



COALITION PROVISIONAL AUTHORITY
BAGHDAD

Administrator's Weekly Report

Economy *April 3-April 9, 2004*

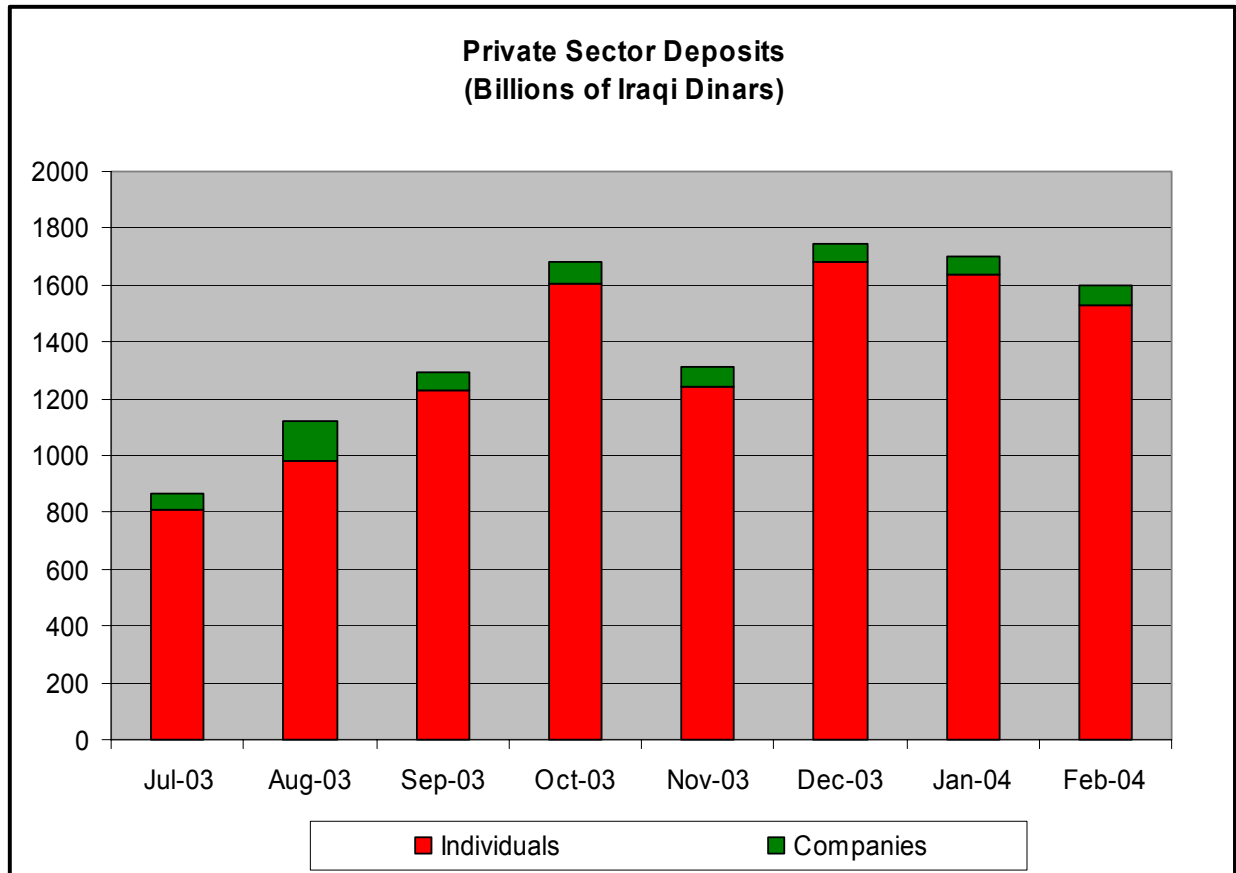
HIGHLIGHTS

- As of April 5, 2004, estimated crude oil export revenue reached \$4.1 billion for 2004 (crude oil export revenue for 2003 [June - December] was \$5.1 billion).

I. BUILD FINANCIAL MARKET STRUCTURES

Modernize the Central Bank; Commercial Banking System; Re-establish Baghdad Stock Exchange; Restructure National Debt

- Two state banks, Rafidain Bank and Rasheed Bank, together account for almost 90% of total bank deposits in Iraq. Based on the most recently available data, from July 2003 to February 2004, combined Rafidain and Rasheed deposits rose by 88 percent—from New Iraqi Dinars (NID) 2.0 trillion to NID 3.9 trillion (equivalent to US\$ 2.75 billion at NID 1425 = US\$ 1.00). Private sector deposits grew more rapidly than government sector deposits (88% growth versus 66%, respectively).
- The two banks report that almost all (96%) of private sector deposits come from individuals. Since July 2003, individual deposits have doubled to NID 1.7 trillion in December.
- Deposits of private Iraqi companies were reported at less than NID 70 billion. However, this probably understates the amount of money held in banks in support of private business activity. In traditional economies, many shopkeepers and small business people will co-mingle their personal money with the money from their businesses.

