

## Organisation for Economic Co-operation and Development (OECD) Iraqi Engagement

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. In response to invitations by the countries of the Middle East and North Africa (MENA) for assistance in the area of Investment issues, the OECD responded by creating the MENA-OECD Investment Programme of which Iraq is a member. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD engagement with Iraq is the result of requests for assistance made by individual Government of Iraq officials as well as through the International Compact with Iraq. Through these requests the OECD is able to offer the Government of Iraq practical and co-operative assistance in the areas of investment reform and anti-corruption assessment.

In the area of investment reform the OECD is prepared to co-operate with the Government of Iraq in implementing the Investment Law (Number 13 – 2006). The economic and social benefits of private investment, both domestic and international and in its many forms, from physical assets to intellectual capital are widely recognised. Private investment expands an economy's productive capacity, drives job creation and income growth, and in the case of international investment, is a conduit for the local diffusion of technological and enterprise expertise and spurs domestic investment, including through the creation of local supplier linkages. Such benefits can act as a powerful force for development and poverty eradication. Yet, while many countries have succeeded in achieving high rates of domestic private investment and attracting substantial international investment as an integral part of their development strategy, others have not been as successful in realising the benefits of investment. The benefits of investment do not necessarily accrue automatically or evenly across countries, sectors and local communities. Countries' continuous efforts to strengthen national policies and public institutions, and international co-operation, to create sound investment environments matter most.

Given Iraq's history and unique present-day situation, the challenges of creating a more positive and competitive investment environment, broad-based economic growth, anti-corruption efforts, and global economic integration should be viewed in the long-term perspective. The OECD does not seek or promise solutions which will change Iraq's current investment environment in an immediate fashion. What the OECD does promise is to co-operate with the Government of Iraq in building a long-term positive investment environment built upon regional and international best practices, regional and international integration of the Iraqi investment regulatory framework, investment policy coherence, investment policy transparency, and the regular evaluation of existing and proposed policies on the Iraqi investment environment. While these perspectives are long-term, practical steps can be taken now to assist Iraq on the path to a more positive and competitive investment environment. As such the OECD is prepared to co-operate with the Government of Iraq in the following areas which will begin the implementation process of Iraq's Investment Law and assessment of anti-corruption efforts:

- **Creation of a National Investment Reform Agenda (NIRA) for Iraq.** Specific laws, regulations, and measures designed to create a more positive and competitive investment environment can be more successful if they take place within the context of, and not a substitute for, broad national policies. A consensus-driven NIRA assists those seeking to invest in Iraq, both foreign and domestic, by signaling the clear intentions of the Government of Iraq in terms of overall

attractiveness, openness, and competitiveness as an investment consideration. OECD co-operation in this area of policy formulation would include development and prioritisation of government-wide investment policies to insure transparency and consistency for all applications and decisions on a government-wide basis.

- **Organisation of the Iraqi National Investment Commission.** A well-organised and adequately funded National investment Commission will enable the Government of Iraq to better implement Iraq's consensus-driven National Investment Reform Agenda. Centralising investment promotion and facilitation activities, such as information dissemination and policy advocacy, within a well-organised National Investment Commission can be more cost effective and provides an opportunity to present a coherent impression of Iraq's attractiveness to investors. OECD co-operation in this endeavour would include support to the Council of Ministers in developing the Iraqi National Investment Commission's mission statement, goals, objectives and developing an effective organizational structure with corresponding job descriptions.
- **Implementation of the Iraqi Investment Law (Number 13 – 2006) Rules and Regulations.** For investment policies to be effective, businesses and other stakeholders need to understand the "rules of the game." This requires that investment rules and regulations be transparent and their implementation predictable. It also requires that rulings on investment cases be made based on non-discriminatory criteria and consistently. Transparency can be promoted by, for instance, ensuring that businesses and other interested parties have access to all necessary information, by offering guidance on the interpretation of the investment rules and regulations by publishing reasons for judiciary and regulatory agency decisions. Transparency and predictability help to improve the investment environment by reducing the risk of inconsistent application of rules and regulations and lower uncertainty faced by investors and others. In addition, transparency reduces firms' costs of compliance and promotes confidence by reassuring investors that they are being treated fairly and that government is exercising its powers responsibly. OECD co-operation in this endeavour would include support to the Council of Ministers and other appropriate groups in developing an optimal set of rules and regulations which will help make the Iraqi National Investment Commission a fully functioning implementer of Iraq's investment priorities.
- **Anti-Corruption Assessment.** Public policies promoting recognised concepts and principles for responsible business conduct help attract investments that contribute to sustainable economic development. Such policies include: providing an enabling environment which clearly defines respective roles of government and business; promoting dialogue on norms for business conduct; supporting private initiatives for responsible business conduct; and participating in international co-operation in support of responsible business conduct. Regulatory quality and public sector integrity are two dimensions of public governance that critically matter for the confidence and decisions of all investors and for reaping the development benefits of investment. While there is no single model for good public governance, there are commonly accepted standards of public governance to assist governments in assuming their roles effectively. OECD co-operation in this endeavour would include assessing the Government of Iraq's present anti-corruption practices and strategies against regional and international best practices, integration of Government of Iraq anti-corruption agencies into the regional and international efforts to abate corruption, and strategy design for anti-corruption efforts in sectors key for investment attraction.