

# Iraq's Economy



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## *Iraq's Economy*

- ❖ *National Statistics: GDP, Inflation, poverty , ...etc*
- ❖ *Economic Sectors: Oil, Industry, Agriculture, ...etc*
- ❖ *Economic Reform & Reconstructions*
- ❖ *Trade & Investment*
- ❖ *Recommendations*

## **The Country**

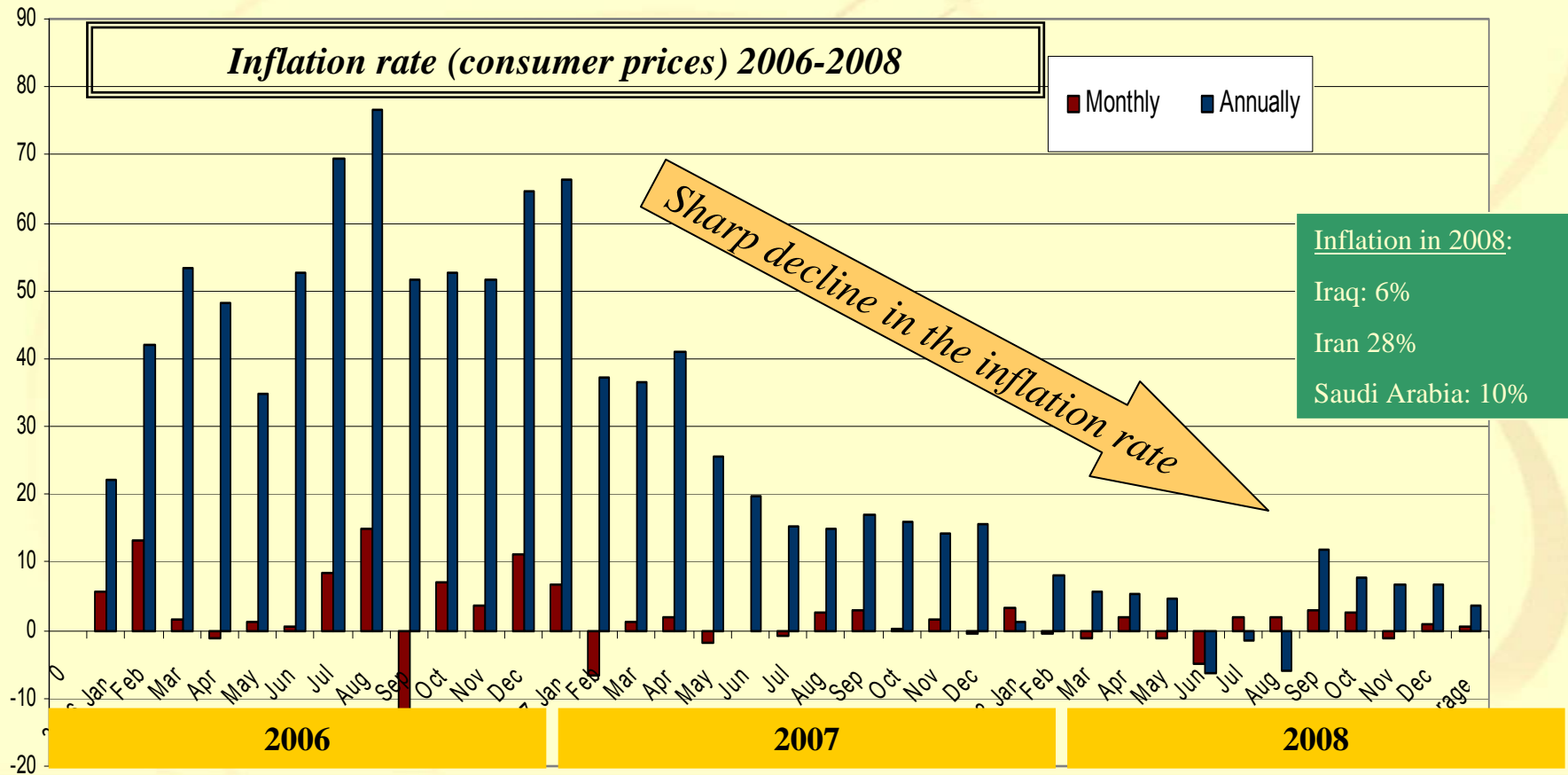
- *Population: 28.9 million*
- *Average life expectancy: 58 years*
- *Poverty: 23.5% of the population under the poverty line*
- *Central Bank Reserves: \$45 billion in 2008,*
- *Federal Budget 2009: over \$58 billion*

