

# Workshop on Iraq National Investment Reform

22 January 2008

Amman, Jordan

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**MENA-OECD  
INVESTMENT  
PROGRAMME**

# Content

- I. Presentation of the Investment Compact: countries covered and similarities with Iraq case; IPAs establishment and activities (country case)
- II. Iraq Competitive Marketing Strategy to Generate Investment: key points of Iraqi plan
- III. Overview on the Sector Specific Approach and Competitiveness Analysis



# I. The Investment Compact for South East Europe

- The Investment Compact was launched in 2000.
- It is a regional programme at the OECD designed to improve the investment environment and encourage private sector development in South East Europe.
- This region includes: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Moldova, Montenegro, Romania, Serbia.
- Each country participates in the work of the programme through a Country Economic Team headed by a senior level governmental official.



# The Disintegration of Yugoslavia

- Most countries from South East Europe were part of Yugoslavia before the fall of Communism.
- From the early 1990s onwards, Yugoslavia started to disintegrate.
- This disintegration was followed by economic crises and warfare, which culminated in the bombing of the Federal Republic of Yugoslavia by NATO in 1990.
- Since 2000 a stabilisation process has begun in the region.



# Investment Promotion Agencies in South East Europe

| Investment Promotion Agency                                   | Coordination                    | Budget in 2005 (EUR) | Staff (2005/2006) |
|---|---------------------------------|----------------------|-------------------|
| AlbInvest, Albania  | Ministry of Economy             | 343,954              | 31                |
| Foreign Investment Promotion Agency of Bosnia and Herzegovina | Council of Ministers            | 742,739              | 15                |
| InvestBulgaria Agency   | Ministry of Economy             | 767,000              | 35                |
| Trade and Investment Promotion Agency of Croatia              | Vice Prime Minister's Cabinet   | n/a                  | 25                |
| Agency for Foreign Investments of the Republic of Macedonia   | Ministry of Economy             | 80,000               | 10                |
| Moldovan Export Promotion Organisation                        | n/a                             | n/a                  | n/a               |
| Montenegrin Investment Promotion Agency                       | Prime Minister's Cabinet        | 180,000              | 5                 |
| Romanian Agency for Foreign Investments                       | Vice Prime Minister's Cabinet   | 520,000              | 31                |
| Serbia Investment and Export Promotion Agency                 | Deputy Prime Minister's Cabinet | 592,300              | 30                |

# The Serbian Investment and Export Promotion Agency (SIEPA)

- Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to effectively helping foreign investors and buyers, while raising Serbia's profile in the minds of international business decision-makers.
- Created in 2001 by the Government of the Republic of Serbia, SIEPA's mission is to support foreign companies seeking to set up or expand in Serbia and Serbian companies when doing business worldwide.
- SIEPA started as a market privatisation agency but has gone a long way in building up investment promotion activities such as distributing brochures and guides or creating management incentives.



# Foreign Direct Investment in Serbia

- Serbia FDI (net inflows recorded in the balance of payments)  
– Source EBRD Transition Report 2007 (Million US\$)
- 2000: 25
- 2001: 165
- 2002: 475
- 2003: 1360
- 2004: 966
- 2005: 1481
- 2006: 4400



# Investment Compact Checklist on how to market a country

The design of a comprehensive marketing and selling campaign follows several steps:

- Use professional surveys of investor perceptions of the country as the basis for an image-building and promotion programme;
- Develop an international image-building programme aimed at the foreign investment community and international business media;
- Where possible, include the existing foreign investor/importer community in all promotional activities;
- Use senior political figures and government officials, existing foreign investors/importers, and the overseas expatriate community as 'ambassadors';
- Focus on selected target sectors, i.e. those sectors where the country can offer competitive advantage and where key competitive messages have been developed;
- Within these sectors, identify key investing companies and the decision-makers within those companies;
- Implement an investment generation campaign aimed at key executives in potential investing companies and based on an appreciation of investors' investment/import priorities and on competitive advantages;
- Organise and conduct well-planned country visits by potential investors/importers, ensuring provision of all relevant information and advice necessary to assess the country's attractiveness as an investment location.



