

**USAID’S ROLE IN THE DEVELOPMENT
OF IRAQ’S BANKING SECTOR**

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**IRAQ BANKING CONFERENCE
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For over four years, USAID’s Mission in Iraq has been focused on the reconstruction of Iraq and the development of key sectors of the Iraqi economy. Today, it my pleasure to speak to a group primarily comprised of government officials and businesspeople that is eager to work with USAID to promote economic growth in Iraq.

The United States Agency for International Development was founded in 1961 by President John F. Kennedy, following several years of US Government foreign assistance programs under the Marshall Plan and other poverty alleviation and infrastructure development initiatives.

Today, USAID has development programs in over 100 countries around the world. USAID furthers US foreign policy objectives by supporting economic growth programs including economic governance, private sector development, agricultural productivity improvement, and trade capacity building.

In Iraq, we have an office in Baghdad with a staff of over 200 living and working at our Compound in the International Zone. In addition to our American and Third-Country National staff, we employ over 50 Iraqi staff who bravely travel to the International Zone each day to contribute to the reconstruction and development of Iraq. We also have offices in other major cities throughout the country including Basrah, Hillah, and Erbil. USAID staff is strategically placed in each of the Provincial Reconstruction Teams (PRTs) that are operational across the country.

Since 2003, USAID has supported over 12,000 activities in Iraq. The restoration of key municipal services and utilities such as water, sanitation, and electricity was an initial focus of our efforts across the

country from 2003-2006. Additionally, USAID has funded the rehabilitation of schools, clinics and hospitals. We have provided support for the electoral process in Iraq and worked to minimize conflict and internal displacement of Iraqi citizens.

Last year, USAID/Iraq moved in a new strategic direction in order to better support the Government of Iraq (GOI) led by Prime Minister Maliki. Our National Capacity Development Program is working closely with over 10 GOI Ministries and agencies to provide training and equipment to improve the management and administration of the Iraqi Government.

In addition, USAID's Local Governance Program seeks to enhance local services and improve municipal governance across Iraq. USAID will continue to support the strengthening of democratic institutions in Iraq under the new government.

We are also in regular dialogue with our other donors such as DFID and the World Bank to ensure our efforts are coordinated and additional resources can be committed to Iraq in the future.

I know that many of you are already doing business in Iraq and USAID has seen some tremendous accomplishments in the economy over the past three years. Economic growth is one of the key aspects of our strategy in Iraq.

Many substantial results have occurred through our Economic Governance II Project. The new Financial Management Information System has been installed at over 180 sites in Iraqi Government offices to capture and monitor national budget data, and a complementary government-wide budgeting process was implemented. The Social Safety Net Program through the Ministry of Labor and Social Affairs has improved the delivery of welfare support to over one million unemployed or low-income Iraqis. We are also addressing a number of commercial, legal and regulatory issues. The business registry has been

computerized and has resulted in over 38,000 businesses being formalized. Pension and subsidy reform is another important concern to Iraqi citizens, and USAID-funded advisors are supporting the Iraqi government including the Ministry of Finance to plan scenarios that could reduce the social impact of macroeconomic reforms.

Regarding private sector development, USAID, through the Izdihar Project, has been working to help prepare the Iraqi government accede to the World Trade Organization. Our business development experts have worked directly with Iraqi entrepreneurs to improve their business skills and provide grants to support their businesses. Since 2003, we have established several microfinance institutions which currently provide over 16,500 loans with a total value of over \$18 million to entrepreneurs. We have also helped create an Iraqi Investment Promotion Agency to attract foreign direct investment and a Trade Information Center to answer importers and exporters questions regarding international trade with Iraq.

The banking sector is a specific priority for USAID in Iraq and this conference demonstrates our commitment to this important foundation of the Iraqi economy. We have built a strong relationship with the Central Bank of Iraq and I look forward to hearing Governor Shibibi's remarks this morning.

Over the next two days, we will hear more details about USAID's assistance to the development and modernization of the Iraqi banking industry including the draft secure transactions law and a series of training courses for bank staff. I am very proud that USAID is associated with the Iraqi Company for Bank Guarantees which opened for business a few months ago and is already achieving its objectives of providing cash-flow based loan guarantees to small and medium-sized businesses. Let me personally thank my colleagues from the Economic Governance II and Izdihar Private Sector Development Projects who have worked long hours to put together this impressive conference.

Another aspect of USAID's work around the globe is to foster partnerships with other organizations. The Global Development Alliance Initiative promotes public-private alliances that address international development challenges. We are working to strengthen the impact of U.S. development efforts by coordinating government activities and resources with those of the private sector. I encourage your company to partner with USAID, the Government of Iraq and the Iraqi banking industry to contribute to the economic and social development of Iraq.

For example, there are only three international banks that have joint venture relationships with Iraqi private banks; these types of linkages between multinational firms and Iraqi companies need to be broadened and deepened to improve service standards and expand branch networks. Public-private partnerships in the banking sector could also enhance security for all Iraqis. The Iraqi Army faces challenges in paying its staff since many personnel are working far away from their families. Currently, soldiers have to leave their bases monthly to return home with

their salary payments. Perhaps the Iraqi banking industry can work with the Ministry of Defense to find a solution to this problem which could improve the management of the Iraqi Army and increase the profitability of your businesses.

Thank you for your time this morning, and I would especially like to thank those who have flown from the United States, Europe and across the Middle East to attend this event. In closing, please accept my respect and gratitude to the dedicated Iraqi businessmen and women along with the representatives from the Iraqi Government, who are working in very difficult circumstances, towards a peaceful and prosperous future for their country.

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