

MENA-OECD INVESTMENT PROGRAMME

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

Fourth Meeting of the Working Group on Investment Zones in Iraq

FINAL DECLARATION AND ACTION PLAN

Amman, 11-12 November 2012



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, the first meeting of the Working Group on Investment Zones (IZ) in Iraq was held in Amman on 29-30 March 2011, the second meeting in Istanbul on 23-24 November 2011, the third meeting in Beirut on 20-21 June, 2012, and the fourth meeting in Amman on 11-12 November, 2012.

The missions of the Working Group, which was created by the Government of Iraq with the support and co-ordination 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 2013-2017 and with WTO and trade agreement obligations; and
 - 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.

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

- 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;
- The MENA-OECD Investment Programme had assisted in the preparation of a draft Investment Zones Implementation Regulation for the 2006 Investment Law, providing detailed commentary in a subsequent concept note submitted to the NIC;
- The MENA-OECD Investment Programme had prepared a draft terms of reference for the feasibility study of the pilot investment zone site in Babil province, based on good practices and on data provided by the Babil Investment Commission;
- The MENA-OECD Investment Programme had prepared a draft Investment Protection Assessment for investors in Iraq in general, and investors in zone development and zone residency in particular, detailing key issues and priorities for the pilot phase and the medium term;
- The MENA-OECD Investment Programme had mobilised a range of consultants, lawyers, financiers and investors interested in Iraq to contribute their viewpoint and expertise on the conditions under which substantial non-oil investment in the country would be feasible;
- The MENA-OECD Investment Programme had prepared an in-depth study on international good practices in attracting zone developers and users;

- The MENA-OECD Investment Programme had prepared a series of good practice studies into the development of investment zones focussed on ICT on the one hand, and tourism on the other;
- The NIC had progressed in the development of a series of pilot investment zones, including Babil (Hatein), Basra, and Diyala; and
- The Diyala province has approved a designated area 70 km north of Baghdad as a “commercial zone” with hotels, fairs, and warehouses.

Recommendations and observations of the Working Group:

- Participants stressed the need to focus on the key advantages of Iraq as an investment destination, in particular the consumer market, access to raw materials and labour, the strategic location, and potential first-mover advantage in a range of sectors.
- On the subject of ICT-focussed zones, participants noted the need for horizontal as well as vertical policies – the Government must not only improve the investment climate, but make educated guesses and be prepared to invest (and reallocate funds if the investment is not successful).
- On the subject of ICT-focussed zones, participants noted, based on studies of good practices in the region and beyond, the necessity for strong linkages between zone developers, neighbouring universities (with strong competences in ICT and related subjects), and companies in the zone – both institutionally and individually.
- On the subject of ICT-focussed zones, participants noted the need for a concrete sector focus, to be able to target promotion, infrastructure, and financing facilities.
- On the subject of ICT-focussed zones, participants noted the importance of finding anchor investors that can promote and influence the development of the zone.
- On the subject of tourism development, participants noted the great touristic potential of Iraq, in particular as a destination for religious and heritage tourism.
- On the subject of tourism development, participants noted the importance of a strong, concerted, and co-ordinated government-led effort to push tourism and co-ordinate all the necessary investments.
- On the subject of tourism-focussed zones, participants noted the importance of building the tourism development programme among key sites of high touristic interest.
- Participants agreed that the institutional challenges facing the NIC are large – not only does it have to change prevailing perceptions about Iraq, but also become involved in a variety of administrative areas and act as a co-ordinator of a variety of policies and instruments affecting economic development.

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

- The MENA-OECD Investment Programme will assist the NIC in reviewing the proposed amendments (which the NIC will share) to the Investment Law of 2006, providing feedback from a variety of perspectives for discussion in the next Working Group meeting;
- The MENA-OECD Investment Programme will provide good practice examples of different PPP administrative structures, applied to the Iraqi context, and presented at the next meeting of the Working Group;

- The MENA-OECD Investment Programme will explore expansion scenarios for the Basra Investment Zone at the next Working Group meeting, subject to receipt of sufficient information by February, 2013;
- The MENA-OECD Investment Programme will explore further development scenarios with the Baghdad International Airport (BIA) development zone at the next Working Group meeting, subject to receipt of sufficient information on the progress of the project;
- The MENA-OECD Investment Programme will review the progress of the feasibility study for the Babil province Hatein Zone at the next Working Group meeting (an initial 300 k USD budget allocation has been secured, according to a report-back from the Iraqi delegation);
- The MENA-OECD Investment Programme will review the NIC's plans to develop a commercial zone in the Diyala province (final decision to be taken in the near future) and will present potential development scenarios at the next Working Group meeting, subject to receipt of sufficient information by February, 2013;
- The MENA-OECD Investment Programme will develop, as a follow-up to the one-day seminar held in connection with the Working Group meeting, a 3-5 day Public-Private Partnership (PPP) training programme for members of the Iraqi delegation; and
- The MENA-OECD Investment Programme will provide training on the management and development of investment zones, drawing on OECD policy instruments and good practices from OECD and MENA countries, in particular Jordan.