

First Meeting of the Project Working Group

“Improving the business and investment climate in Iraq – policy dialogue and capacity building for key actors”

21 May 2014
10:00 – 13:30
National Investment Commission (NIC)
Baghdad, Iraq

Project background

The MENA-OECD Investment Programme (the Programme) has partnered with the Government of Iraq (GoI) since 2007 to foster private sector-driven economic development in Iraq (the Iraq Project). Funded by the Swedish International Development Co-operation Agency (Sida), the Programme will implement a fourth phase of the Iraq Project. This phase involves capacity building and policy dialogue to help the GoI attract non-hydrocarbon private investment to diversify the economy. Please see Annex 2 for more information about the Iraq Project.

The fourth phase of the Iraq Project (December 2013 – June 2016) includes components on the investment policy framework, investment promotion, investment zones, and regional policy dialogues and capacity building. The fourth phase will benefit the GoI, in particular the Office of the Deputy Prime Minister for Economic Affairs, the National Investment Commission, Provincial Investment Commissions, the Iraqi private sector, and select Iraqi governorates.

Project Working Group

The Project Working Group (PWG) aims to align Iraq Project activities with Iraq's national and regional development priorities, secure support and buy-in among project stakeholders, and ensure project follow-up within the GoI. PWG members include GoI ministries, Iraqi business associations, and local and international NGOs – a full list of organisations is included below.

The first meeting of the PWG took place on 21 May 2014 and was hosted by the National Investment Commission (NIC). At the meeting the Programme presented the components, activities, and expected impact of the Sida-financed fourth phase of the Iraq project, and PWG members were invited to discuss the scope of activities for the four project components. PWG members discussed the framework for economic development in Iraq, the development of Iraq's government institutions and private sector, and the ways that the Sida-financed project can spur non-hydrocarbon private investment into Iraq.

PWG members mentioned that Iraq is experiencing a difficult transition to a market economy. The public sector's role in facilitating this transition, including with developing and adopting appropriate legislation, remains unclear. With the assistance of the international community, Iraq has developed a number of private sector development strategies; however, PWG members indicated that the GoI's capacity to implement them is limited. PWG members recommended that the Iraq Project build on previous analytical and capacity building work which has focussed on private sector development in Iraq.

PWG members stressed that the GoI's institutions must co-ordinate better to adopt and to implement policy more effectively – for example, in economic zone development. PWG members said this co-ordination is not limited to the public sector: the GoI must involve the private sector in decision-making processes.

PWG members also discussed investment promotion. PWG members stressed that potential investors should have access to all information, such as Iraq's investment laws, policies, and investment opportunities, which will help them make informed decisions.

Outcomes

The PWG members welcomed the Programme's proposed approach to improve Iraq's investment policy framework through capacity building and policy dialogues. The PWG members agreed the Programme should work with GoI and other project stakeholders to:

- 1) Analyse and assess Iraq's investment policy framework, using the OECD's Policy Framework for Investment instrument, in collaboration with the GoI and private sector representatives. Based on the analysis, the Programme will propose policy recommendations which aim to increase private investment into Iraq;
- 2) Identify policies for the NIC and select PICs to improve investment promotion efforts, and implement a capacity building process to address their needs;
- 3) Support a policy dialogue on good practices for investment zone development and increase the GoI's capacity to establish an investment zone programme; and
- 4) Integrate the GoI into the Programme's regional working groups and training activities to enhance Iraq's ability to develop sustained policy dialogues with its MENA-region neighbours.

Next steps

Component 1: Analyse and assess Iraq's investment policy framework

The Programme will work with the GoI, Iraqi and international civil society, and the Iraqi private sector to analyse and assess Iraq's investment policy framework using standard OECD investment instruments, namely the Policy Framework for Investment. Based on the results, the Programme, in collaboration with project stakeholders, will support the GoI's policy reform efforts.

To determine the scope of the analysis and assessment, PWG members will indicate their organisations' policy preferences and identify key areas of planned or on-going reform the Iraq project could support, both through the assessment itself and through capacity building.

Component 2: Investment Promotion

The Programme will continue to work with the NIC to develop a capacity building plan to improve the NIC and select PICs' investment promotion capabilities. The Programme will begin to implement the capacity building plan during its first technical mission to Iraq in fall 2014.

