue and build upon the initiatives and programs begun in FY 2004 and FY 2005. Incremental funding will be provided as follows: Improve Economic Policy and Governance (\$90,000,000 ESF), Increase Private Sector Growth (\$90,000,000 ESF), and Increase Agricultural Productivity (\$50,000,000 ESF).

**Performance and Results:** Private Sector Development Achievements: (1) Provided business skills training, services, and grant opportunities to entrepreneurs and businesses of all sizes through a dynamic "virtual business center" model; (2) Assisted with the management of a \$35 million micro-credit program; (3) Provided technical assistance to the World Trade Organization (WTO) accession process for Iraq; and (4) provision of assistance to privatize certain State-owned assets.

Financial Sector Achievements: (1) Provided assistance to strengthen accounting, budgeting, and lending at Iraq's commercial banks; (2) Evaluated and updated commercial laws pertaining to private sector and foreign investment; (3) Recommended reforms for insurance regulations and trained Iraqi insurance staff; and (4) Improved statistical analysis, monetary policymaking, and bank supervision procedures at Iraq's Central Bank.

Fiscal Sector Achievements: (1) Continued implementation of a Financial Management Information System (FMIS), a nationwide budget execution system for all Iraqi ministries; (2) Furthered tax, fiscal, and customs reforms by enabling policy makers to formulate and implemented informed policy decisions that will further develop the fiscal infrastructure necessary for a market economy by reforming administrative procedures to improve efficiency, transparency, and revenue collection; and (3) Conduct a thorough Intergovernmental Fiscal Review with a view towards advising on appropriate revenue and expenditure assignments across all levels of government.

Special Project Achievements: (1) Introduced the new Iraqi Dinar in cooperation with the Central Bank of Iraq and the Ministry of Finance. The currency exchange began on October 15, 2003 and was completed on January 15, 2004. An estimated 6.36 trillion new Iraqi Dinars are now in Iraq and 4.62 trillion Iraqi Dinars are circulating - 106% of the original demand estimate of 4.36 trillion; (2) Developed an Electricity Master Plan and a Telecommunications Master Plan as a basis for reforms in these two sectors; (3) Provided technical assistance for the Oil for Food (OFF) transition to prepare Iraqi ministries to assume responsibility for OFF contracts; (4) Developed a government-wide information technology strategy to support the automation of planning, budgeting, and reporting processes across ministries.

## US Financing in Thousands of Dollars

Iraq

	ESF	IDA	IRRF
267-003 Expand Economic Opportunity			
<b>Through September 30, 2003</b>			
Obligations	1,000	3,000	39,000
Expenditures	0	0	0
Unliquidated	1,000	3,000	39,000
<b>Fiscal Year 2004</b>			
Obligations	0	5,000	126,863
Expenditures	1,000	8,000	83,213
<b>Through September 30, 2004</b>			
Obligations	1,000	8,000	165,863
Expenditures	1,000	8,000	83,213
Unliquidated	0	0	82,650
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	10,490
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	0	0	365,236
<b>Total Planned Fiscal Year 2005</b>			
Obligations	0	0	375,726
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	230,000	0	0
Future Obligations	0	0	0
Est. Total Cost	231,000	8,000	541,589