

National Round Table

Improving the business climate through enhanced integrity in public procurement in Iraq

Organised by

MENA-OECD Investment Programme

DRAFT AGENDA

6-7 February 2013
Hotel Intercontinental
Amman, Jordan

Background

Given the urgent need for Iraq to promote investment, in particular outside of the dominant hydrocarbon industry, the Iraqi public and private sector, civil society, and investors need to take decisive action to tackle the problem. Corruption is a serious challenge for Iraq. In 2012, Iraq ranked 169th out of 174 countries in the Corruption Perception Index.¹ Together with inadequate infrastructure, actual and potential investors named corruption as the largest obstacle to economic development and investment in the country. Corruption diverts public resources from urgently needed infrastructure and social spending, undermines trust of citizens and investors in the government, and threatens the stability of state institutions. The result is often not only a significantly higher cost of doing business, but legal and reputational risks for actual and potential investors.

The Government of Iraq has already taken some of those steps: it ratified the United Nations Convention against Corruption (UNCAC) in 2008; it developed a National Anti-Corruption Strategy for 2010-2014; and it set up an institutional framework. This framework includes the Joint Anti-Corruption Council, responsible for the implementation of the Anti-Corruption Strategy, the Commission of Integrity, and a network of Inspectors General located in each ministry, responsible for investigating corruption allegations. The Board of Supreme Audit received the mandate to monitor

the use of public funds.

Public procurement accounts for a large share of economic activity in Iraq, in particular if expenditure by State-Owned Enterprises is included. This makes it, in financial terms, the most important lever in promoting economic and social development in the country. Similarly, it could be a powerful weapon in combating corruption and promoting transparency and efficiency in public spending. This is particularly important as most non-oil foreign commercial activity in Iraq is tied, directly or indirectly, to public procurement.

Strengthening integrity and transparency in public procurement would not only make a substantial contribution to reducing the various risks investors face, but also serve as the visible and tangible first step in the direction of good governance that many investors, eager to enter the Iraqi market, are waiting for. Recently adopted Iraqi public procurement legislation contains clear provisions on transparency and integrity – but these have to be implemented in full.

The Iraq country project of the MENA-OECD Investment Programme

The MENA-OECD Investment Programme has worked on Iraq since 2007. The third phase of this country project, financed by the US Department of State, has three work streams – all aiming at facilitating economic development through investment, in particular outside hydrocarbons.

The first work stream is a Working Group on Infrastructure Finance. It sets up a dialogue to develop and optimise policies that would bring in private sector capital and expertise to address Iraq's urgent infrastructure needs. The key tool is public-private partnerships, in which investment, revenue, risk, and project administration are shared between the public and the private sector, ensuring not only value-for-money, but also speedy implementation.

The second work stream is a Working Group on Investment Zones, assisting the National Investment Commission in piloting a network of investment zones, targeting foreign investors in particular sectors. The Working Group has addressed relevant legislation as well as investor protection – with expropriation risk and corruption ranking among the major legal and regulatory risks investors in Iraq face.

Business integrity and public procurement in Iraq

The third work stream, business integrity and public procurement, aims to contribute to the Anti-Corruption Strategy by creating a fruitful dialogue around how private businesses can contribute to combat graft, in particular in the area of public procurement. As solid, reliable, transparent public procurement practices are important not only for the investment climate overall, but for public-private partnerships for sorely needed infrastructure projects in particular, the work stream is closely linked with the two Working Groups.

The OECD, with its long-standing involvement in governance, public procurement, and anti-corruption, has substantial expertise and experience to contribute to the process. The organisation has been particularly active in the areas of bribery, tax and crime, and public procurement. It has developed a series of international conventions, guidelines, principles and tools used in OECD member countries and beyond.

This round table is the second in a series of activities planned to address this concern. Based on the conclusions of the round table, a series of follow-up events will be organised – including trainings for Iraqi officials in Baghdad and a study tour to the OECD headquarters in Paris, France.

The round-tables and follow-up events link into the MENA-OECD Investment Programme's regional activity "Strengthening Integrity in Business in Arab Countries" (SIBAC) which provides assistance to the MENA economies in their efforts to create favourable business climates. The objective of the SIBAC Programme is to raise awareness of international anti-corruption and integrity standards and principles² ethics and compliance, and share good practice in furtherance of business integrity in the MENA region. It also aims to encourage governments and companies to develop and implement integrity measures and tools, with a view to levelling the playing field for businesses operating in the region.