***Gross Domestic Product***

<i>GDP (purchasing power parity):</i>	<i>\$113.9 billion (2008 est.)</i>
<i>GDP - per capita (PPP):</i>	<i>\$4,000 (2008 est.)</i> <i>UK: US\$33,800</i>
<i>GDP - real growth rate:</i>	<i>5.8% (2009 est.)</i>

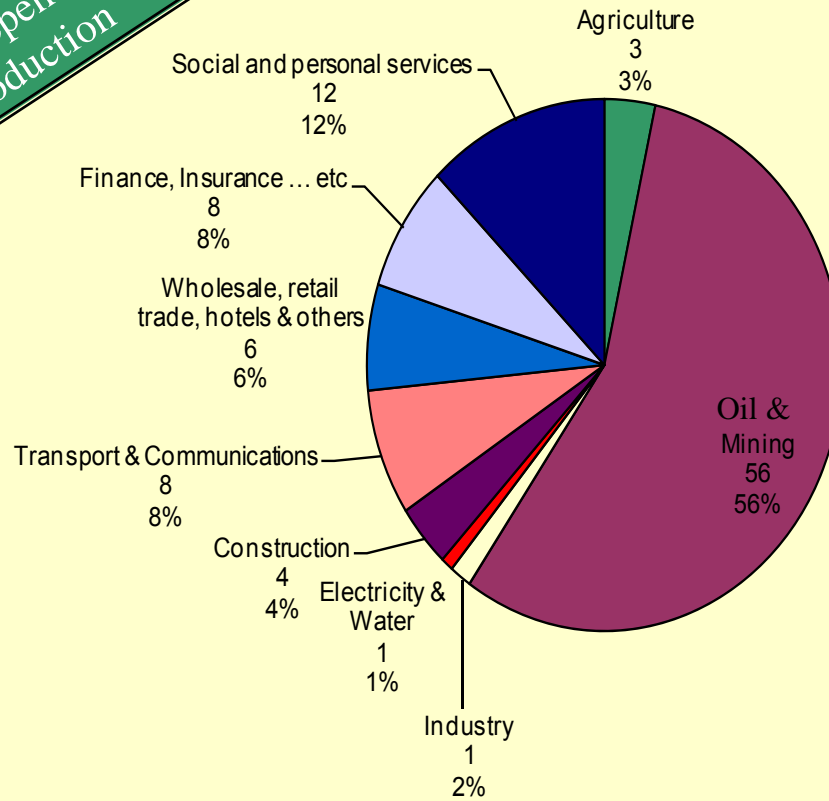
# Security

Security has improved significantly and has resulted in low inflation



