

MENA-OECD INVESTMENT PROGRAMME

**ENABLING AND SUSTAINING
PRIVATE FOREIGN INVESTMENT IN IRAQ**

Second Meeting of the Working Group on Investment Zones in Iraq

FINAL DECLARATION AND ACTION PLAN

Istanbul, 23-24 November 2011



FINAL DECLARATION

Pursuant to the mandate and action plan approved by the Workshop on Iraqi Economic Zones Strategy held in Paris on November 25-26, 2010, and the first meeting of the Working Group on Investment Zones (IZ) in Iraq (Amman, 29-30 March 2011), a second meeting was held in Istanbul on 23-24 November 2011.

The missions of the Working Group, which was created by the Government of Iraq with the support of the MENA-OECD Investment Programme, are as follows:

1. Advise the GoI on good practices regarding various aspects of an Investment Zones strategy, including the legal framework for investment zones; the role of existing zones; sector prioritization; IZ policy frameworks and incentives; IZ management structures; and tax and customs duty issues that may affect investment zones as the Iraqi tax system develops;
2. Jointly develop an investment zones strategy that:
 - a. Focuses on an investment zone model targeting the domestic market and offering an incentives package based on quality infrastructure, security, and streamlined administrative services;
 - b. Targets multiple sectors in accordance with the Iraqi National Development Plan 2010-2014 and with WTO and trade agreement obligations, but especially:
 - i. General industry;
 - ii. Commercial and logistical services;
 - iii. Transport;
 - iv. Petrochemicals manufacturing;
 - v. Construction;
 - vi. Glass and ceramics;
 - vii. Advanced and specialized mechanical industry;
 - viii. Foodstuffs;
 - c. Favors the use of the simpler forms of public-private partnerships (PPP), such as build-operate-transfer (BOT) models;
3. Support the creation of a dedicated investment zones unit within the NIC to coordinate implementation of the strategy.

The second meeting of the Working Group included representatives of the NIC, the Office of the Deputy Prime Minister for Infrastructure, the Office of Deputy Prime Minister Shawis, the ministries of planning, industry and minerals, and finance, the Babil Investment Commission, the OECD, the Turkish Industry and Business Association (TUSIAD), and several international experts.

Members of the Working Group noted that since the initial workshop held in Paris and the first meeting of the Working Group:

1. The NIC had drafted an Investment Zones Strategy for Iraq, subsequently commented on by the MENA-OECD Investment Programme and studied at the first meeting of the Working Group;
2. The MENA-OECD Investment Programme had prepared a draft Investment Zones Implementation Regulation for the 2006 Investment Law, which was subsequently refined through several drafts in collaboration with the legal department of the NIC;
3. The NIC had provided a report on the Hittin investment zone site, which has priority for a pilot IZ; and

4. The MENA-OECD Investment Programme had prepared a study on international good practices in attracting zone developers and users that formed the basis for the meeting.

Members of the Working Group agreed on the following action plan to move forward:

- MENA-OECD Investment Programme will undertake (by 30 June 2012) an investment protection assessment on investment zones in Iraq, leading to recommendations on the regulatory and institutional reforms that would increase the general level of investment protection in Iraq and make investment zones more attractive to potential private developers and users. The NIC will assist in mobilizing all relevant GoI agencies to provide data necessary for the assessment and to debate the assessment report and its recommendations;
- MENA-OECD Investment Programme, in close collaboration with the NIC, will draft terms of reference for international feasibility studies on the six planned zones. The first terms of reference, for the Hatein zone (Babil Province), should be completed by mid-February 2012. The target date for the completion of the other terms of reference is mid-September, subject to the provision of adequate information on the sites and related issues by the NIC, the relevant Provincial Investment Commissions, and other government agencies;
- The NIC will execute and manage the tender for the feasibility studies, for which funding will be sought by the MENA-OECD Investment Programme from sources such as the World Bank, the United States and Sweden, and by the NIC from other sources. A sub-group of the Working Group will match each zone with potential sponsors to be approached, and this sub-group will include Dr. Sami Al-Araji, Carl Dawson, Mostafa El-Erian, Christopher Gunson, Eugene Brennan, Jessica Brinkmann, David Krzywda, and other interested members of the Working Group;
- MENA-OECD Investment Programme will assist the NIC in marketing the six pilot zone propositions to potential private developers, using the feasibility studies as key marketing tools, including via Internet-based marketing, road show events, and targeted direct contacts.