



# **International Good Practices for Attracting Investment Zone Users**

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# Synergies between Developers and Users of Investment Zones

- Good practices to attract zone users substantially overlap with those required to attract zone developers...
- ...since a main concern of developers is to offer an attractive proposition to the zone users, who account for a considerable proportion of their revenue

# Good practices for Attracting Zone Users

- Minimal red tape and bureaucracy - ensuring that users are protected from:
  - Administrative difficulties
  - Financial restrictions (including currency controls)
  - Restrictive regulations (e.g. employment or ownership restrictions)
- In some countries, security, sound infrastructure, and minimal bureaucracy are far more important than customs and tax benefits in attracting users

# Good practices for Attracting Zone Users

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- Intelligent location
- Transportation planning
- Infrastructure and services
- Intelligent management of incentives

# Key Principles for an Effective Institutional Framework for Zone Users

1. Clarity in roles and responsibilities
2. Autonomy and inclusivity
3. Authority and coordination
4. Resources and capacity

# Clarity in Roles and Responsibilities

- It is important for investment zone policy to outline clearly the specific responsibilities of the different actors – government, developers and users
- These responsibilities should be clearly reflected in any investment zone regulation
- Monitoring and enforcement mechanisms should be specified
- Separation between the regulator role and the developer role should be a basic design feature

# Autonomy and Inclusivity

- The establishment of an investment zone board of directors (as in Egypt) including both public and private sector members
- This ensures that all main perspectives are taken into account in decision-making
- Such a board may be overseen by government authorities or corporations, departments within specific ministries, zone-specific management boards, or (less often) investment promotion agencies

# Authority and Coordination

- These are key operational principles to ensure the investment zone board delivers effectively on its primary mandate (zone management)
- **Authority** implies:
  - The representation of all key stakeholders (public and private)
  - Powers and duties that are clearly defined in the legislation
  - A pro-active approach to problem-solving and service provision that inspires moral authority.

# Authority and Coordination

- **Inter-agency coordination** is also important for the marketing and promotion of the zones, since:
  - In most countries the investment zone board has primary responsibility for marketing and promotion and (nearly always) investor after-care at the zone level
  - A separate national investment promotion authority performs these same roles for the country overall

# Resources and Capacity

- The effective functioning of the zone board also depends on ensuring availability of the appropriate resources and capacity in the zone authority.
- Zone authorities, of which the budgets are allocated from a ministry or the Treasury, face serious problems of predictability (budgets are normally only fixed year-to-year) and can be held hostage to political issues

# Resources and Capacity

- Good practice is to link the budget in some way to the revenues earned through the zones programme
- This increases the political independence of the authority and increases financial visibility
- Such revenues are typically not enough to cover the full budget of an authority

# Conclusions and Recommendations

- The proposed Iraq investment zones regulation and the current investment law offer a very wide package of fiscal incentives
- Comprehensive tax reform efforts have created an ambiguous situation regarding the tax exemption
- The legislation should provide protection against changes in the law that may negatively impact the integrity of the zones regime

# Conclusions and Recommendations

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- The quality of off-site infrastructure and its connection to on-site plant will be of critical importance
- Local authorities and various ministries will play a key role regarding off-site infrastructure
- Their involvement in a coordinated package of user services is crucial

# Conclusions and Recommendations

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- Provide for dispute settlement mechanisms and procedures allowing for international arbitration—a multi-tiered approach is often useful, including arbitration as an option