## Gross Domestic Product 2008

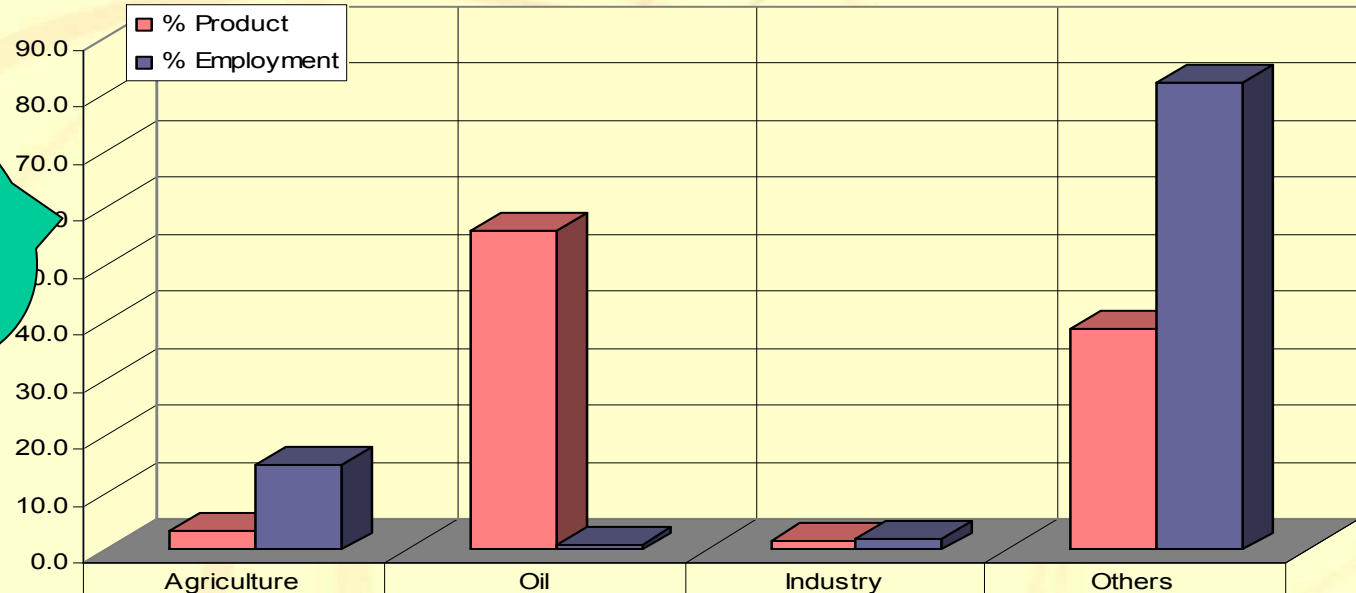
The Economy is dependant on crude oil production





**% of Employees & % Contribution of various Sectors to GDP (2008)**

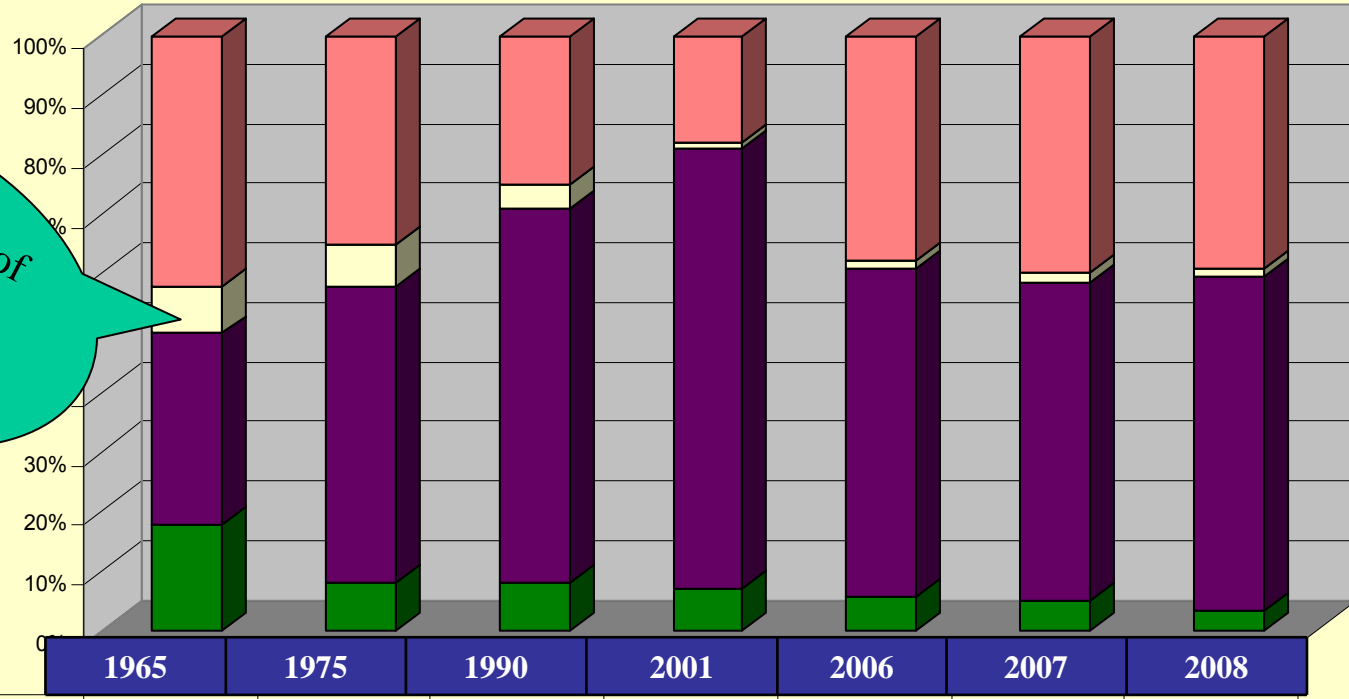
In Oil Sector:  
1% Labour force  
creates 56% of  
GDP!!!



