

# Business Guide for Iraq

U.S. Department of Commerce

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U.S. Department of Commerce

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*This business guide is updated periodically to reflect the current situation in Iraq*

## I. INTRODUCTION

This guide reports on the existing and future opportunities for trade and investment in Iraq. The U.S. Government, including the U.S. Department of Commerce, continues to work with the Iraqi Government, Coalition partners, international organizations, and the business community to facilitate economic recovery through private sector opportunities, Iraqi Government contracts, and U.S. and international reconstruction contracts. Additional business information can be found at [www.export.gov/iraq](http://www.export.gov/iraq). General information on Iraq can be found on the U.S. Government's World Fact Book website at [www.cia.gov/cia/publications/factbook/geos/iz.html](http://www.cia.gov/cia/publications/factbook/geos/iz.html).

## II. POLITICAL AND ECONOMIC ENVIRONMENT

U.S. Government and Iraqi Ministry contracts have been the leading business opportunities in Iraq. However, opportunities through the U.S. Government are beginning to diminish, while private sector opportunities continue to increase. The section below outlines the current commercial environment that is common to all these forms of business in Iraq.

### The Iraqi Government

Since the fall of the former regime, Iraq has had a series of temporary governments. On June 28, 2004, all governmental authority in Iraq was transferred to the fully sovereign Interim Iraqi Government (IIG). The Coalition Provisional Authority (CPA) ceased to exist on that day although its website ([www.cpa-iraq.org/](http://www.cpa-iraq.org/)) will be kept for reference purposes. Although the CPA no longer exists, the orders the CPA established through its 100 decrees make up a significant portion of Iraqi commercial law. On June 29, 2004, the U.S. Embassy in Baghdad officially opened (<http://iraq.usembassy.gov/>).

Following the January 2005 elections, the Iraqis created the Iraqi Transitional Government (ITG), headed by Prime Minister Ibrahim al-Jaafari. The ITG's primary responsibility is to administer Iraq's affairs, in particular to provide for the welfare and security of the Iraqi people, promote economic development, and write and pass Iraq's new permanent constitution.

On 15 December 2005 Iraqi voters went to the polls to elect a Council of Representatives. Two hundred seventy-five members were elected to a four-year term, although the composition of the Council has not been determined yet. The new Council will govern Iraq under the new Constitution as approved by the voters of Iraq in October 2005.

The current laws governing Iraq are a product of its recent history and leadership. Under the Hussein regime, an established commercial law existed. A U.S. Government analysis of the Hussein regime's commercial law in Iraq can be found at: [http://www.export.gov/iraq/pdf/iraq\\_commercial\\_law\\_current.pdf](http://www.export.gov/iraq/pdf/iraq_commercial_law_current.pdf). This law was significantly amended by the CPA orders and the actions of subsequent Iraqi Governments. These orders liberalized the investment and business environment, went far in creating important commercial laws and institutions that are up to international standards, and make up a significant component of current Iraqi commercial law. All referenced CPA orders can be found on the old CPA website. Some Iraqi laws may not be fully implemented at this time. It is important to understand the CPA Orders, the former regime's law, as well as the Constitution of 2005, to effectively do business in Iraq.

### **Economic Policy**

It appears that the basic economic situation in Iraq is better today than it was less than a year ago. GDP growth has reportedly recovered the ground it lost in 2003. GDP in 2004 may have grown by as much as 40 percent. The IMF has estimated 2005 GDP growth at 2.6 percent while 2006 projections are at 10.4 percent. Further improvements in growth will depend on reconstruction efforts, security, and sound monetary and fiscal policies by the Iraqi government. Macroeconomic issues are discussed in detail in the most recent IMF Staff Report on Iraq (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=18499.0>).

#### *Central Bank and Monetary Policy*

On March 6, 2004, the CPA issued Order #56 promulgating a new Central Bank of Iraq (CBI) law. The new CBI law establishes a central bank authorized to perform certain monetary functions, manage foreign reserves, act as the government's banker and fiscal agent, issue currency, establish and maintain systems for clearing and settlement of payment transactions, and supervise private banks.

As of January 15, 2004, Iraq's currency was successfully transitioned to the New Iraqi Dinar (NID) ([http://www.cpa-iraq.org/pressreleases/20040115\\_exchange\\_end.htm](http://www.cpa-iraq.org/pressreleases/20040115_exchange_end.htm)). The Iraqis have wholeheartedly embraced their new dinars. Not only are the new notes much more difficult to counterfeit -- a chronic problem under the old currency regime -- the Iraqis now have six denominations available, up from only two.

The CBI has responsibility over exchange rate policy. The NID is a free-floating currency. However the CBI uses monetary policy to stabilize the NID against other currencies, especially the U.S. dollar. It does this through a daily foreign currency auction that stabilizes the rate and allows it to adjust when needed. For exchange rate history visit the Central Bank of Iraq website: <http://www.cbiraq.org/cbs6.htm>. The value of the currency steadily appreciated after its introduction and settled around 1,470 dinars per dollar.