Component 3: Investment Zones

The Programme will continue its Working Groups on Investment Zones in Iraq. The Programme will hold a joint-meeting on economic zone development in Iraq with UNIDO on June 16th in Amman, Jordan. The meeting will explore the administration, development, and management of economic zones with relevant GoI ministries. Following the meeting, the Programme will hold the 6th Meeting of the Working Group on Investment Zones on June 17th in Amman. This meeting will explore development strategies for investment zones and discuss the development of a feasibility study for the pilot investment zone in the Babil Governorate.

Component 4: Regional Events

PWG members will nominate appropriate participants to attend the following Programme's MENA-region Working Groups and training sessions in 2014.

| Title | Next Event | Description |
|---|--|---|
| Training on Improving Competitiveness in MENA countries | June 2014, Kuwait (IMF-MENA Centre for Economics and Finance) | The Training aims to share and discuss policies and instruments to promote competitiveness. The discussions focus on deepening the understanding of the concept of competitiveness and how to address competitive challenges through a mix of measures to improve business climates and sector-specific policies; this while considering the different characteristics of countries in the MENA region. |
| OECD-MENA Women's Business Forum (WBF) | June 2014, France | The WBF works with governments, businesses, non-governmental organisations, and academia to improve policies and legislation impacting women's economic integration and to facilitate an exchange of experiences and good practices to support women entrepreneurs. |
| Working Group on SMEs and Entrepreneurship | September 2014, Tunisia | The Working Group aims to engage participants in regional dialogue about issues focussing on promoting high-growth enterprises, assessments of policies for SME development, improving access to finance for SMEs, and fostering women's entrepreneurship. |
| Training on improving policies and access to finance for SMEs in MENA | November 2014, Kuwait IMF-MENA Centre for Economics and Finance) | The Training focusses on different concepts of SME policy, provides an introduction to successful SME policies, and details the specific tools for SME policies and access to finance for SME entrepreneurs. |

| Title | Next Event | Description |
|--|----------------------|--|
| Working Group on Competitiveness | November 2014, Egypt | The Working Group aims to identify key measures for increasing standards of living through better and more sustainable use of economic factors (including labour, knowledge, technology, etc.), while promoting economic openness and integration. |
| Working Group on Investment Policies and Promotion | November 2014, Egypt | The Working Group gathers MENA experts and policy-makers to review FDI trends, assess national and regional investment policies and promotion activities; analyse ways to strengthen bilateral and regional investment frameworks; and explore other issues requested by members, such as green investment, business integrity, and economic zone development. |

Communication and advocacy

The Programme and PWG members will remain in close contact. The Programme will send PWG members periodic updates about project progress, upcoming Iraq Project activities, and requests for PWG members. The PWG participating institutions will nominate a contact person to provide the Programme with background information, liaise between the Programme and his organisation, and ensure that his respective organisation responds to the assessment of the Iraqi investment policy framework.

In addition, PWG members will advocate for the Iraq Project's recommendations to GoI ministries and institutions, the Iraqi private sector, and international organisations and ensure the recommendations are aligned with any related initiatives, on-going or in preparation.

Next mission to Baghdad

The Programme intends to undertake its first technical mission to Baghdad in fall 2014. The mission will focus on collecting information for the investment policy framework analysis and start capacity building activities for the investment promotion component.

Organisations

National Investment Commission
 General Secretariat for the Council of Ministers
 Prime Minister's Advisory Commission
 Office of Deputy Prime Minister for Economic Affairs
 Office of the Deputy Prime Minister for Infrastructure and Services
 Ministry of Finance
 Ministry of Industry and Minerals
 Ministry of Planning
 Provincial Investment Commissions
 Businessmen Union
 Federation of Iraqi Chambers of Commerce
 Iraqi Council for Business Women
 Iraqi Institute for Economic Reform
 Private Sector Development Centre
 Swedish International Development Co-operation Agency
 United Nations Industrial Development Organisation

Annex 1: Agenda



“Improving the business and investment climate in Iraq – policy dialogue and capacity building for key actors”