	Agriculture	Oil	Industry	Others
% Product	3.5	56.2	1.5	38.9
% Employment	15.0	1.0	2.0	82.0

GDP over 1965 - 2008

Contribution of Agriculture & Industry is shrinking



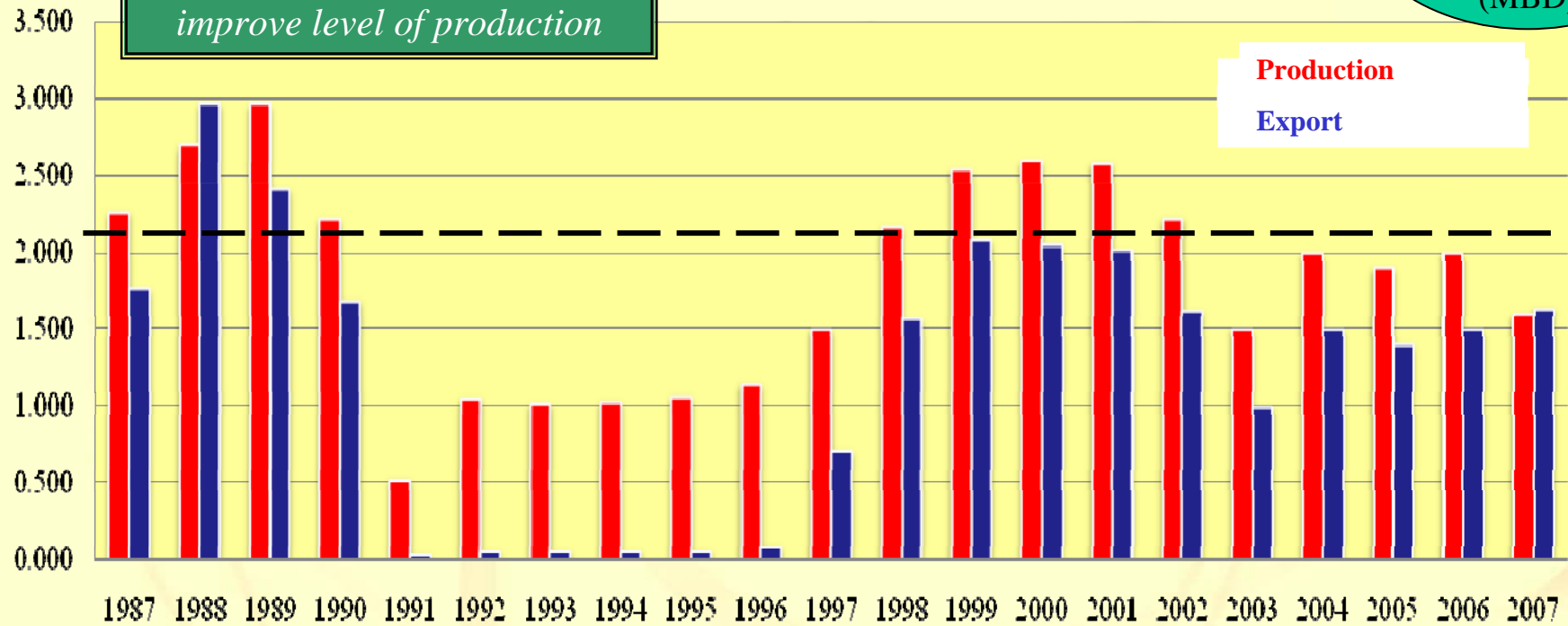
	1965	1975	1990	2001	2006	2007	2008
Others	42	35	25	18	37.7	39.6	39
Industry	8	7	4	1	1.5	1.7	1.5
Crude Oil	32	50	63	74	55	53.7	56
Agriculture	18	8	8	7	5.8	5	3.5



