

*MENA-OECD INVESTMENT PROGRAMME*

**REINFORCING INFRASTRUCTURE  
DEVELOPMENT IN IRAQ**

**Fourth Meeting of the Working Group  
on Infrastructure Finance in Iraq**

**FINAL DECLARATION AND ACTION PLAN**

Amman, 26-28 March 2011



# FINAL DECLARATION

Pursuant to the mandate approved at the 21 November 2009 conference on infrastructure finance held in Baghdad, and the action plans approved at the first, second and third meetings of the Government of Iraq (GoI) Working Group on Infrastructure Finance, a fourth meeting of the Working Group was held in Amman, Jordan, on 26-28 March 2011.

The overall mission of the Working Group, which was established by the GoI at the request of the Baghdad Conference and with the support of the MENA-OECD Investment Programme, is to assist the GoI in accessing extra-budgetary sources of finance for essential projects that would be delayed or shelved if they depended solely on government revenue, and rendering budgetary funds that are available for infrastructure more effective by combining them with private capital and the associated technical expertise. Its specific objectives are as follows:

- (1) Identify the regulatory and policy settings most likely to facilitate private sector involvement in infrastructure finance, drawing on OECD tools and principles and other sources;
- (2) Strengthen coordination efforts at the central level to enhance government capacity for defining and implementing priority infrastructure projects, including:
  - (a) reinforced laws and regulations for the procurement of services, and management and leasing contracts, as well as more advanced forms of public-private partnerships (PPP) in the medium-term, and the institutional capacities to support them; and
  - (b) the design of appropriate training programmes on the comparative merits of public-private partnerships and classic procurement, and on PPP implementation, for GoI officials and relevant private sector representatives;
- (3) Support confidence building measures targeting potential private sector investors, including full implementation of the 2006 investment law as amended, facilitating access to land, and adherence to international trade and investment agreements and arbitration facilities (WTO, ICSID, New York Convention, FTAs, BITs);
- (4) Make recommendations on priority infrastructure needs in Iraq and appropriate financing mechanisms;
- (5) Identify issues and obstacles associated with the most applicable financing mechanisms and make recommendations to address these issues;
- (6) Identify high priority infrastructure projects based on an OECD methodology and assist GoI officials in preparing PPP configurations or development bank loan applications and recommending implementation to the Government of Iraq.

The fourth meeting of the Working Group included high-level representatives from the Office of the Iraqi Deputy Prime Minister for Infrastructure, the Iraqi National Investment Commission, and six Iraqi ministries, as well as representatives from the MENA-OECD Investment Programme, UNDP Iraq, MIGA, OPIC, the Islamic Development Bank, national lending and guarantee agencies, the Jordan Enterprise Development Corporation (JEDCO), and other experts. Members of the Working Group noted that:

1. Since the creation of the Working Group, a list of infrastructure projects provided by the participating ministries had been subject to a preliminary ranking on the basis of a methodology developed by MENA-OECD. This methodology incorporated criteria such as national development strategy, priority infrastructure sectors, basic service provision, social and environmental impact, trade facilitation, and transfer of technology;
2. Six of the projects highlighted by the preliminary ranking had been selected for in-depth case study. Currently, the six projects are: the construction of a third train for associated gas treatment in the North Gas Complex (Ministry of Oil), the Yousifea Thermal Power Station (Ministry of Electricity), a series of abattoirs (Ministry of Municipalities), market complexes for the storage and distribution of farm produce (Ministry of Agriculture), the Grand Fao Port project of the Ministry of Transportation [with OPIC involvement], and the residential complexes

of the Ministry of Construction and Housing;

3. Six expert groups – one for each of the six priority projects – had been created, and members were donating time to an email, audio/video conference and meeting-based dialogue intended to assist GoI officials in preparing credible PPP proposals or development bank loan applications.
4. The Islamic Development Bank had agreed to grant \$100,000 for the feasibility study on the Ministry of Agriculture project – market complexes for the storage and distribution of farm produce. Working Group members called on other international organisations, development banks and donors to provide similar support for the other projects.