On March 1, 2004, the Central Bank of Iraq liberalized interest rates on deposits, loans, credits, securities, and all other domestic financial instruments. The CBI previously set these rates. This represents a major step in the development of Iraq's financial system. The decision to liberalize interest rates is facilitating the modernization and development of Iraq's financial system based on market principles.

Iraq has been able to stabilize inflation, which was rampant under the Hussein regime. Currently, inflation appears to be leveling off between 15 and 20 percent. It is important to note that low inflation or modest inflation in the past gives little or no indication about what that index will be in the future.

#### *Fiscal Policy*

The CPA released its fiscal 2004 budget in October 2003, available at [www.cpa-iraq.org/budget](http://www.cpa-iraq.org/budget). The 2005 and 2006 budgets are briefly discussed in both the National Development Strategy ([http://www.export.gov/iraq/pdf/iraq\\_development\\_strategy\\_063005.pdf](http://www.export.gov/iraq/pdf/iraq_development_strategy_063005.pdf)) and the IMF staff report on Iraq ([http://www.export.gov/iraq/pdf/imf\\_report\\_0805.pdf](http://www.export.gov/iraq/pdf/imf_report_0805.pdf)). CPA Order #77 created the Board of Supreme Audit in order to ensure ongoing Iraqi Government transparency.

Iraq's large international debt of over \$116 billion could negatively affect economic growth and future funding of reconstruction by international lenders. The member countries of the Paris Club debt organization met in November 2004. They agreed with the representatives of the Republic of Iraq on a comprehensive treatment of the public external debt owed to them providing a total amount of debt reduction of 80% in three phases. Iraq is also currently working on debt reduction with its non-Paris Club creditors.

On June 4, 2004 the Financial Management Law and Public Debt Law were signed. The Financial Management Law establishes a comprehensive framework for fiscal and budgetary policy that comports with international best practices. The Public Debt Law would permit Iraq to replace unsound borrowing practices with a viable market based approach to issuing public debt, under which debt will only be issued as required to finance the Iraqi budget.

#### *Trade Policy*

On February 11, 2004, members of the World Trade Organization (WTO) approved Iraq's request for observer status. On December 13, 2004, the WTO established a Working Party to examine Iraq's membership application. WTO observer status and the establishment of a working party express the international community's confidence in Iraq and sends a positive message of transparency and predictability to the business community. Iraq submitted a Memorandum on the Foreign Trade Regime in September 2005 ([http://www.wto.org/english/thewto\\_e/acc\\_e/a1\\_iraq\\_e.htm](http://www.wto.org/english/thewto_e/acc_e/a1_iraq_e.htm)).

An indication of Iraq's commitment to the global trading community is the change in its intellectual property laws. The United States and Iraq currently provide access to each

other's patent and trademark laws and application procedures under the terms of the Paris Convention for the Protection of Industrial Property. However, U.S. copyright owners have no access to Iraqi copyright protection, as the United States and Iraq are not members of any of the same copyright treaties. CPA Orders #80, #81, and #83 provide amendments to the current Iraqi intellectual property regime. The amendments help bring Iraq closer to current internationally recognized intellectual property protection standards.

Some U.S. companies have been asked to certify their adherence to the Arab League Boycott of Israel when they apply to register their intellectual property rights in Iraq. Compliance with such requests may be prohibited by the Export Administration Regulations and reportable to the Department of Commerce. Please see [www.bis.doc.gov/antiboycottcompliance/default.htm](http://www.bis.doc.gov/antiboycottcompliance/default.htm).

### **Security**

The adverse security situation in Iraq, especially the central and western regions, continues to be a concern of the international business community in Iraq. Theft and violent crime persist in Iraq, and, in many areas, may outweigh the threat from terrorist or resistance activities. The potential for attacks against U.S. citizens and facilities remains high. Roads and other public areas can be dangerous for conspicuous foreign travelers. The U.S. Department of State issues up-to-date travel warnings for countries throughout the world, and U.S. companies and visitors are advised to carefully assess the situation in Iraq.

Both the Department of Commerce's Frequently Asked Questions on Iraq ([http://www.export.gov/iraq/bus\\_climate/faq.html](http://www.export.gov/iraq/bus_climate/faq.html)) and the State Department's Iraq Travel Warning ([http://travel.state.gov/travel/iraq\\_warning.html](http://travel.state.gov/travel/iraq_warning.html)) and Consular Information Sheet (<http://travel.state.gov/travel/iraq.html>) contain essential security and safety information on travel to Iraq.