## II. Investment Promotion in Iraq : the Competitive Marketing Strategy to Generate Investment

- The Iraqi Commission for Investment designed a Competitive Marketing Strategy to generate investment in the country with the purpose of communicating the benefits of the new Investment Law 13/2006 to foreign investors
- Strategy consisting of 3 stages:
  - a) design of a marketing/promotion plan;
  - b) analysis of investment trends to determine Iraq's competitiveness opportunities by sectors and areas of development;
  - c) assessment of the strategy by identification of strength and weaknesses points



# Key points for designing the Iraqi marketing plan

- ❑ Lay down patterns for promotional activities to attract investments, according to the goals and structure of the investment law and national development plan
- ❑ Connect investment promotion strategy with the national plan to meet development goals through:
  - Determination of goals for FDI attraction based on the goals of national development
  - Coordinate goals and tasks of the Investment Commission with FDI attraction goals in target sectors
  - Evaluate strengths and weakness points in the investment promotion strategy
- ❑ Identify sectors as targets for foreign investment attraction and determine priorities in each sector (short and medium-long term)
- ❑ Geographical analysis of countries targeted for investment marketing in the sectors and areas identified
- ❑ Analysis of FDI trends, regionally and internationally, to determine Iraq's capability for investment attraction in target sectors for national development



# III. Competitiveness analysis: Sector specific approach

A sector specific approach has been developed by the OECD Investment Compact for Western Balkans and Kazakhstan in particular with three key objectives:

- Economy diversification
- Competitiveness of non-oil exports
- Income inequalities

The approach is planned in 3 phases and over 3 years aiming each at:

1. Prioritising and defining sector specific sources of competitiveness and specific policy barriers
2. Strengthening sectors competitiveness by addressing specific policy barriers for short term results
3. Putting in place mechanisms to drive sustainable reform

**➤ A competitiveness analysis based on this approach can be developed for Iraq and integrated in the Competitive Marketing Strategy to Generate Investments**



# Strategy for increasing investment in the Western Balkans

How to increase investment and trade in a selected number of industry sectors?

- What are the end-customer requirements in those sectors and what are the industry/supply implications?
- How attractive and competitive are the sectors?
- What is the recommended positioning to attract investment and trade to the selected sectors?
- What are the main barriers and how to remove them?
- What are the implementation steps needed to attract investment and trade?



# Sector specific approach goals

The sector specific approach developed for Kazakhstan aims at addressing the following questions:

- Where and how to diversify the economy?
  - Which sectors are/could be most competitive?
  - What would be the impact on the economy?
- How to increase investment and trade in specific sectors?
  - How attractive and competitive are the sectors?
  - What is the recommended positioning to attract investment and trade to the selected sectors?
  - What are the main barriers and how they can be removed?
  - What are the implementation steps needed to attract investment and trade?
  - How to increase employment and reduce income inequalities through longer term structural reforms?



# Leveraging OECD best practices and innovation tools in the sector specific approach

## Sector Prioritisation Index

Created a Sector Prioritisation Index covering 32 sectors over 15 variables  
Focus on analysing the market attractiveness and country benefit

## Regional Capability Survey

Surveying more than 4000 companies across 7 countries and 4 sectors  
More than 30 questions focused on collecting productivity, skill gap and policy barriers data directly from the companies

## Policy model

Creating a policy model determining the profitability of firms based on policy levers and given prices  
Building scenario, sensitivity analysis as well as trade-off analysis to assess the most sensitive cost and policy areas