² Including the 1) Convention on Combating Bribery of Foreign Public Officials in international business transactions and the 2009 Recommendation of the Council for Further Combating Bribery and the related Good Practice Guidance on Internal Controls, Ethics and Compliance; 2) the OECD Guidelines for Multinational Enterprises.

Objective and content of the round table

This meeting will focus on measures to promote business integrity in Iraq, in particular in public procurement. Its main objective is to evaluate public procurement regulations and their implementation, in particular with a view to the reputational and financial risks they create for foreign and domestic investors.

Specific issues for the discussion include:

1. Current business development opportunities in Iraq
2. Investor participation in public procurement
3. International anti-bribery provisions and its impact on international business transactions
4. Public procurement-related integrity risks – in Iraq and worldwide
5. International good practices to prevent corruption in public procurement

Meeting documents

1. Draft Executive Summary of the Draft Review of Iraq's Public Procurement Rules and Provisions: a handbook for foreign trade and investment partners
2. The Draft Review of Iraq's Public Procurement Rules and Provisions: a handbook for foreign trade and investment partners

Participants

The round table brings together four main groups.

- **Anti-corruption bodies:** The main anti-corruption bodies of Iraq, including the Board of Supreme Audit, the Commission of Integrity, Offices of Inspectors General (IGO) from selected ministries, the Joint Anti-Corruption Council (JACC), and the Office of the Prime Minister's Coordinator for Inspection Affairs.
- **Public procurement bodies:** A number of Iraqi agencies engaging in public procurement, and state-owned enterprises will be invited.
- **Private sector:** Chambers of Commerce, business associations, and selected investors will represent the private sector, including investors and contractors.

- **International expertise:** A number of OECD and other international experts will provide background and guide the discussion.

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15:00-15.30	Opening remarks
	<p>H.E. Mr. Anders Ahnlid, Ambassador of Sweden to the OECD and Co-Chair of the MENA-OECD Investment Programme is expected to open the meeting with welcome remarks to highlight the priority given by the OECD member states to fighting corruption in public procurement and business transactions, and to confirm the support they provide to the MENA countries, including Iraq, in this endeavour.</p> <ul style="list-style-type: none"> • H.E. Mr. Medhat Al-Mahmood, Head of the Supreme Judiciary Council, Iraq (TBC): welcome on behalf of the Iraqi delegation • Ms. Nicola Ehlermann-Cache, Deputy Head, MENA-OECD Investment Programme, OECD: welcome on behalf of the OECD and presentation of the agenda
15:30-16:30	Session 1: Investment opportunities and anti-corruption framework in Iraq
	<p>The session will focus first on Iraqi government the strategy for business development and investment promotion measures, and on the government's fight against corruption and initiatives to promote integrity as a key aspect of favourable business conditions. Participants will be invited to discuss the current business climate and measures needed to promote business integrity in Iraq.</p> <p><u>Moderator:</u> Ms. Olga Savran, Senior Anti-Corruption Advisor, MENA-OECD Investment Programme, OECD</p> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> • Mr. Alaudeen Shamsuldeen Mohialdeen, Ministry of Industry and Minerals,

	<p>Iraq: measures planned by the government of Iraq to promote business development and investment, including measure to promote foreign investments</p> <hr/> <ul style="list-style-type: none"> • Ms. Taghreed Hassan Al-Nidawee, Legal Advisor, Board of Supreme Audit: Measures taken by regulatory authorities to enhance integrity in Iraq • Mr. Obaid M. Fraih, Assistant to the Secretary General of the Council of Ministers <hr/> <p>Discussion</p>
16:30-17:00	Coffee Break