**Oil Production: barrels per day (in thousand)**

Currently producing 2.5 and exporting 2.0 (MBD)

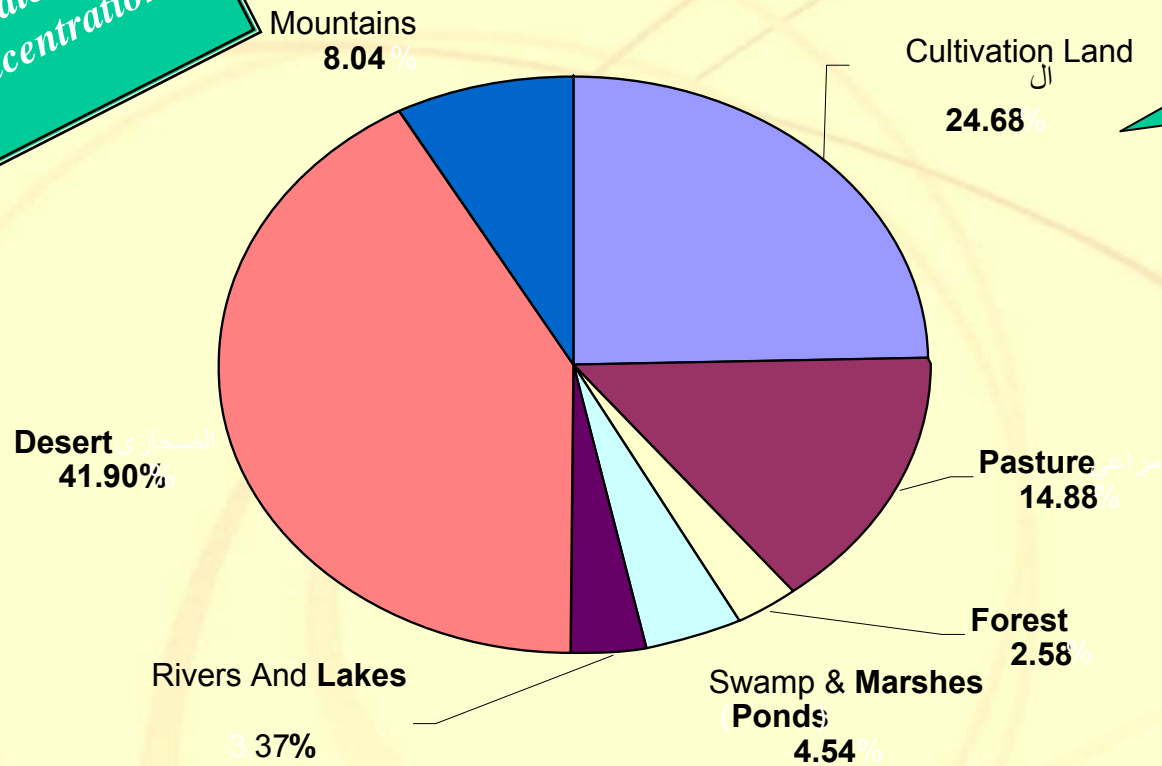
*Iraq badly needs Invest to improve level of production*



# Agriculture

Currently 75% of cultivated land having a high salt concentration problem

Iraq needs to invest in better irrigation system



Main products are: wheat, barley, rice, vegetables, dates, cotton; cattle, sheep, poultry

## *Industry*

- *The industry is dominated by SOE's producing:  
Petroleum, Chemicals, Textiles, Leather,  
Construction materials, Food processing,  
Fertilizer, Metal fabrication/processing*
- *Currently most companies are inefficient for a variety of reasons, and sustained by government subsidies (over \$1.5 billion annually).*
- *The SOE's are current waiting for initiatives for reform.*

## *Electricity*

*Lack of Electricity is hampering the improvement of the economy & depriving social welfare of citizens (on average 3-4 hour per day).*