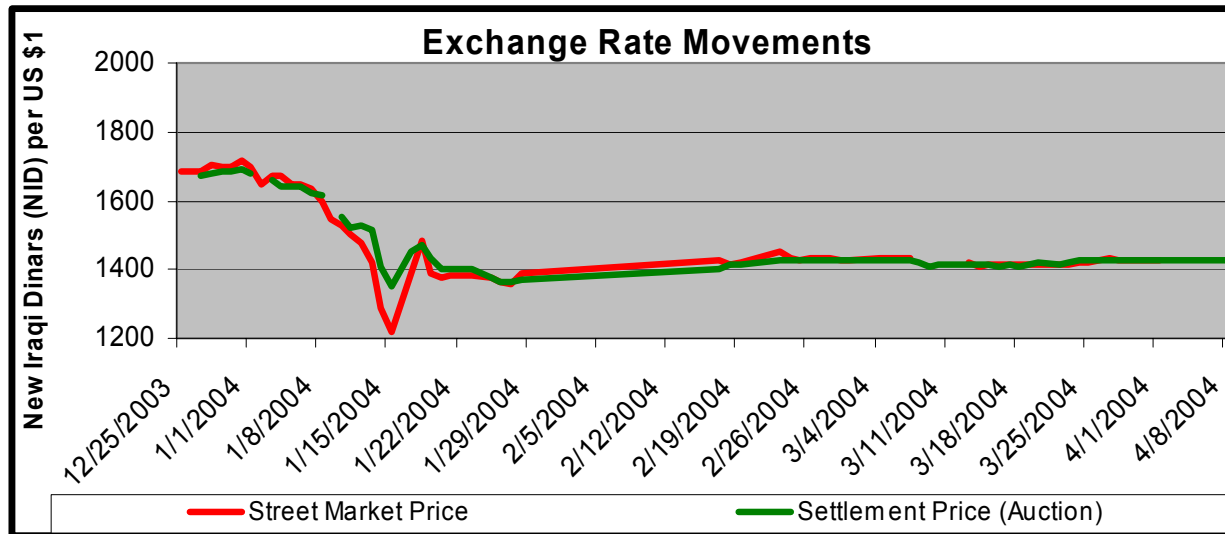


	<u>Jul-03</u>	<u>Aug-03</u>	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>
Individuals:	811	984	1232	1607	1245	1682	1634	1528
Companies:	55	137	63	76	66	62	66	68
Totals:	866	1121	1295	1683	1311	1744	1700	1596

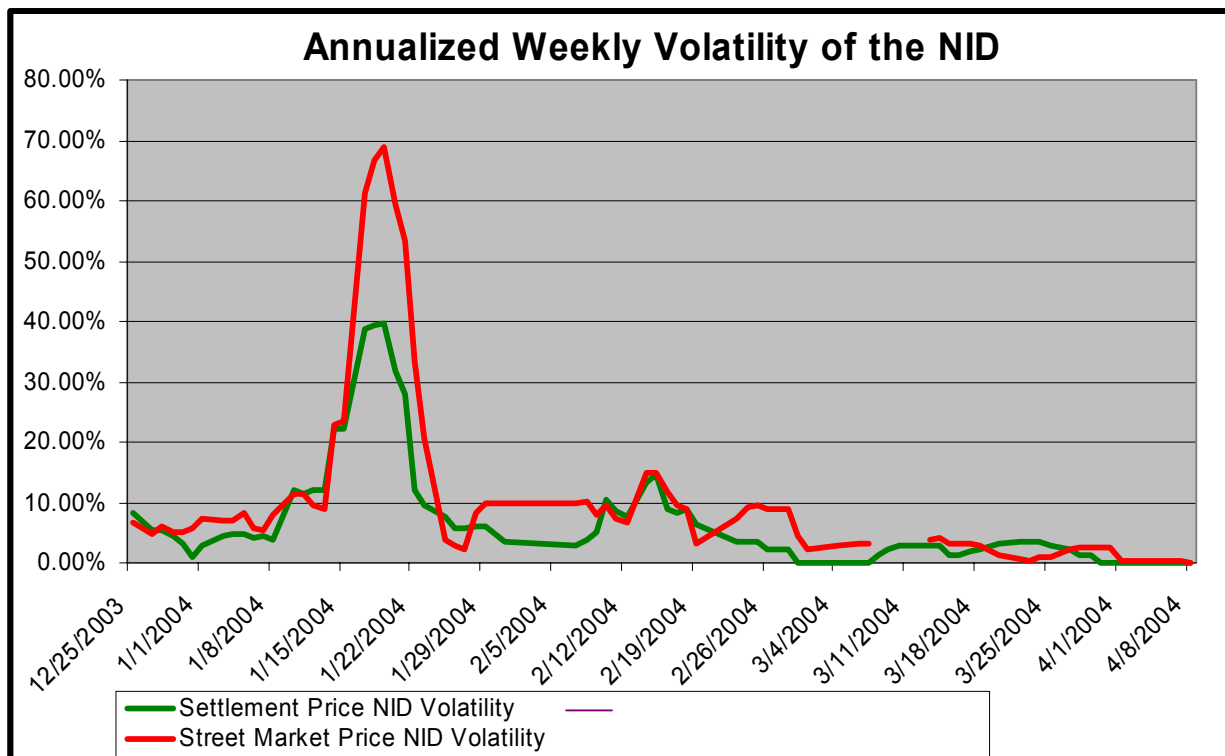
Source: Economic Policy Directorate, CPA Senior Advisor to Ministry of Finance

