

COMPONENT PROGRESS HIGHLIGHTS

Since September 2004, the USAID-funded *IZDIHAR* project has worked with the Government of Iraq and the country's private sector to promote a market-based economic growth and prosperity for all Iraqis.

Program Component	Progress Highlights
<p>SME Development / Bank Lending</p> <p><i>Objective:</i></p> <p>To develop and implement bank lending programs for small and medium sized enterprises to help provide sustainable employment opportunities for Iraqis and to help the country transition from a public sector, state-led economy to a private sector-led, demand driven economy.</p>	<ul style="list-style-type: none"> Assisted the capitalization and establishment of the Iraq Company for Bank Guarantees (ICBG), LLC, to facilitate new lending to the SME sector. Eleven Iraqi private banks established the company by subscribing \$3.7 million as equity stakeholders. Provided 14 training events reaching over 200 bank staff (48% female) responsible for SME loan portfolios at 21 private banks. To support the loan application assessment and review process at the private banks, credit officers and bank managers updated their knowledge of techniques such as managerial accounting, credit appraisal, financial analysis, capital adequacy and Basel II reporting requirements, cash flow reporting, loan documentation, security and collateral, and loan classification and reserves. Developing a bank staff training facility with professional education programs for credit managers and loan officer staff on progressive banking and lending methodologies. Providing technical assistance to strengthening a private bankers association.
<p>Sustainable Microfinance</p> <p><i>Objective:</i></p> <p>To help build a non-bank financial industry in Iraq that will provide loans to small businesses, women-owned firms, and individuals in order to enhance private sector economic growth and employment across Iraq.</p>	<ul style="list-style-type: none"> Awarded \$9,887,722 in grants to support three international microfinance organizations establishing or continuing to develop sustainable Iraqi micro-finance institutions. Operations throughout the country support lending to approximately 17,000 active clients with a total portfolio of approximately \$19,000,000. Established three indigenous microfinance organizations, in the north, west, and center of the country, by assisting Iraqi founders to register with the NGO office, awarding each a start-up grant for \$250,000 in loan capital, providing staff training and individualized technical assistance, and working with local U.S. military civilian affairs teams which support initial operational costs. Two of the MFIs became operational in August 2006, awarding 25 loans by the end of September; the third is officially registered and scheduled to commence lending in early November. Provided over 600 training slots for Iraqi MFI staff (21% female) at CGAP training events on a variety of topics (Pillars and Principles of Microfinance, Financial Analysis, Delinquency Management & Control, and Operational Risk Management). Initiated a CGAP Training of Trainers Certification program for Iraqi nationals, who will be the first certified Iraqi microfinance trainers in Iraq. Provided microfinance training for. Developed 8 microfinance training modules for in-country training. Initiated the first Iraqi National Stakeholders' Microfinance Summit in Iraq (to be held in November 2006).

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Program Component

Progress Highlights

Business Management Services – Accounting and Auditing

Objective:

To improve private sector development through the expansion of financial literacy throughout the country. Acceptance and application of International Accounting Standards Board (IASB) practices using modern technology and knowledge will help Iraqis to plan and monitor their businesses, seek capital effectively and so improve private sector growth and employment.

- Trained **35 trainers and 760 professional accountants on International Accounting Standards**, reaching all 18 governorates of Iraq in the first coordinated country-wide continuing professional education event in the history of Iraq.
- Facilitated the **introduction of the International Accounting Standards + Ethics course into the curriculum at 8 universities throughout the country, reaching 437 students (25% female) enrolled**. Provided procurement funds to two Universities to renovate their facilities.
- Trained **38 trainers** in preparation for rolling out a country-wide Auditing: Methods, Methodology and Standards continuing professional accounting course.
- **Strengthened the capacity of a national professional association**, through training of trainers, assistance developing materials, and provision of a modern IT-equipped training center. **The association has begun offering fee-based training at 4 branches in the center and south of the country**, contributing to its sustainability and on-going ability to continue upgrading the Iraqi accounting and auditing profession.
- Hosted the founding meeting of a working group to **renovate the Iraq Certified Public Accountant’s Exam**. Facilitated Iraqi representation at the Arab Union of Accountants and Auditors (AUAA) annual meeting in Tunisia, and **enabled Iraq to be selected to head the AUAA’s Board of Continuing Professional Education**.
- Publishing or revising standards, textbooks, and quarterly journals and other professional material together with various Iraqi project partners. Established and provided books to **45 learning resource centers** throughout the country. Over 8,000 modern texts in Arabic and English have been distributed, as well as 12,000 copies of IECB and IFAC documents. Developed an Arabic textbook including a CD with templates on “The Uses of Excel in Modern Iraq” (3,375 copies **to be** published). Pamphlets on 35 useful topics produced and distributed.