Members of the Working Group called for:

1. Continued efforts to address investment climate challenges by the GoI in collaboration with MENA-OECD, the UNDP, and other international organizations and partners;
2. Recognition of the importance of further moves towards legislative PPP frameworks, be they horizontal or sectoral, and towards adherence to additional international trade and investment agreements and arbitration facilities, in order to build investor confidence;
3. Support for the creation of a PPP Unit within the Ministry of Finance;
4. The preparation of a study, in collaboration with UNDP and other international organizations, on the advantages and challenges of infrastructure finance in Iraq, including guarantee agency coverage, and recommendations on the most appropriate forms of PPP and related institutional and regulatory issues;
5. Further strengthening of efforts by GoI ministries to provide detailed information on the six priority infrastructure projects and, in the case of projects suitable for PPP arrangements, prepare short and well-structured presentations for potential foreign investors, with the goal of implementing at least one early success story with the assistance of international organizations;
6. The tasking of remunerated consultants with intensive assistance to ministries in preparing their projects for PPP or development bank loan opportunities;
7. The design of intensive training programmes on the comparative merits of public-private partnerships and classic procurement, and on PPP implementation, for GoI officials and relevant private sector representatives;
8. Following ongoing work by experts, the MENA-OECD secretariat, and the GoI, the organization of the fifth meeting of the Working Group, with the objective of (a) reviewing and consolidating the progress achieved by the ministries, *pro bono* experts and remunerated consultants, and (b) further exploring the regulatory framework requirements for success in the more complex forms of infrastructure PPPs.

# ACTION PLAN

## Expert Group on the Grand Fao Port :

- The provision of comments by OPIC on the draft project framework supplied by the ministry.
- The preparation by a consultant of a concise interpretation of the Iraqi legal framework for private investment based on the information already supplied by the Ministry of Transportation. This should include all aspects relevant for the Government and private investors, as indicated in the Grand Fao investor presentation document structure outline (already circulated).
- The identification of discrete individual projects with the Italian consulting firm that prepared the feasibility study. These projects should be viable, meaning that either the infrastructure is already complete or that the infrastructure needs are identified and can be of interest to potential investors.
- A request for expressions of interest (EOI) by private investors to discuss funding arrangements with various sources of finance.
- The appointment of an independent organisation to manage the EOI process, including the terms of reference, and the identification of suitable partners to deliver the projects.

## Expert Group on Abattoirs:

The working group agrees on the importance of an international-standard feasibility study for the abattoir projects. To this end, the GoI will send a ministerial letter to the MENA-OECD Investment Programme by April 15<sup>th</sup> requesting its assistance in identifying sources of funding for the feasibility studies for the eight projects. The Ministry of Municipalities will supply the OECD with all relevant information to enable a feasibility study, and the OECD will inform the Ministry of Municipalities of developments in this regard.

## Expert Group on Electricity Generation:

- 15 Apr 2011: A brief project description, comprising an indicative cost of the feasibility study, will be sent by the Ministry of Electricity to the MENA-OECD Investment Programme.
- April 2011: Start of full project definition by MoE, based on Grand Fao investor presentation outline to be provided by OECD. This document should specify sovereign guarantees that will apply to the private investor (offtake purchase guarantee and/or full financial guarantee) and performance guarantees to the GoI by the private investor. Deadline: two months. Contacts: Carl Dawson, Mahdi Jasim.
- April 2011: Start preparing RFP for feasibility study, including finance options for the feasibility study. The RFP will describe the project in reasonable detail, outline the content of the feasibility study based on past RFPs and consulting advice from a seasoned expert in public procurement identified by OECD. Identify shortlist of prospective consultants who should receive the RFP.
- May 2011: Completion of full project definition referred to above.
- June 2011: Completion of RFP for FS and publication/distribution to potential bidders.
- July 2011: Deadline for clarifications for bidders on RFP submissions.
- Aug 2011: Deadline for submission of FS proposals.
- Oct 2011: Commissioning of FS, which should include procurement schedules, project insurance issues, financing plan, project development plan, environmental issues, etc. Shortlisting of potential bidders who should receive RFP for project.
- March 2012: Completion of FS.
- May 2012: GoI decision on finance option (IPP, loans, etc). Agreement on project development plan within GoI.
- June 2012: Launch RFP for IPP (private investor)/front-end engineering design (FEED) (GoI).
- Dec 2012: Reception and start of evaluation of offers.
- Feb 2013: Selection and award of IPP.
- April 2013: Groundbreaking.
- Dec 2015: Commissioning.