- The New Iraqi Dinar (NID) has now been stable the past two months. At the NID auction on April 7, the settlement price was 1,425 dinars per dollar, the same as the previous day. The value of dollars sold at the auction varied over the week from \$10.3 - \$20.5 million. The exchange rate on the Baghdad streets was 1,426 dinars per dollar on April 7. During the past week, April 3- 10, the value of the NID remained essentially unchanged against the U.S. dollar.

- New Iraqi Dinar monthly fluctuation:
 - December 31 – January 31: NID appreciated 20.4 percent
 - January 31 – March 1: NID depreciated 4.8 percent
 - March 4: – April 7: NID appreciated 0.6 percent



Source: CPA Senior Advisor to the Central Bank of Iraq

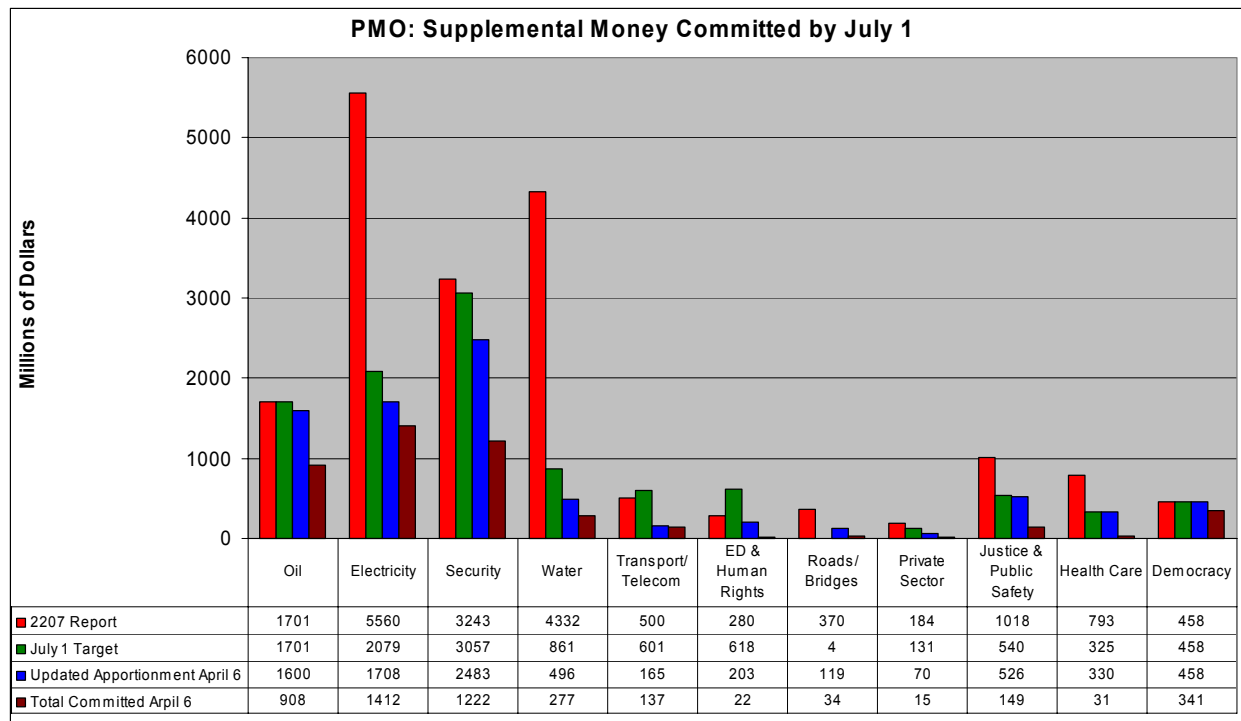


- The annualized weekly volatility of the New Iraqi Dinar this past week was 0.19 percent.