***- Production Required:***

- production:*** 36.92 billion kWh (2008 est.)
- consumption:*** 39.88 billion kWh (2008 est.)
- imports:*** 2.95 billion kWh (2008 est.)
- production by source:*** fossil fuel: 98.4%, hydro: 1.6%

***Unemployment and  
distribution of Labour Force***

*Weak private sector and inefficient social safety net have pushed the public sector to generate employment*

<i>Employment</i>	2003	2008
<i>Employment in public sector - FT</i>	20%	31%
<i>Employment in public sector - PT</i>	3%	4%
<i>Employment in private sector - PT</i>	21%	25%
<i>Employment in private sector - FT</i>	28%	22%
<i>Unemployment</i>	<b>28%</b>	<b>18%</b>
<i>Total labor force</i>	100%	100%

## ***Iraq Economic Reform***

*Iraq now is implementing “Market Based Economic Reform”:*

***1. Government Economic Intervention:***

*Reducing government subsidies and encouraging private sector engagement,*

***2. Decentralization:***

*Empowering regions to have to their Own budget to manage their affairs,*

***3. Removing Public Debts:***

*Improving the international financial status through commitments to the Paris Club's declaration.*



## Economic Reform

*Furthermore, to consolidate the market based reform:*

- ✓ ***Iraq signed agreements with IMF :***  
*To restructure the economy and to enable Iraq to relief 80% of its national debt.*
- ✓ ***Iraq signed agreement with the International Community :***  
*The “International Compact with Iraq” aims to get international assistance to build modern prosperous economy.*
- ✓ ***Currently, Iraq is preparing have accession to WTO:***  
*Iraq is working to restructure the economy to gain full membership*
- ✓ ***Iraq is getting additional support from OECD, UNDP & World Bank***



## *Reconstruction Efforts*

*As a result of wars & sanctions, the Iraqi infrastructure has been completely damaged. A team of UN and Iraqi officials have made assessments of needs,*

Sectors	2006	2007	2008	2009	2010	Total
Industry		0.3	0.2	0.2	0.1	0.8
Communication		0.3	0.3	0.2	0.2	1
Education		0.6	0.6	0.6	0.6	2.4
Agriculture		1.1	1	1	1	4.1
Irrigation		1	1.5	1.5	1.2	5.2
Constructions		1.5	1.5	1.5	1.5	6
Water &		1.4	1.9	2.5	2.7	8
Regions & provinces		2.5	2.5	3	3	11
Health		2.5	3.3	4.4	4.5	14.7
Electricity		6	4.4	3.5	2.6	16.5
transport		7.5	7.5	7.5	7.5	30
Oil	3.4	8.4	8.7	9.3	9.6	36
Housing		10	12	15	15	52
<b>Total Investment</b>	<b>14.9</b>	<b>43.1</b>	<b>45.4</b>	<b>49.7</b>	<b>49.5</b>	<b>187.7</b>