Project Working Group
First Meeting

Final Agenda

Date: 21 May 2014
Time: 10:00 – 13:30
Venue: National Investment Commission (NIC)
Baghdad, Iraq

Schedule

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| 10:00 – 10:30 | Introduction and overview |
| | Opening remarks Dr Sami Al-Araji , Chair of the National Investment Commission – Chair of the Project Working Group Eidi Genfors , Counsellor, Swedish International Development Co-operation Agency (Sida) Brief overview of the Iraq Project and Project Working Group John Ries , Deputy Economic Counsellor, United States Embassy in Baghdad Anders Jönsson , MENA-OECD Investment Programme, Iraq Project Co-ordinator |
| 10:30 – 11:30 | Project activities and expected impact (I) |
| | <i>Component 1 will review different policies and institutions in Iraq that affect the Iraq's ability to attract private investment. The Programme proposes to use the Policy Framework for Investment (PFI), which covers 10 relevant policy areas including investment policy and investment promotion and other areas such as corporate governance and competition policy. This session will present the menu of options of the PFI and identify priority areas where the Programme can make a substantial contribution.</i> Component 1: Review of the Iraqi policy framework for investment <ul style="list-style-type: none">- Presentation and discussion on the scope and methodology of the review.- Priority areas of the review and co-ordination with national policies, strategies, and priorities.- Roles and responsibilities of PWG members. |
| 11:30 – 11:45 | Break |
| 11:45 – 12:30 | Project activities and expected impact (II) |

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|---------------|---|
| | <p><i>In Component 2 the Programme will support the National Investment Commission and selected Provincial Investment Commissions on the core areas of investment promotion and facilitation.</i></p> <ul style="list-style-type: none"> - <i>Investor outreach;</i> - <i>Sector and investor targeting – setting priorities among investor projects;</i> - <i>Lead management and follow-up process;</i> - <i>Monitoring and evaluation of results.</i> <p>Component 2: Investment promotion diagnostic and development</p> <ul style="list-style-type: none"> - Presentation and discussion of the investment promotion diagnostic and capacity building activities. - Targets and priorities. - Roles and responsibilities of PWG members. <p>Component 3: Working Group on Investment Zones</p> <p><i>The Working Group will meet twice a year and bring together the NIC, other GoI institutions, and OECD expertise to support the development of investment zones in Iraq, in particular planned pilot projects (such as the zone in Hatein). The project will align closely with on-going GoI activities.</i></p> <ul style="list-style-type: none"> - Presentation and discussion on the Working Group's goals and proposed activities. - Targets and priorities. - Roles and responsibilities of PWG members. <p>Component 4: Integration into regional working groups and activities</p> <p><i>The Programme holds a series of regional events. The Programme will integrate the GoI and Iraqi civil society in these activities, including:</i></p> <ul style="list-style-type: none"> - <i>IMF Centre for Entrepreneurship and Finance – Training on competitiveness (Kuwait, 1-4 June 2014);</i> - <i>MENA-OECD Women's Business Forum (Paris, 6 June 2014);</i> - <i>MENA-OECD Working Group on SME policies and access to finance (Tunis, 25 June 2014);</i> - <i>MENA-OECD Working Group on Investment Policies and Promotion (TBD, September 2014).</i> - Presentation and discussion on the Programme's MENA-region working groups and training sessions. - Potential contributions of the GoI and Iraqi civil society to these events. |
| 12:30 – 13:00 | Break |
| 13:00 – 13:30 | Conclusions |
| | <p>Discussion of activities, determination of roles and responsibilities, and next steps</p> <p>Dr Sami Al-Araji, Chair of the National Investment Commission/Chair of the PWG Anders Jönsson, MENA-OECD Investment Programme, Iraq Project Co-ordinator</p> |

About the MENA-OECD Investment Programme

The the Programme is part of the MENA-OECD Initiative on Governance and Investment for Development. It was launched in 2005 to enhance investment in the MENA region.¹ Combining regional policy dialogue with country support, the Programme is designed to help create the conditions for sustained economic growth and investment, encourage private sector-led development, improve employment prospects, and foster regional co-operation.

In response to MENA's socio-economic challenges, the Programme has strengthened its focus on fostering more inclusive growth and job creation through investment, small and medium-sized (SMEs) enterprises promotion, women's economic integration and strengthened business integrity.