## **III. DOING BUSINESS IN THE PRIVATE SECTOR**

### **Exporting/Trade**

Under the Hussein regime, all trade with Iraq was subject to strict government licensing requirements and inspections. Under CPA Orders # 12, 38, 47, 54, and 70, all tariffs, duties and fees for goods entering or leaving Iraq were suspended through April 15, 2004. The same orders prohibit several exports from Iraq, including many food products and machinery parts. A list of these products can be found in CPA Order #54. Beginning April 15, 2004, a five percent Reconstruction Levy is charged on all goods shipped to Iraq. Exemptions from this import duty include food, medicine, clothing, humanitarian assistance, and UN Oil-For-Food program imports. Products for the Project and Contracting Office (PCO), Coalition Forces, and reconstruction contractors are also exempt. Order #38 contains the full list of exemptions. Additional information can be found at the Iraqi Ministry of Trade website, [www.motiraq.org/](http://www.motiraq.org/).

Additional CPA orders also address border and customs procedures as well as authorizations for Iraqis to establish direct relationships with foreign trading agencies and companies, formerly prohibited under the old regime.

The U.S. Government has designated Iraq as a Generalized System of Preferences (GSP) beneficiary. The GSP Program grants duty-free treatment to specified products from developing countries and territories. Iraq will be able to take advantage of duty-free tariff treatment into the United States on approximately 3,394 product lines. More information can be found at [www.ustr.gov/Trade\\_Development/Preference\\_Programs/GSP/Section\\_Index.html](http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html).

Iraq's infrastructure is in the process of being restored. Baghdad International Airport (BIAP), Basra Airport, Irbil Airport, and Sulymaniah Airport are now open for commercial operations. Airlines currently flying into Iraq include Royal Jordanian, Austrian, Air Kurdistan, Iraqi Airways, Ishtar, Jupiter Emirates, AirServ, and Orbit Express. Since May 2004, civilian flights into BIAP have doubled. The ports of Umm Qasr and Khwar Az Zubair have been reopened for commerce. More than 60 ships unload grain and other goods at the renovated ports every month. These facilities are serving to boost trade of goods in and out of Iraq.

### **U.S. Export Licensing**

While most United Nations and U.S. economic sanctions against Iraq were lifted in May 2003, the Iraqi legal and regulatory system as well as an inadequate infrastructure and an unstable security situation pose numerous obstacles to doing business in Iraq. Until the end of July 2004, the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC - [www.ustreas.gov/offices/eotffc/ofac/](http://www.ustreas.gov/offices/eotffc/ofac/)) was largely responsible for licensing products for export to Iraq. This jurisdiction was returned to the U.S. Department of Commerce's Bureau of Industry and Security (BIS - [www.bis.doc.gov/](http://www.bis.doc.gov/)) on July 30, 2004 under Presidential Executive Order 13550 and related regulations issued by the U.S. Departments of Treasury and Commerce. BIS can assist companies in determining whether an export license may be required for Iraq. U.S. companies must then work with BIS to obtain the license. U.S. export licensing requirements for products entering Iraq can be found through the BIS website at: <http://www.bis.doc.gov/policiesandregulations/RegionalConsiderations.htm>.

### **Investment and Company Registration**

Under the Hussein regime, foreign investment in Iraq was restricted by statute to resident citizens of Arab countries. CPA Order #39, issued on September 19, 2003, has significantly altered the international business environment in Iraq by permitting 100 percent foreign ownership and management of Iraqi business entities except in natural resources sectors, including oil, and insurance companies. The Order provides for equal treatment of foreign investors, foreign trade offices and branch registration, methods of investment, and dispute settlement. The same order also introduces a new requirement for foreign investors involved in retail sales: a \$100,000 deposit in an Iraqi bank for the duration of the retail activity. CPA Order #39 also officially permits foreign investors to hold long-term leases of real property for up to 40 years, but not ownership.

At the present time, foreign companies should proceed very cautiously before committing to any long-term lease.

An open investment regime necessitates the capability to legally create and run companies under Iraqi law. The CPA with the concurrence of the Iraqi Governing Council issued Order #64 on March 3, 2003, which significantly amends Iraqi Company Law #21 of 1997. Among other adjustments, the amendments allow any Iraqi or foreign person or legal entity to establish or own an interest in a company in Iraq. The amendments also require the Registrar in the Iraqi Ministry of Trade to either approve or disapprove in writing within 10 days any application to register a new company. These new regulations and the appropriate application guide and forms can be found at [www.export.gov/iraq/bus\\_climate/foreign\\_reg\\_guide.html](http://www.export.gov/iraq/bus_climate/foreign_reg_guide.html). All new companies in Iraq need to register with the Ministry of Trade.