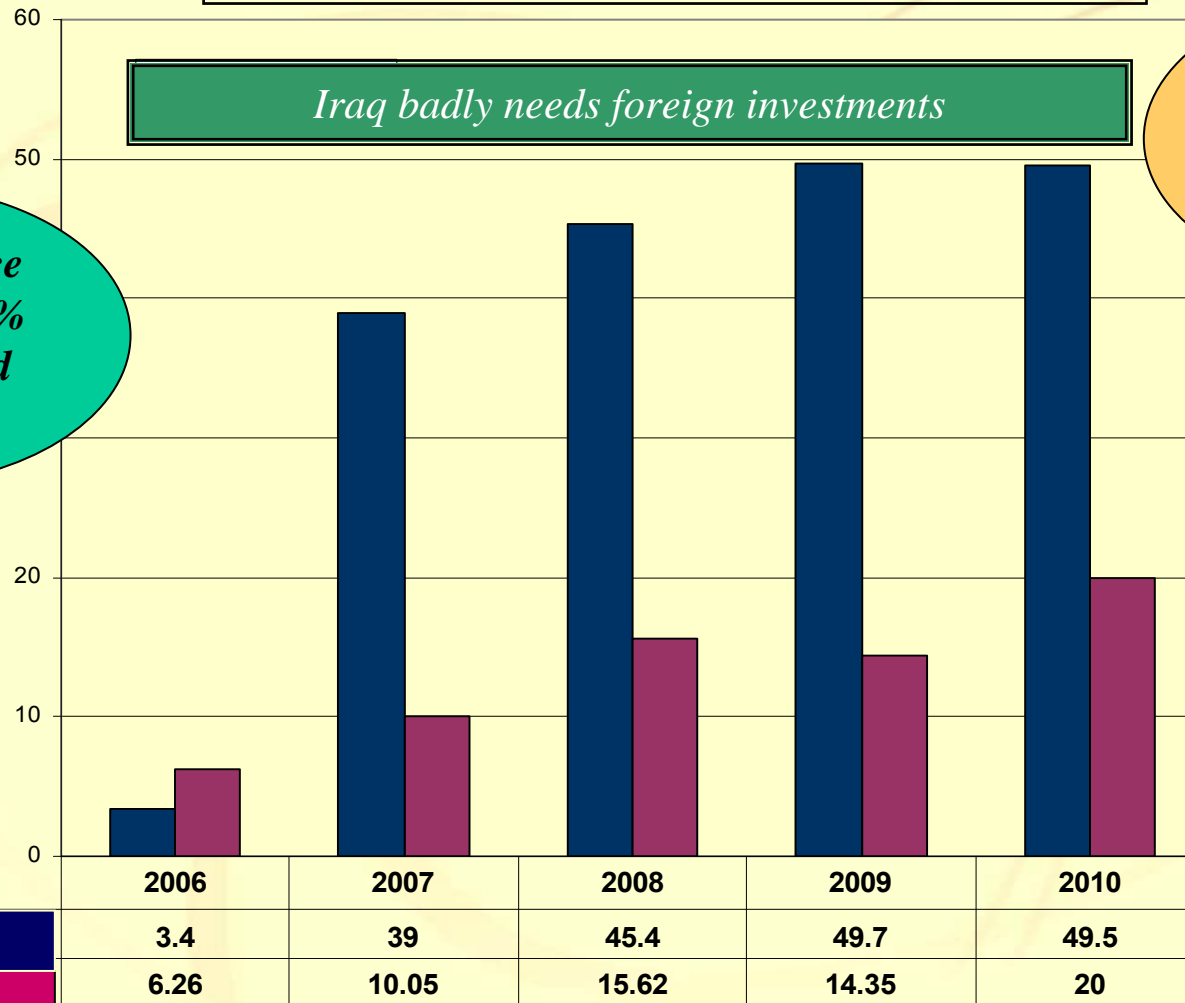
*Investment required  
by various sectors in  
\$ billion*

## Investment Gap

*Iraq badly needs foreign investments*

*Nation resource covers only 48% of the required funds*

*Iraq needs initiatives: such as PPP or PFI*



Required

Allocated

## *Some Aspects of the Investment Law*

- *Exemption from fees and taxes for a period of ten years,*
- *Repatriation of capital and revenues in foreign currency,*
- *Guaranteed protection from confiscation and nationalisation of investment projects,*
- *Not restricting parties to resolving their disputes subject to Iraqi Law.*

***Trade***

<b><i>Exports &amp; Import</i></b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<i>Exports of goods fob (US\$ bn)</i>	36.1	58.8	29.2	34.8
<i>Imports of goods fob (US\$ bn)</i>	25.7	37.2	35.0	38.1

➤ ***Export:*** 90% of which was crude oil, 10 % comprised of crude materials, food and live animals.

➤ ***Import:*** Food, Medicines, manufacture goods, and construction materials.

## ***Recommendations***

*Business environment in Iraq needs to develop towards Easy Business Practice. Iraqi government is working towards that goal.*

*British & Iraqi governments can work together to encourage:*

❖ ***Safe Economic Zones:***

*where security & investment infrastructures can be ensured*

❖ ***PPP Projects:***

*British private sector & Iraqi government can enter through arrangements such as in “Private Public Partnerships” to build the infrastructure of Iraq & restoring the industry .*