Business Management Services – Associations and Training

Objective:

To improve private sector conditions, business growth and employment by strengthening business associations to become sustainable educators of their members and advocates for needed economic reforms.

- Providing technical assistance to strengthen strategic business or professional associations, concentrating on the development of business plans, adaptation of model by-laws, adoption of codes of ethics (including distribution of 1,500 arabic copies), development of advocacy strategies and establishing relationships with counterparts in other countries.
- Facilitated participation of over 150 Iraq businesspeople at the 2006 Rebuild Iraq Conference and Expo in Amman, Jordan.
- Established IJMAA, an alliance of 18 business associations, to provide a unified voice for the private sector to more effectively advocate for pro-business policies.
- Facilitated the development of a business and NGO association in Al Anbar (Falluja and Ramadi).
- Organized seminars to support outreach to nearly 1,900 representatives of the private sector for IZDIHAR to share information on developments in trade, exports, investment, capital markets, and privatization.
- Collected over 3,100 company profiles to populate an Iraq Companies Database to serve as a resource for the Iraq Trade Information Center (ITIC).
- Awarded a grant to develop a Business Training Center at a Baghdad-based economic think-tank.

Program Component

Progress Highlights

Trade Policy and Market Access

Objective:

To support the creation and expansion of the Iraqi private sector by (1) enhancing the capacity of the GOI to effectively formulate and implement trade policy and international trade-related agreements (*trade policy*) and (2) support the creation and expansion of trade by removing legal, regulatory or institutional constraints to private-sector business and investment (*market access*).

- Assisted the Government of Iraq with the **submission of the Memorandum on the Foreign Trade Regime (MFTR)**, a key document for Iraq's accession to the World Trade Organization (WTO), to the WTO in Geneva, Switzerland, in September 2005.
- Assisted the Government of Iraq in **submitting, in September 2006, responses to questions and issues raised by WTO Members** in response to Iraq's Memorandum on Foreign Trade Regime.
- Assisting the GOI to **prepare for its first formal WTO Working Party Meeting**, which launches the negotiations process (date TBD).
- Conducted introductory awareness-raising events on WTO accession and follow-on specialist trade-related training for **more than 400 GOI officials** on topics related to tariffs and customs, regulatory reform, trade in services, intellectual property, trademark, technical barriers to trade, and WTO implications in relation to finance. Iraqi counterparts at the Ministries of Trade, Finance, Interior, Agriculture, Health, Culture and others have been trained. In particular, trained the WTO Committee of the Ministry of Agriculture through two extensive sessions (one in Amman and one with the WTO in Geneva), so that staff of this Iraqi ministry would be prepared to complete an extensive analysis of agricultural subsidies, and understand and be able to navigate WTO- and agriculture-related negotiations.
- Facilitated the **re-introduction of the GOI to international organizations**, including providing training for 25 Director Generals at the World Trade Organization in Geneva, and facilitating participation of the official Iraqi Delegation at the 36th Harmonized Committee Meeting of the World Customs Organization in Brussels.
- Assisted the GOI in **drafting and amending a wide variety of trade- and WTO-related legislation and documentation**, in particular a customs code, comprehensive intellectual property rights legislation, new HS-compliant tariff schedule, and technical barriers to trade legislation.
- **Held public events to support trade**, including: "Exporting Iraqi Dates to Foreign Markets", "Trade and Entrepreneurship for Women", and "Regulatory Reform", among others. Conducted introductory and awareness-raising events on WTO accession and other trade-related issues for the Government of Iraq and for the private sector, **attended by over 700 private sector participants**.
- Assisted in the establishment of the **Iraq Trade Information Center (ITIC)** to stimulate trade and create business linkages, through renovation of facilities, development of organizational documentation, and provision of extensive staff training, IT development, and ongoing technical assistance.