Iraqi companies now have the ability to raise funds through a domestic securities market. The Iraqi Stock Exchange (ISX) is a not-for-profit organization independent of the Ministry of Finance. It was authorized by law under CPA Order # 74 and started trading on June 24, 2004. The law also established a Securities and Exchange Commission and Depository Operations Center and was designed to bring international standards to Iraq's securities market. Foreign investment in the ISX is not permitted at this time, however this option may be available in the future. The exchange is currently open for 2 hours a day twice a week, but will be extended once a pending automation program is completed. (<http://www.isx-iq.net>)

Long-term investment opportunities may exist with the Iraqi State-Owned Enterprises (SOEs). For more information see the SOE company profiles at [www.cpa-iraq.org/business/industries/index.html](http://www.cpa-iraq.org/business/industries/index.html) and at [www.export.gov/iraq/market\\_ops/index.html#mim](http://www.export.gov/iraq/market_ops/index.html#mim). The Ministry of Industry and Minerals (<http://www.iraqiindustry.com/>), and other Iraqi Ministries (<http://www.export.gov/iraq/links/index.html#ministries>), may provide more information on future developments in this area.

Currently, some U.S. companies are reporting requests from Iraq for adherence to the Arab League boycott of Israel. Compliance with such requests may be prohibited by the Export Administration Regulations and reportable to the Department. Please see [www.bis.doc.gov/antiboycottcompliance/default.htm](http://www.bis.doc.gov/antiboycottcompliance/default.htm).

Under CPA Order #49 of February 20, 2004, corporate and personal income taxes have been capped at significantly reduced rates of no more than 15 percent while they were suspended through the end of April 2004. Please see CPA Orders #37, #49, and #84 for a full discussion of the current taxes, their functions, and status.

Beginning May 1, 2004, all employers including foreign employers of Iraqi workers must withhold tax from the salary paid to their Iraqi employees. Information and forms related to this requirement may be found at [www.iraqtax.org](http://www.iraqtax.org) and at <http://www.buyusa.gov/iraq/en/erocket2.html>.

## **Banking and Finance**

During the regime of Saddam Hussein, Iraq had a functioning, albeit flawed and tightly controlled, financial system whose private banks were prohibited from conducting international transactions. Since the fall of that regime, the government has overhauled the system and created the foundations of a strong liberalized economy. Iraq now has a series of laws that provide for: the independence of the Central Bank of Iraq, the establishment of the Trade Bank of Iraq, liberalization of foreign trade and investment, the establishment of the Iraqi Stock Exchange, anti-money laundering provisions, and further laws on banking and financial management. These laws are being backed by a variety of training programs that seek to provide skills to members of the Central Bank as well as Iraq's major state-owned banks and private sector banks and introduce them to internationally recognized procedures.

### *Domestic Banking and Finance*

Iraq's seven state-owned banks make up most of the Iraqi banking sector. Two of these banks alone, Rafidain and Rashid, account for about 85% of the sector's assets while the other four hold only 5%. Private institutions hold the remaining 10% of these assets. These banks, with the exception of the Trade Bank of Iraq, have serious insolvency problems, are plagued with non-performing loans, and are in no position to do business abroad.

Iraq's domestic financial and banking structure is developing. On October 28, 2003, the Central Bank of Iraq authorized Iraq's private banks to process international payments, remittances, and foreign currency letters of credits. A list of Iraqi private banks, with points of contact, is available from the CPA website at [http://iraqcoalition.org/economy/iraq\\_private\\_banks.html](http://iraqcoalition.org/economy/iraq_private_banks.html) and from the CBI at <http://www.cbiraq.org/cbs4.htm>.

Licenses are required for anyone to open a bank in Iraq. Under CPA Order #40 the number of foreign bank licenses was limited to six with limitations on ownership of private banks, but this requirement was rescinded on June 7, 2004 by CPA Order #94. There is now no legal limit on the number of licenses that can be granted to foreign banks. Following a request for applications issued in November 2004, Iraq received fifteen applications for a foreign bank license. Originally, the Central Bank Governor announced the three licenses to be awarded – The Hong Kong Shanghai Banking Corporation (HSBC) and Standard Chartered Bank both from the U. K. and the National Bank of Kuwait (NBK). Later the Arab Banking Corporation of Bahrain was also granted a license. Most recently, HSBC purchased a majority share in the Iraqi private bank, Dar Es Salaam and has begun operations.

### *Trade Bank of Iraq and International Financial Institutions*

Iraq's state banks are not yet in a position to do business abroad due to their insolvency and technical inefficiencies. Yet, trade finance and short-term credit was recognized early as essential to the growth of trade in Iraq. For this reason, the CPA established the Trade Bank of Iraq (TBI) as a separate Iraqi government entity and export credit



agency to facilitate the import and export of a variety of goods and services to and from Iraq. The TBI (<http://www.tbiraq.com/>) provides expertise and a point of contact within Iraq for international firms. More importantly, it provides trade financial services that other Iraqi institutions are currently unable to offer in order to bolster the confidence of suppliers that payment will be received for the delivery of their goods and services. The TBI works with Iraqi commercial banks and the operating consortium, which is a group of international banks led by J.P. Morgan Chase. As of September 1, 2005, the TBI had issued 1740 Letters of Credit to 66 different companies, totaling over \$6.52 billion. The TBI is discussed in detail in CPA Order #20.