II. DEVELOP TRANSPARENT BUDGETING AND ACCOUNTING ARRANGEMENTS

Redrafting and Execution of 2004 Budget

- As of April 8, the balance in the Development Fund for Iraq (DFI) was \$9.6 billion, comprised of \$8.7 billion in the original Federal Reserve Bank of New York (FRBNY) account, and \$0.9 billion on deposit in DFI-Baghdad. Of this, \$4.2 billion is already committed to projects, and the remaining \$5.4 billion is slated for projected 2004 budget items. Since establishment, the DFI investment program at FRBNY earned \$18.5 million in interest. As of April 8, the total payments out of the DFI amounted to \$7.3 billion.
- State Department and U.S. Agency for International Development (USAID) assistance to Iraq disbursed in FY 2003/2004 totals \$3.7 billion as of April 6, 2004:
 - USAID/ Asia and Near East (ANE): \$2.6 billion
 - USAID/ Office of Foreign Disaster Assistance (OFDA): \$101 million
 - USAID/ Food for Peace (FFP): \$426 million
 - USAID/ Office of Transition Initiatives (OTI): \$161 million
 - State Department/ Bureau of Population, Refugees, and Migration (PRM): \$39 million
- The Program Management Office (PMO) intends to commit \$10.4 billion (56 percent of the \$18.4 billion supplemental) toward contracts by July 1, 2004. As of April 6, \$4.5 billion are committed to Iraq relief and reconstruction efforts, 43 percent of the July 1 goal. As of last week, \$2.5 billion of funds are obligated with contractors (24 percent of the committed fund's goal). The following chart shows the money committed by sector against the July 1 target as of April 6.



Source: Program Management Office

- Section 2207 of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, FY 2004 (Public Law 108-106) enumerates the allotments granted to CPA for each sector and levies a quarterly reporting requirement to Congress detailing PMO's spending.

III. DEVELOP FRAMEWORK FOR SOUND PUBLIC SECTOR FINANCES AND RESOURCE ALLOCATION

Increase Capacity of Ministries of Finance and Planning to Manage Public Resources

Increase International Coordination to Manage Foreign Assistance

Develop an Inter-Governmental Policy Framework by July 04 in time for the 2005 Budget

Develop Public Procurement Framework with Regulatory Oversight

- An initial design for restructuring the Iraq Tax Commission (ITC) has been developed to modernize the tax collection system and bring it up to international standards. USAID partner BearingPoint developed the initial restructuring design, and a Steering Committee has been created, which includes ITC members, for making recommendations on the final organizational structure.
- To fill gaps in balance of payments and national income templates for the International Monetary Fund (IMF), the Central Bank of Iraq is conducting a survey of international transactions to understand the scope of Iraq's global trade and financial transactions. The Central Bank's Research Division began collecting data from moneychangers on remittances received from outside Iraq in 2003 and 2004. Processing of the data is scheduled to begin at the end of this week.

IV. DESIGN OIL TRUST FUND

Proposal for Oil Trust Fund

- As of April 5, 2004, estimated crude oil export revenue reached \$4.1 billion for 2004 (crude oil export revenue for 2003 [June - December] was \$5.1 billion).

V. LAY FOUNDATIONS FOR AN OPEN ECONOMY

Provide IG Staff Capability; Trade Bank; WTO Observer Status; Draft Intellectual Property law to IGC by April 15, 2004; Develop Framework for Collateralizing Movable and Immovable Property

- Since opening in December, the Trade Bank of Iraq has issued 130 letters of credit totaling \$580.9 million. Eighteen letters of credit totaling \$37.9 million are pending issuance, including one letter of credit for \$6.9 million guaranteed by the Export-Import Bank. Twenty three letters of credit totaling \$37.9 million under the Oil for Food Program are pending issuance.

VI. PURSUE NATIONAL STRATEGY FOR HUMAN RESOURCES DEVELOPMENT

Begin to employ workers in Public Works programs around the country

- Combined Joint Task Force 7 (CJTF-7) Civil Affairs units estimate that the CPA has created 395,846 jobs for Iraqi citizens (46 percent of the CJTF-7 target of 850,000):
 - Security/National Defense employs: 228, 046
 - Regional Jobs Programs: 44,031
 - CJTF-7 employs: 54,738
 - Civilian contractors working under CPA contracts: 67,481
 - Governorate Teams: 1,550

VII. INITIATE PUBLIC SECTOR MANAGEMENT REFORM

Civil Service Salary Review; Promote ethical government, transparency, and the accountability of officials.

- All but two of the Inspectors General (IGs) for each of the Ministries have been appointed. The Ministry of Defense and Communications continue to work on appointments which are expected later in April. The CPA IG, with the support of Senior Advisors and other CPA staff officers, has met with nearly appointed Ministry IGs. The subject of the most recent one-on-one meetings has been the organizational design of setting up an Office of the Inspector General, staff selection, budgeting for 2004, standards & policies by ministry, and training needs.