Investment Promotion

Objective:

To promote and facilitate increased foreign and domestic direct investment in Iraq, work with the GOI to identify and remove policy constraints on investors, and knowledgeably guide investors through the legal and regulatory steps related to investment. The ultimate goal is to create jobs and contribute to the general welfare of the population and the prosperity of the country.

- Supported passage of a **new Investment Law** by providing drafts, consultations to ministries, and review and responses to iterative drafts amended by Iraqi officials. The Iraqi Parliament passed the new law in September 2006.
- Established the **Iraq Investment Promotion Agency (IIPA)** to help Iraq attract foreign direct investment. Advocated for the IIPA's formal legal establishment and official budget provision, developed organization documentation, trained staff and supported management seconded from the Ministries of Planning, Industry and Minerals, and Trade. Facilitated two overseas IIPA investment missions and participation at the Rebuild Iraq 2006 Conference in Amman, Jordan.
- Mentoring and providing **technical assistance to IIPA staff** responsible for assisting and following up with potential investors in specific sectors, including technical assistance to conduct market research.
- Produced a "**Competitiveness Analysis**" highlighting 10 economic sectors, and provide evidence and recommendations for a potential competitiveness strategy for Iraq. Conducted sector-specific studies on Food Processing (including the Aquaculture, Dairy, and other sub-sectors). *Studies to support investment in additional sectors are planned.*
- Developed an "**Investor Roadmap**" analyzing investment constraints and outlining corrective policies and administrative measures that the GOI should adopt in order to alleviate barriers to potential investors.
- Provided a **\$190,300 grant to facilitate the development of the Najaf Investment Center** to provide business skills training and information on area tourism and investment opportunities. The organization has held multiple well-attended seminars and events.

Program Component

Progress Highlights

Capital Market Development (Closed 09/06)

Objective:

To spur private sector development and employment generation by improving Iraqi access to capital. A fair, efficient and transparent market place for equity and debt instruments is essential for the efficient allocation of capital, foreign direct investment and privatization of state owned enterprises.

- Strengthened the Iraq Association of Securities Dealers, a key professional association, through governance and Board development, business planning, and budget documents, staff selection and intensive on-site training, and award of a \$243,500 grant to establish a modern headquarters and training facility.
- Assisted the development of broker/dealer licensing, certification, and continuing education programs.
- Strengthened the capacity of the regulatory body (Iraq Securities Commission) through development of an organization structure, procedure manuals and guidelines. Facilitated participation at the 31st Annual Conference of the International Organization for Securities Commissions (IOSCO) in Hong Kong.
- Assisted regulatory development through provision of draft regulations on self-regulating organizations (SROs) and accompanying draft rules (based on the Interim CPA Law on Securities Markets, in lieu of passage of a new securities law).

Restructuring and Privatization

Objective:

To assist the government of Iraq to conduct privatization transactions through the establishment of a legal framework for privatization of selected state owned enterprises. This is to be accomplished by providing capacity building for an official agency or committee and enhance public acceptance of the benefits of transitioning to a dynamic and growing market based economy.

- Encouraged formation of an **Inter-Ministerial Committee (IMC)** on Privatization, including drafting a Cabinet Order to establish the IMC. The IMC, formed in September 2005, is chaired by the Minister of Planning, and includes representatives from the Ministry of Finance, Ministry of Industry and Minerals, the Central Bank, the Board of Supreme Audit, and the Prime Minister's office.
- The Iraqi **Cabinet approved a blueprint for privatization** put forward by the IMC (Cabinet Order No. M/1/15/17871) on 20 December 2005, which will establish a Privatization Agency. The IMC's recommendations follow closely from an Izdihar report prepared for and presented to the IMC in October 2005.
- Produced an **Excess Employment Study** providing recommendations and costing of various strategies for coping with labor redundancy in State-Owned Enterprises.
- Provided **technical assistance to the Ministry of Industry and Minerals**, including development of a framework for commercialization of SOEs, support to form technical sub-units to support privatization, assistance to gather necessary data, compilation of data into profiles of 58 State-Owned Enterprises, and inputting of profile data into a model database to facilitate privatization efforts.
- Providing ongoing advice to USAID on privatization-related issues.