(<http://www.iraqcoalition.org/regulations/index.html#Regulations>)

On October 5, 2004, the Export-Import Bank of the United States (Ex-Im Bank), the Iraqi Ministry of Finance and the Trade Bank of Iraq (TBI) signed a framework agreement that enables Ex-Im Bank to continue to support U.S. exports for Iraq reconstruction. This agreement replaces an agreement concluded in December 2003 and reflects the assumption in June 2004 of sovereignty by the Interim Government of Iraq. Renewal of this agreement allows TBI to continue to access Ex-Im Bank's \$500 million facility. Under this facility, Ex-Im Bank insures short-term letters of credit issued by, or on behalf of, TBI in respect of purchases of U.S. goods and services. The facility approved its first transaction in April 2004. In December 2003, 15 other nations joined Ex-Im Bank in entering into framework agreements with TBI. Ex-Im Bank is working with these and other nations to help them develop similar agreements.

While Ex-Im is still closed to routine trade finance transactions with respect to Iraq, it will consider applications for exports to Iraq that involve buyers or letters of credit from banks located in third countries. Ex-Im (<http://www.exim.gov/>) is also accepting applications under its Working Capital Guarantee Program for subcontractors providing goods and services to Iraq under U.S. Government reconstruction contracts.

OPIC (<http://www.opic.gov/>) provides funding through direct loans and loan guarantees to ventures involving significant equity (at least 25%) and/or management participation by U.S. businesses. See OPIC's finance page (<http://www.opic.gov/finance/>).

Another funding possibility is the Iraq Middle Market Development Foundation (<http://www.immdf.org.jo/>), funded in part by OPIC. The IMMDF obtained its license to operate in Iraq in November 2004 and has disbursed a number of loans. IMMDF's mission is to support the economic development of Iraq and assist in the creation of jobs for Iraqis by making loans to middle market businesses and Iraqi financial institutions. The goal of this program is to provide market rate loans to entities that would not otherwise be able to secure financing on reasonable terms as a means of stimulating employment growth and the reconstruction of Iraq.

The International Finance Corporation (IFC), the private sector arm of the World Bank, approved plans to establish an Iraq Small Business Finance Facility of up to \$170 million to help Iraqi banks finance Iraqi small business. More information can be found in its December 19, 2003 press release at [www.ifc.org](http://www.ifc.org). The IFC is currently working

with private contractors and other international bodies to set-up this program. Other international organizations are also providing micro-credit throughout Iraq. ACDI/VOCA ([www.acdivoca.org/](http://www.acdivoca.org/)) and CHF ([www.chfhq.org/](http://www.chfhq.org/)), nonprofit development organizations, are currently active.

The International Monetary Fund has formally recognized the Government of Iraq. On September 30, 2004, the IMF agreed to grant an emergency post-conflict assistance package of \$436 million to Iraq. This comes after the Iraqi Interim Government agreed to pay more than \$80 million in arrears to the Fund. Most recently, in December 2005 the IMF approved a \$685 million Stand-By Arrangement for Iraq over the next 15 months. Details can be found at <http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>.

### **Business Centers and Potential Partners**

The CPA and the Iraqi Ministry of Trade established the Iraqi Business Center Alliance in Baghdad to provide business services to a growing and eager Iraqi business community. The IBC provides a forum for foreign businesses to find Iraqi domestic partners. The IBC website provides extensive listings of Iraqi Ministry and Coalition tenders ([www.iraqbusinesscenter.org/](http://www.iraqbusinesscenter.org/)). The Business Center maintains a database of Iraqi companies interested in international partners at [www.ibcguide.org](http://www.ibcguide.org).

The Baghdad Business Center provides business information and services at: <http://www.baghdadbusinesscenter.org/>. The City of Kirkuk, located in the heart of the northern oil industry, formed the Kirkuk Business Center that publishes highly informative newsletters ([www.kirkuk-business-center.org](http://www.kirkuk-business-center.org)). Basra also has a business center which can be reached at 964-0780-109-6729 or through their website at [www.basrabusinesscentre.com/](http://www.basrabusinesscentre.com/). The Nineveh Business Center operates in the City of Mosul and can be contacted at [www.ninevehbusinesscenter.org/](http://www.ninevehbusinesscenter.org/). Plans for opening additional Business Centers are being considered. The Iraqi Business Center (IBC) provides a databases of Iraqi companies from which U.S. and other foreign companies can find potential partners from its own website (<http://www.iraqbusinesscenter.org/>).

The U.S. Chamber of Commerce has certified a partner in Iraq called the U.S. Chamber of Commerce of Iraq. They can be found at <http://www.amcham-iraq.org/>.

U.S. businesses should be cautious and conduct due diligence when working with any Iraqi partner. Please see our Fraud Warning at [www.export.gov/iraq/pdf/fraud\\_warning.pdf](http://www.export.gov/iraq/pdf/fraud_warning.pdf).