The comparative advantages of the Programme include:

- National and regional ownership through its governing body, the Steering Group, as well as working groups and networks responsible for the delivery of substantive work, all co-chaired by an OECD and a MENA country.
- Focus on OECD methodologies (sharing of good practices, policy reviews), instruments (*e.g.* Declaration on International Investment and the Guidelines on Multinational Enterprises, Anti-bribery Convention), and tools (*e.g.* practical implementation of the Policy Framework for Investment or the Principles of Corporate Governance) to ensure adherence to international standards, in a way that suits the specific needs of the region.
- Policy dialogue encompassing various stakeholders (including the private sector and civil society) and combined with analytical work for policy formulation and reforms identification, and support for implementation.

For further information about the Programme: <http://www.oecd.org/mena/investment/>

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^[1] Participating economies include Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen.

Annex 2: Project Brief

MENA-OECD Investment Programme's Iraq Project

“Improving the business and investment climate in Iraq – policy dialogue and capacity building for key actors”

In the Iraq Project’s Fourth Phase, the MENA-OECD Investment Programme (the Programme) will support the Government of Iraq’s (GoI) efforts to encourage pro-poor growth through private sector development. A two-pronged project of capacity building measures and policy dialogue will support the GoI in attracting non-hydrocarbon private investment to diversify the economy. The project will benefit the GoI, in particular the Office of the Deputy Prime Minister for Economic Affairs and the National Investment Commission, the Iraqi private sector, and Iraqi governorates. In addition, the Sida project will benefit the Kurdistan Regional Government’s (KRG) Board of Investment. The Swedish International Development Co-operation Agency (Sida) intends to provide funding for the period 1 December 2013 to 30 June 2016.

Annex: Component Descriptions

1. Capacity building:

- The Programme will employ OECD policy instruments, such as the Policy Framework for Investment (PFI), to review Iraq’s business climate and investment policy framework and the GoI’s ability to define, develop, and implement successful investment promotion strategies.
- Based on these reviews, the Programme will develop training programmes to support the GoI to improve its investment and business climates and its ability to attract and retain private investment.

2. Policy dialogue:

- The Programme will integrate the GoI into the Programme’s regional working groups, such as Competitiveness, SME Policy, and Investment, and the OECD-MENA Women’s Business Forum.
- The Programme will continue its Working Group on Investment Zones in Iraq.



Capacity Building

Component 1. Review of the Iraqi policy framework for investment and business climate: aims to analyse the investment policy framework and business climate in Iraq using standard OECD investment instruments, including the Policy Framework for Investment. The GoI and the Programme – in consultation with various Iraqi stakeholders – will jointly determine the scope of the review, which will focus on key policy areas such as trade and competition policy, human resource development and responsible business conduct. The study may also analyse women's economic integration and investment into specific sectors, for instance agriculture. The review process will strengthen the capacity of the GoI to assess its policies and will be complemented by additional capacity building activities.

Component 2. Investment promotion diagnostic and development: aims to increase the NIC and the PICs' capacity as the GoI's main investment promoters and to align their operations with best practice. The Programme will conduct an investment promotion diagnostic to assess Iraq's investment promotion efforts. Based on the diagnostic's findings, the Programme will develop a capacity building programme that includes study tours, matchmaking events, investment roundtables, and other training sessions. This will help the NIC to better attract and retain investment, particularly in key sectors strategic to Iraq's long-term economic development. The Programme intends to conduct similar activities with the KRG's Board of Investment.

Policy Dialogue

Component 3. Working Group on Investment Zones: continues the Programme's Working Group on Investment Zones in Iraq, which seeks to establish a functional investment zone programme and to guide the development of a pilot investment zone. The Working Group consists of a series of dialogues and training sessions. The Iraqi government can use investment zones to promote investment into strategic sectors.

Component 4. Integration into regional working groups and activities: will encourage the GoI to fully participate in the Programme's regional working groups (financed in part by a grant from Sida) and the Programme's activities at the IMF Training Centre in Kuwait. The planned working groups include: investment, SME policy, and competitiveness. In addition, the Programme will integrate the GoI into its training activities in Kuwait and the OECD-MENA Women's Business Forum.