

Reforms Pave the Way for Growth

Iraqi GNP peaked the year Saddam Hussein came to power. By the time he invaded Kuwait, it had dropped by over 80%.

During Saddam's reign, Iraq's economy was shattered by war, corruption, and heavy centralization. Over the past year, U.S. assistance supported reforms that stimulate international trade and generate employment. Iraq is applying the economic reform lessons learned in the early 1990s from the former Soviet Union and Eastern Europe, including:

- Reactivating food production and markets;
- Involving the private sector early on;
- Linking economic development with democratic governance, and
- Ensuring transparency in government finance and procurements.

U.S. experts in economic management helped Iraqi ministries examine and reform laws, regulations, and institutions, and they provided a framework for private sector trade, commerce, and investment. These have strengthened the Central Bank and the key ministries of Finance, Trade, Commerce, and Industry. Technical support from the U.S. contractor BearingPoint has helped to start and expand small and medium enterprises. Aid also strengthened the regulatory framework and economic governance of telecommunications, power, and other utilities.

To date, the CPA has made more than 1,800 loans available, with amounts up to \$5,000 for micro-enterprises and \$25,000 for small businesses. USAID technical assistance helped ensure a repayment rate of nearly 100 percent. Fifteen percent of the clients are female.

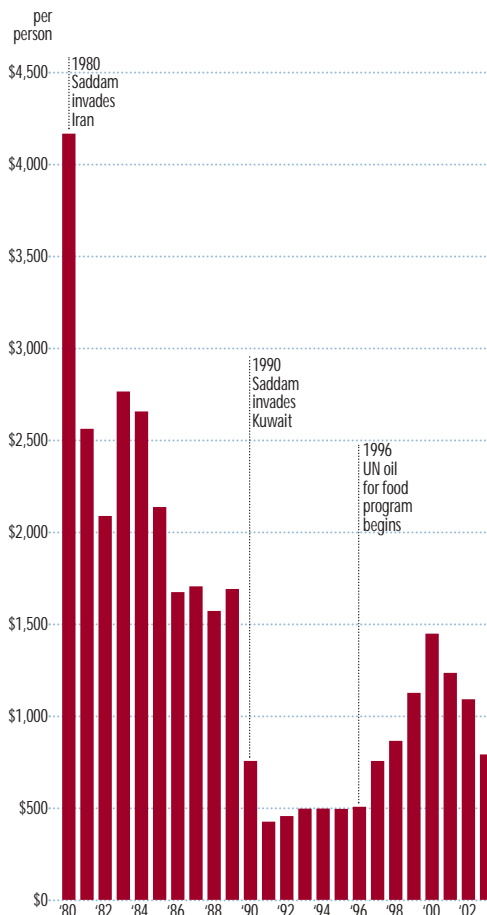
These economic reforms are generating jobs and can be expected to generate even more in the future, both in cities and on farms. As they take hold, they should attract

Results

- Launched new currency.
- Created more than 77,000 public works jobs for Iraqis.
- Helped set up a new system that allows 80 banks to send and receive payment instructions.
- Worked with Iraqi Treasury to finalize year-end financial statements of Iraq's two largest banks—the state-owned Rasheed and Rafidain, so that they met international accounting standards.
- Helped train staff to use a new accounting and financial reporting system. It will be used by all Iraqi treasury offices and ministries.
- Updated commercial laws for private sector and foreign investment; helped develop the new company law.
- Worked with the CPA and UK Customs Service to design the reconstruction levy which imposes a five percent tariff on Iraqi imports.

donor and private investment as well as providing the conditions for a revived private sector to flourish. Transformation of the Iraqi economy will be one of the lasting benefits of the post-war reconstruction.

Iraq Gross Domestic Product



Source: Economist Intelligence Unit



Iraq's old currency was replaced January 15. The exchange put 4.62 trillion new dinars into circulation and destroyed the old currency with Saddam Hus-

sein's photo on the bills. The new dinar appreciated from 2,000 per U.S. dollar to 1,300 during the course of the conversion.