### **IV. U.S. RECONSTRUCTION CONTRACTS**

U.S. Government-funded contracts continue to be one of the leading business opportunities in Iraq. Opportunities for U.S. firms to participate in the reconstruction of Iraq are mostly associated with rehabilitating the country's infrastructure. A convenient list of all recent contracts and their known subcontractors, along with links to their website can be found at [http://www.export.gov/iraq/market\\_ops/contracts.html](http://www.export.gov/iraq/market_ops/contracts.html).

U.S. Contracting opportunities can be found through three main tendering organizations, discussed below. These are the Project and Contracting Office, the U.S. Agency for International Development, and the U.S. Army Corps of Engineers.

All contractors conducting work in Iraq should pay particular attention to CPA Order #17 (revised June 27, 2004) with amendments, which outlines contractor's responsibilities and immunities while acting in Iraq. The order continues certain administrative and official act immunities from Iraqi law for contractors and their subcontractors supplying goods and services in Iraq under contracts or grants with foreign governments. The order also provides immunity from Iraqi law to international consultants provided by foreign governments to the Iraqi government and officially accepted in that role by the Iraqi government.

### **Iraq Project and Contracting Office (PCO)**

The Iraq Project and Contracting Office (PCO) manages the \$18.4 billion appropriated by the U.S. Congress to support the reconstruction of Iraqi infrastructure. Construction has begun on 2,512 projects worth about \$10.626 billion. Of the \$18.4 billion, \$4.113 billion has been paid out.

In broadest terms, this office is responsible for all activities associated with program, project, asset, construction, and financial management of that portion of the reconstruction effort undertaken by the United States. The PCO maintains a website (<http://www.rebuilding-iraq.net/>) where contracting activities are reported. The Iraq Reconstruction Management Office (IRMO), also contained within the U.S. Embassy in Baghdad, coordinates U.S. reconstruction efforts amongst the various U.S. government agencies and the Iraqi Government.

In the fall of 2003, the U.S. Congress approved The Iraq Relief and Reconstruction Fund (IRRF) allocation, totaling \$18.4 billion. The IRRF was designed with flexibility in mind so that as progress is monitored fund distributions can be adjusted as necessary. Reallocations and reporting on the use of reconstruction funds can be found in the quarterly Section 2207 report (<http://www.state.gov/m/rm/rls/2207/>).

All PCO solicitations, amendments and awards are posted on the PCO website (<http://www.rebuilding-iraq.net/>) as well as the Federal Business Opportunities website (<http://www.fedbizopps.gov/>). PCO has prepared a document that guides companies through the contract process, "A Lesson in Winning Contracts" ([www.rebuilding-iraq.net/pdf/success.pdf](http://www.rebuilding-iraq.net/pdf/success.pdf)).

For current solicitations, companies from all non-terrorist designated countries are eligible to compete for prime contracts. Each solicitation is subject to the soliciting agency's eligibility requirements.

### **U.S. Agency for International Development (USAID)**

The role of the U.S. Agency for International Development (USAID) in Iraq is to restore critical infrastructure, support essential health and education services, expand economic

opportunity, and improve efficiency and accountability of government. Specific sectors include education, healthcare, food security, infrastructure reconstruction, airport and seaport management, economic growth, community development, local governance, and transition initiatives. There are also USAID contracts in the areas of electoral processes and education, government transition, civil society, and employment services.

The USAID Iraq website (<http://www.usaid.gov/iraq/>) includes information about contract solicitations and awards. USAID press releases and Weekly Reports contain valuable insight on potential business opportunities.

### **U.S. Army Corps of Engineers**

U.S. Defense Department reconstruction contracts are issued by the U.S. Army Corps of Engineers (USACE). Their primary mission is to restore the capability for oil production, oil refining, and gas processing to pre-war conditions. The USACE website ([www.grd.usace.army.mil/index.html](http://www.grd.usace.army.mil/index.html)) offers information on their operations in Iraq and contracting opportunities.

For information regarding U.S. Department of Defense (DOD) procurement related to the reconstruction of Iraq, see their Iraq procurement site at: [www.acq.osd.mil/dpap/paic/iraqreconstruction/iraqcontractinfo.htm](http://www.acq.osd.mil/dpap/paic/iraqreconstruction/iraqcontractinfo.htm). The DOD issues weekly reports on the status of several key areas in Iraq such as essential services, power production, and security. These can be found at [www.export.gov/iraq](http://www.export.gov/iraq) in the “Key Docs” sidebar.

### **Finding Partners and Subcontracting Opportunities**

The best way to ensure consideration as subcontractors or suppliers on reconstruction contracts is to directly contact the prime contractors, who are entirely responsible for choosing their own business partners. Lists of these contractors can be found at [www.export.gov/iraq/market\\_ops/contracts.html](http://www.export.gov/iraq/market_ops/contracts.html). Small businesses can contact prime contractor representatives listed at [http://www.export.gov/iraq/pdf/small\\_business\\_reps.pdf](http://www.export.gov/iraq/pdf/small_business_reps.pdf).