#### Expert Group on Residential Complexes:

- That the PPP model be pursued as an appropriate vehicle for the housing complexes projects.
- That the MENA-OECD Investment Programme provide technical assistance with respect to the drafting of the TOR for the international feasibility study(s) and help identify possible international sources of partial funding for the study(s) in combination with Government of Iraq co-financing. The Working Group took note of the formal request to this effect sent by the Ministry to the OECD.
- A timeline was agreed as follows:
  - Mid April: OECD will send a request for information regarding the projects to the Ministry.
  - End of April: The Ministry will provide all needed information to the OECD
  - Mid May: The Ministry and the OECD will jointly define the residential complexes projects.
  - End of June: The draft TOR for the international feasibility study(s) will be formulated, and should include the drafting of the RFP for potential project developers and consideration of a success fee.

#### Expert Group on Market Complexes for Farm Produce Storage and Distribution:

- That the Ministry provide expert group members with a detailed summary of the existing market complex built and run by the private sector and contact information for the private operators.
- That members of the expert group continue to be involved in developments related to the feasibility study to be funded by the Islamic Development Bank.
- That the feasibility study take account of the need to integrate the market complexes upstream and downstream with transport and marketing networks and other related activities.

#### Expert Group on a Third Train for Associated Gas Treatment in the North Gas Complex:

- 15 Apr 2011: A brief project description, comprising an indicative cost of the feasibility study, will be sent by the Ministry of Oil to the MENA-OECD Investment Programme.
- April 2011: Start of full project definition by the Ministry of Oil, based on Grand Fao investor presentation document outline to be provided by OECD. This document should specify the types of sovereign guarantees that will apply to the private investor (offtake purchase guarantee and/or full financial guarantee) and performance guarantees to the GoI by the private investor. Two months for completion. Contacts: Carl Dawson and Nadhim Mutlag. The ministry should consider employing a seasoned consultant to guide it throughout the process.
- April 2011: Start preparing RFP for feasibility study, including finance options for the feasibility study. The RFP will describe the project in reasonable detail, outline the content of the feasibility study based on past RFPs and consulting advice from a seasoned expert in public procurement identified by OECD. Identify shortlist of prospective consultants who should receive the RFP.
- June 2011: Completion of full project definition referred to above.
- June 2011: Completion of RFP for FS and publication/distribution to potential bidders.
- Aug 2011: Deadline for clarifications for bidders on RFP submissions.
- Oct 2011: Deadline for submission of FS proposals.
- Dec 2011: Commissioning of FS, which should include procurement schedules, project insurance issues, financing plan, project development plan, environmental issues, etc. Shortlisting of potential bidders who should receive RFP for project. Creation in the Ministry of Oil of a project team to support the FS consulting firm.
- March 2012: Completion of FS.
- May 2012: GoI decision on finance option (IPP, loans, etc). Agreement on project development plan within GoI.
- June 2012: Launch RFP for IPP (private investor)/front-end engineering design (FEED) (GoI).
- Dec 2012: Reception and start of evaluation of offers.
- Feb 2013: Selection and award of IPP.
- April 2013: Groundbreaking.
- Dec 2015: Commissioning.