



High-level Meeting on Economic and Governance Policy Reforms in the Republic of Iraq

Paris, 8-10 July 2008

Conclusions and Recommendations for next steps in GOI / MENA-OECD/UNDP cooperation on Private Sector Development, Anti-Corruption and Aid Management

(Contribution to the International Compact with Iraq)

Participants of the High-level meeting on Economic and Governance Policy Reforms within the framework of the International Compact with Iraq (ICI) and the National Development Strategy (2007-2010) with a focus on private sector development, anti-corruption and aid management, agreed on the following:

With respect to private sector development

- Increased private investment leading to more rapid and sustainable job creation, poverty reduction, improved livelihood, increased incomes, as well as to greater economic opportunities for all;
- The establishment of effective and accountable public and private institutions necessary for the efficient functioning of competitive markets;
- The establishment of an enabling economic environment that will encourage increased investment in socially and environmentally responsible enterprises;
- Economic diversification and enhanced competitiveness to increase access to regional and international markets;
- Development of a strong private sector to serve as the engine of growth of the Iraqi economy with the aim of doubling the output of the non-energy related private sector by end of 2011 (mandate of the ICI ends);



- To attain those objectives, they will build on the first results emerging from the work conducted by MENA-OECD Initiative on investment policy, government procurement and anti-corruption reforms as well as on the priorities formulated by Iraqi participants during the High Level meeting.

The Iraqi delegation at the high level meeting, with the support UNDP and OECD, committed to:

Process

1. The formation of the Project Management Task Force for Economic Reforms and Private Sector Capacity which will conduct a comprehensive assessment of legislative, institutional and sectoral needs with the aim to assist the GoI to design policies for a comprehensive business climate development strategy. Consistency of the regulatory environment for investment should be guaranteed.
2. The establishment of a public-private consultation mechanism to enhance the role of the private sector and civil society in the formulation, implementation and monitoring of government economic and fiscal policies and legal and institutional reforms.

Reforming public enterprises

3. Restructuring and enhancing the efficiency of Iraqi SOEs through notably introducing corporate governance standards using international benchmarks.
4. Enabling the use of Public Private Partnership / Private Sector Participation in ownership, in investment, in management, in service delivery and in operations of current SOEs. **Actions:** Supporting the Privatisation/PPP Law, setting up a responsible agency. Develop a corporate governance code for Iraqi SOEs.
5. Supporting the restructuring of State-owned banks and strengthen their corporate governance.
6. Mitigating adverse social impact of these reforms through evidence-based adjustment of the social safety net and expansion of social and employment services.

Enhancing entrepreneurship

7. Encouraging enterprise development and employment creation through comprehensive policies including business advisory centres, removing administrative obstacles, a business friendly tax system and access to finance and promoting women entrepreneurship. **Action:** Develop a comprehensive set of SME policies, strengthen the one stop shop function for business licensing in the



investment commission and develop an effective mechanisms for enterprise finance.

Investment Promotion

8. Enhancing the regulatory framework for investment and promoting investment by designing an investment promotion strategy, developing competitive advantages in various sectors, elaborating implementation regulations to the existing investment law, and designing a strategy for negotiation and implementation of international economic law agreements (in particular investment and double taxation agreements).
9. Developing a comprehensive land use policy and enhancing the availability of land for investment.
10. Improving access to finance for private enterprises through strengthening of the financial system and the legislative and institutional framework for financial markets.
11. Establishing an adequate framework for an effective insurance sector.

With respect to Anti-corruption

The Iraqi delegation at the high level meeting, with the support UNDP and OECD, committed to:

Support the Iraqi Government to strengthen the regulatory and institutional framework aimed to enhance and maintain accountability, transparency and integrity in the public and private sectors to prevent and combat corruption, based in the Iraqi government's obligations and privileges as signatory to the UN Convention Against Corruption, informed by experience gained from other instruments as the OECD Anti-bribery Convention. This action will include:

12. Institutional and Policy Development, enhancing the capacities of the principal anti-corruption institutions of Iraq and their coordination, at federal, regional and local levels, in particular of the Commission of Integrity, the Board of Supreme Audit, the Inspector Generals, the Joint Anti-Corruption Council and the Parliamentary Integrity Committee;
13. Effective Prevention through improved public administration and management, including public financial management and development of the civil service;
14. Improving implementation through supporting capacity building by practical tools and training programs to enable officials and institutions in effectively designing and implementing integrity and anti-corruption measures;



15. Re-establishing a Culture of Integrity in society at large with public-private coalitions and partnerships against corruption and general public awareness and long term education strategies to communicate public integrity as a shared responsibility;
16. Preventing Conflict of Interest, strengthening standards and implementation mechanisms, in particular the financial disclosures, to support the identification of conflict of interest and also support detection of illicit enrichment;
17. Inspection, Monitoring, Detection and Oversight, by strengthening the specialized functions of the BSA, IGs and the Parliamentary Integrity Committee;
18. Consistency of Anticorruption Laws: ensuring anticorruption laws in Iraq are consistent, meet international standards and are well known both by public officials and by the society at large;
19. Enforcement of laws and regulations, including authorities of the COI to carry out its independent investigatory functions and the law enforcement capacities of Investigative Judges for the effective investigation and prosecutions of fraud and corruption; protecting witnesses and other persons bringing corrupt activities to the attention of the authorities and the public;
20. Enhance the System of Public Procurement by implementing effective rules and mechanisms to promote competitive bidding, increase transparency of the process and ensure the integrity of the system at all levels of government, provide adequate training to public procurement officers and encourage integrity commitments by enterprises participating in the bidding process;
21. International Assistance for Corruption and Related Crimes, through building a functional system, operational capacities as well as channels and mechanisms for international cooperation in areas such as money-laundering and asset recovery;
22. Interagency Coordination and Cooperation to ensure consistency at the policy and operational levels in the design and implementation of integrity and anticorruption measures;
23. International Cooperation, to increase the knowledge of international good practices, enhance Iraq's participation in relevant international and regional fora and support Iraq in fully complying with the requirements of the United Nations Convention against Corruption.



With respect to aid management

The Iraqi Delegation to the High Level meeting, with the support of UNDP and OECD, committed to:

24. Pursuant to the Government of Iraq's signing of the Paris Declaration on Aid Effectiveness in shared responsibility with the international donor community:
 - Establish targets for progress to be met by 2010 against the five partnership principles of the Paris Declaration on Aid Effectiveness, and its related 56 partnership commitments and progress indicators;
 - Organize and conduct a survey to determine a baseline for the establishment and achievement of the 2010 targets to be measured against 12 indicators associated with the PDAF partnership principles;
 - Assist in the preparation of a Country Action Plan and institutional architecture, responsibilities and functional relations to support implementation in accordance with the ICI;
 - Monitor and support progress against established targets;
 - Guide, monitor and suggest revision of the aid management policies and processes to ensure compliance with the Paris Declaration on Aid Effectiveness five principles and support the Government of Iraq's policy for external assistance.

25. For the purpose of reaching the commitments set out above, the parties engaged in this cooperation framework will work jointly on developing specific projects in line with the International Compact with Iraq and the National Development Strategy.