Companies from all countries are eligible for subcontracts with the exception of countries that support terrorist networks. In general, all contractors should demonstrate experience, financial capability, high competency of in-country personnel, the ability to positively impact the Iraq economy through capacity-generation and employment, and the capability to proceed quickly. Prime contractors and subcontractors are expected to partner with Iraqi firms at every opportunity. Under PCO, USAID and other programs more than 105,000 Iraqis are currently employed in reconstruction projects.

Both the website of the old CPA and the current PCO website provide essential advice for participating in Iraq reconstruction. Please see [http://www.cpa-iraq.org/business/Contracting\\_FAQs.htm](http://www.cpa-iraq.org/business/Contracting_FAQs.htm) and [www.rebuilding-iraq.net](http://www.rebuilding-iraq.net).

### **Other Contracting Issues**

All contractors and subcontractors who are receiving U.S. Government funding, regardless of nationality, are required to provide their employees with workers compensation insurance. This is provided through Defense Base Act coverage. More information can be found at [http://www.export.gov/iraq/bus\\_climate/dba.html](http://www.export.gov/iraq/bus_climate/dba.html).

## **V. IRAQI GOVERNMENT AND INTERNATIONAL CONTRACTS**

### **Iraqi Ministry Contracts**

Most Iraqi Ministries are issuing their own tenders through the Iraqi Government budget. These tenders can frequently be found on Iraqi Ministry websites listed in the links section of the Commerce Department website ([www.export.gov/iraq/links/index.html](http://www.export.gov/iraq/links/index.html)). Sometimes these tenders are announced in Iraqi newspapers, which can be found at <http://www.onlinenewspapers.com/iraq.htm>.

Iraqi Ministry tenders cover a wide-range of activities from oil-field development and instrument control systems to medical supplies and construction. Please be aware of CPA Order #87, which currently governs all Iraqi public contracts, but not those contracts tendered through the PCO, USAID, or other U.S. Government agencies. U.S. contracts are governed by Federal Acquisition Regulations. Iraqi public tenders will be increasingly important to Iraqi reconstruction.

### **International Donors**

International donors continue to meet to discuss funds for rebuilding Iraq. The World Bank and the UN presented their needs-assessments for Iraq to the Madrid conference, including the areas of health, education, agriculture, water supply and sanitation, economic management, and investment climate. The assessments and cost estimates can be found at [www.worldbank.org/ig](http://www.worldbank.org/ig). These assessments are expected to guide the priorities and direction of Iraq reconstruction by donor countries.

The United States has continued to build on the success achieved at the October 2003 Madrid International Donors Conference. At this conference and since, donors other than the United States pledged over \$13.5 billion in assistance for the reconstruction of Iraq. This includes \$8 billion in assistance from foreign governments and \$5.5 billion in lending from the World Bank and International Monetary Fund (IMF) -- all to be disbursed between 2004 and 2007. As of September 2005, over \$3 billion of the pledges of non-U.S. assistance had been disbursed. About \$2.7 billion of this was from other donor governments, either in bilateral projects or through the International Reconstruction Fund Facility for Iraq (IRFFI). Another \$436 million was in the form of IMF assistance. Donor government disbursements are defined as funds that have left government treasuries. Because, however, much of it is being channeled for implementation through trust funds, contractors, NGOs, international organizations, and Iraqi institutions, the impact on the ground in Iraq is just starting to be felt. Most countries have chosen to channel their funding through the above-mentioned IRFFI, a trust fund facility managed by the World Bank and the UN (<http://www.irffi.org/>). Information on these potential tenders can be found at [www.ungm.org](http://www.ungm.org). Potential tenders can also be found on the websites of participating countries' international aid agencies (<http://www.uniraq.org/donors/donors.asp>).

The United Nations Development Program (UNDP - <http://www.iq.undp.org/>) also operates in Iraq and issues its own tenders. UNDP has identified three project focus pillars - democratic governance, economy and employment, and infrastructure rehabilitation and the environment. These pillars aim to promote interlocking interventions with cross-cutting themes, integrating programs such as civil society participation, capacity building, gender development, human rights, and encouraging participation of expatriate nationals.

### **Other Contracting Issues**

Iraqi Ministries have their own requirements for contractors and subcontractors. Defense Base Act insurance coverage is only available for companies working under U.S. Government reconstruction contracts and does not cover companies working on Iraqi ministry or contracts or in the private sector. Companies should do their due diligence and find an insurance plan that meets their needs. Insurance is a necessary part of international investment. Some insurance firms are beginning to offer voluntary workers compensation insurance for non-reconstruction projects in Iraq, however premiums can be costly. Companies should work with their existing broker to explore this coverage. The Overseas Private Investment Corporation (OPIC) currently offers three kinds of political risk insurance for Iraqi projects: currency inconvertibility, expropriation, and political violence. In addition, OPIC is offering coverage more appropriate to contractors, exporters, and those providing technical assistance and management services in Iraq. Finally, OPIC offers stand-alone terrorism coverage. More information on OPIC can be found at [www.opic.gov](http://www.opic.gov).