17:00-18:00	Session 2: Public procurement and promotion of investments and integrity
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	<p>During this session, participants discussed the importance of public procurement as a tool that governments can use to promote economic and social development and about OECD good practices to prevent integrity risks in public procurement. They will also learn about the current state of regulatory and institutional reforms of the public procurement in Iraq, and challenges from the point of view of foreign investors. .</p> <p>Moderator: Ms. Olga Savran, Senior Anti-Corruption Advisor, MENA-OECD Investment Programme, OECD</p> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> • Ms. Elodie Beth, Head of Procurement Unit, Public Sector Integrity Division, Public Governance and Territorial Development Directorate, OECD: OECD standards and international good practice on integrity in public procurement • Ms. Nazaneen I. Ali, Senior Procurement Specialist, The World Bank, Middle East & North Africa Region: Public Procurement and Investments in Iraq <p>Discussion</p>
<p>7 February 2013</p>	
<p>9.30-11:00</p>	<p>Session 3: Investor participation and public procurement in Iraq</p>

	<p>The session will focus on a draft study of <i>investor participation in public procurement in Iraq</i>, which is being prepared by the MENA-OECD Investment Programme. After a presentation of the study, participants will discuss how the regulatory and institutional framework for public procurement in Iraq could be strengthened to encourage greater participation of foreign investors in public procurement.</p> <p>Moderator: Mr. Anders Jonsson, Iraq Project Co-ordinator , MENA-OECD Investment Programme, OECD</p> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> • Ms. Azhar Salih, Director, Office of Public Contract Policy, Iraqi Ministry of Planning • Dr. Florian Amereller, Amereller Legal Consultants: Main findings and emerging recommendations of the study of investor participation in public procurement in Iraq <p>Questions and answers</p>
<p>11:00-11:30</p>	<p>Coffee Break</p>
<p>11:30-13:00</p>	<p>Session 4: Ensuring integrity in public procurement in Iraq</p>

	<p>In this session, participants will hear from the Iraqi public and private sectors on the risks and difficulties they identified in public procurement. The speakers will be invited to present their views about the state of public procurement reform and practice in Iraq and comment on the emerging recommendations of the presented study.</p> <p><u>Moderator:</u> Mr. Anders Jonsson, Iraq Project Manager, MENA-OECD Investment Programme, OECD</p> <p><u>Speakers:</u></p> <ul style="list-style-type: none"> • Mr. Salem Poles, member of the Iraqi Joint Anti-corruption Council (JACC) • Mr. Raghieb Ridha Blaibil, Chairman of the Iraqi Businessmen Union (IBMU) • Mr. Dennis Flannery, Managing Director, Country Head, Iraq, Citibank Iraq <p>Discussion</p>
<p>13.00-14.00</p>	<p>Lunch</p>
<p>14:00-16:00</p>	<p>Session 4: Ways to promote integrity in public procurement in Iraq</p>
	<p>Participants will be invited to split into two working groups: one for the public procurement experts and officials and one for anti-corruption experts and officials, with the private sector representatives divided equally between the two groups. The working groups will be invited to discuss recommendations proposed in the MENA-OECD study, including measure to improve legal and institutional basis, public procurement procedures from planning, tender and contract execution, and measure to prevent corruption. They will be asked to validate, modify or reject the recommendations, to propose additional or alternative recommendations and to elaborate on how these recommendations can be implemented in practice. The results of these discussions will be used for the finalisation of the study.</p>

	<p>Working Group 1: public procurement experts and officials</p> <p><u>Moderator:</u> Mr. Abdelrahman Sherif , OECD</p>	<p>Working Group 2: anti-corruption experts and officials</p> <p><u>Moderators:</u> Ms. Elodie Beth and Anders Jönsson, OECD</p>
16:00-16:30	Coffee Break	
16:30-17:00	Session 5: Conclusions	
	<p><u>Moderators:</u> Mr. Anders Jönsson, OECD Representatives from the two working groups were invited to present their reports, and the meeting will adopt its conclusions. The organisers will discuss possible next steps and will close the meeting.</p>	

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THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

The OECD is a unique forum where 34 member governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and help governments address emerging policy issues such as finding new sources of growth, building skills, and restoring public trust in government and business. The OECD provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. It increasingly engages with a number of non-members who have become important actors in today's global economy.

THE MENA-OECD INVESTMENT PROGRAMME

The MENA-OECD Investment Programme was established in 2005 at the request of participating MENA governments to assist them in implementing business climate reform for investment, growth and employment in the region. It is one of two pillars of the MENA-OECD Initiative on Governance and Investment for Development, which helps MENA governments design and implement reforms to modernise public governance structures, strengthen the business climate and foster transparency – issues which have taken on increasing importance in light of recent events in the region.

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International Organizations

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