## Primary and Secondary Research

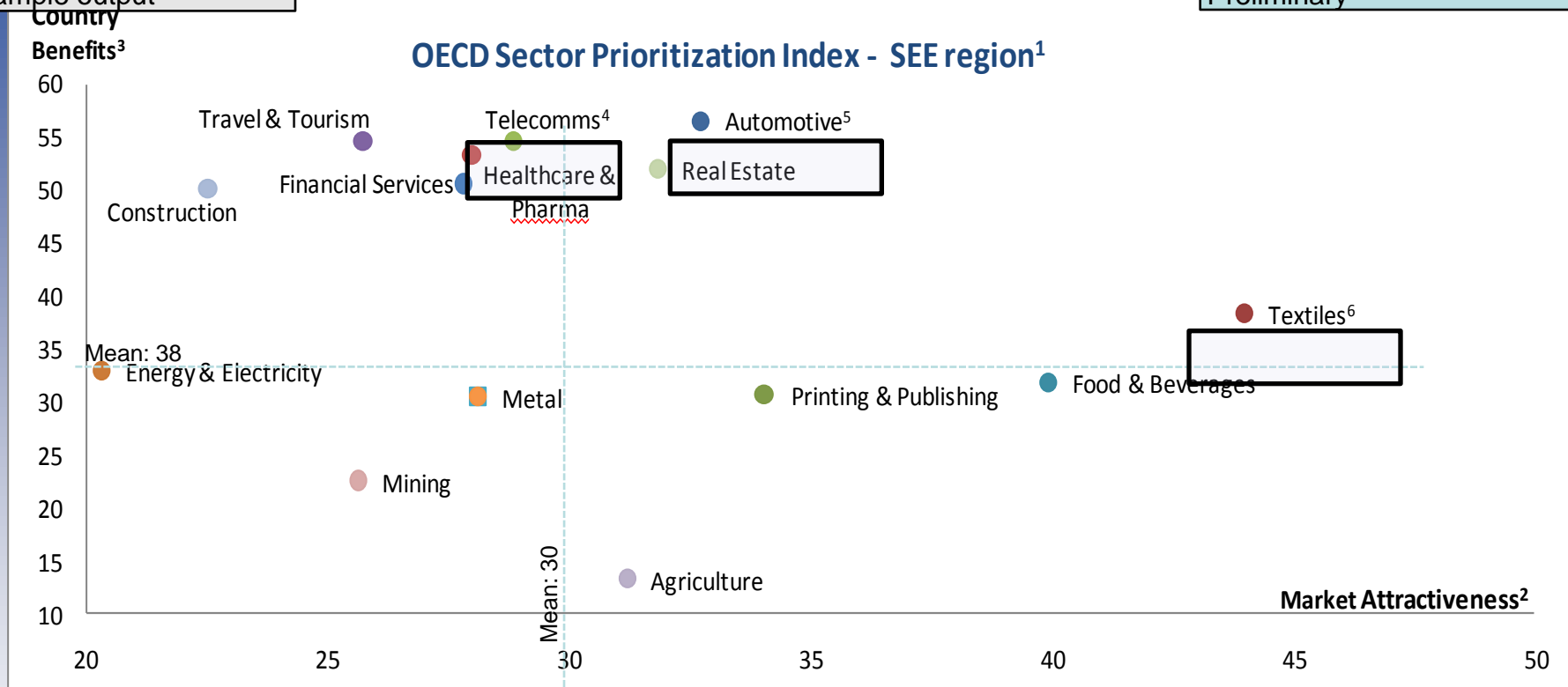
Conducted secondary industry research including market research reviews, country statistics, international trade and FDI statistics  
Conduct focused group, interviews with academia, experts and firms to verify information from the sector-specific surveys and the results from the policy model



# Prioritising sectors rigorously: OECD Sector Prioritisation Index (example for SEE)

Sample output

Preliminary



NOTES: ¹ Points allocation has been weighted against 2005 real GDP figures for Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia

² Variables in Market Attractiveness and weights: market growth (20%), total output share and growth rate (20%), value added (20%), exports as a proportion of total exports (10%), trade

balance (10%), degree of industry consolidation (10%), number of establishments (10%)

³ Variables in Country Benefits and weights: FDI stock (20%), employment level (20%), potential for employment generation (20%), potential for innovation (20%), spill-over to other industries (20%)

⁴ OECD classification based on NACE codes; includes ICT and BPO services

⁵ OECD classification based on NACE codes; includes automotive components

⁶ OECD classification based on NACE codes; included in consumer goods and retailing



Sources: National Statistics, UNIDO, OECD analysis, market research companies