## **VI. CRITICAL CONTACTS FOR BUSINESS**

### *Contract Resources*

Coalition Provisional Authority (website now static)

[www.iraqcoalition.org/](http://www.iraqcoalition.org/)

Project and Contracting Office (formerly the Program Management Office)

[www.rebuilding-iraq.net/](http://www.rebuilding-iraq.net/)

Iraqi Business Centers

[www.iraqibusinesscenter.org/](http://www.iraqibusinesscenter.org/)

<http://kirkuk-business-center.org/>

[www.basrabusinesscentre.com/](http://www.basrabusinesscentre.com/)

[www.ninevehbusinesscenter.org/](http://www.ninevehbusinesscenter.org/)

American Chamber of Commerce of Iraq

<http://www.amcham-iraq.org/>

U.S. Department of Commerce

Iraq Investment and Reconstruction Task Force

Tel: 1-866-352-4727

Fax: (202) 482-0980  
E-mail: [IraqInfo@mail.doc.gov](mailto:IraqInfo@mail.doc.gov)  
[www.export.gov/iraq](http://www.export.gov/iraq)

U.S. Agency for International Development  
[www.usaid.gov/iraq/activities.html](http://www.usaid.gov/iraq/activities.html)  
<http://www.izdihar-iraq.com/index.html>

U.S. Army Corps of Engineers  
Tel: 1-866-461-5171, the Defense Department Iraq contract hotline  
[www.hq.usace.army.mil/cepa/iraq/contracts.htm](http://www.hq.usace.army.mil/cepa/iraq/contracts.htm) - for USACE Iraq opportunities  
[www.hq.usace.army.mil/cepa/iraq/faq.htm](http://www.hq.usace.army.mil/cepa/iraq/faq.htm) - for USACE Iraq contract FAQ

United Nations Iraq Programs  
[www.devbusiness.com](http://www.devbusiness.com)  
[www.iapso.org](http://www.iapso.org)  
[www.iq.undp.org](http://www.iq.undp.org)  
[www.ungm.org](http://www.ungm.org)

United Nations  
Office of the Iraq Oil-for-Food Program  
[www.un.org/Depts/oip/](http://www.un.org/Depts/oip/)

Oil-for-Food Contract Inquiries  
Office of Peacekeeping and Humanitarian Operations  
U.S. Department of State  
(202) 736-7733

#### *Government Resources*

U.S. Embassy in Baghdad, Iraq  
<http://iraq.usembassy.gov/>  
<http://www.buyusa.gov/iraq/en/>

Embassy of the United States  
APO AE 09316  
Baghdad, Iraq

U.S. Foreign Commercial Service  
American Embassy, Kuwait  
Tel: 965-539-5307/8, Ext. 2392  
Fax: 965-538-0281  
E-mail: [Kuwait.City.Office.Box@mail.doc.gov](mailto:Kuwait.City.Office.Box@mail.doc.gov)  
[www.buyusa.gov/kuwait/en/](http://www.buyusa.gov/kuwait/en/)

U.S. Foreign Commercial Service

American Embassy, Amman, Jordan  
Tel: 962-6-592-0101, Ext. 2632  
Fax: 962-6-592-0146  
E-mail: [ammanoffice.box@mail.doc.gov](mailto:ammanoffice.box@mail.doc.gov) and  
[Iraqammanunit.box@mai.doc.gov](mailto:Iraqammanunit.box@mai.doc.gov)  
[www.buyusa.gov/jordan/en](http://www.buyusa.gov/jordan/en)

U.S. Department of Commerce, Bureau of Industry and Security  
Export Counseling Division  
Tel. (202) 482-4811  
[www.bis.doc.gov](http://www.bis.doc.gov)

U.S. Department of Agriculture  
Foreign Agricultural Service

<http://www.fas.usda.gov/excredits/iraq.htm>

U.S. Department of State  
Office of Commercial and Business Affairs  
[www.state.gov/e/eb/cba/iraq](http://www.state.gov/e/eb/cba/iraq)

U.S. Department of State  
Travel Warning and Updated Security Information for Iraq  
[http://travel.state.gov/travel/iraq\\_warning.html](http://travel.state.gov/travel/iraq_warning.html)

U.S. Department of Treasury  
Office of Foreign Assets Control  
Tel: 1-800-540-6322  
[www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)

Overseas Private Investment Corporation (OPIC)  
(202) 336-8799  
<http://www.opic.gov/>

U.S. Department of State, Defense Trade Controls  
[www.pmdtc.org](http://www.pmdtc.org)

U.S. Central Command  
[www.centcom.mil/](http://www.centcom.mil/)

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