

*MENA-OECD INVESTMENT PROGRAMME*  
**Reinforcing Infrastructure Development in Iraq**

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

**FINAL DECLARATION AND ACTION PLAN**

Cairo, 30 April-1 May 2013  
Marriott Hotel

# FINAL DECLARATION AND ACTION PLAN

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 seven meetings of the Government of Iraq (GoI) Working Group on Infrastructure Finance, an **eighth meeting of the Working Group** was held in Cairo, Egypt, on April 30 and May 1 2013.

**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:

- (1) Assist the Government of Iraq in accessing extra-budgetary sources of finance for essential projects,
- (2) Render budgetary funds that are available for infrastructure more effective by helping to combine them with private capital and the associated technical expertise, and
- (3) Identify the regulatory and institutional framework most likely to facilitate private sector involvement in infrastructure finance, drawing on OECD tools and principles and other sources.

**Its specific objectives** are as follows:

- (1) 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;
- (2) Support confidence building measures targeting potential private sector investors, including full implementation of the 2006 investment law as amended, facilitating access to land, adherence to international trade and investment agreements and arbitration facilities (WTO, ICSID, New York Convention, FTAs, BITs), and other forms of investment protection;
- (3) Make recommendations on priority infrastructure needs in Iraq and appropriate financing mechanisms;
- (4) Identify issues and obstacles associated with the most applicable financing mechanisms and make recommendations to address these issues;
- (5) 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 GoI.

**Members of the Working Group called for:**

- (1) A reiteration of the strong political commitment to the projects identified by the Working Group, given the importance of such a commitment for the involvement of private investors, banks and guarantee agencies;

Continued work on providing technical advice in the view of preparing PPP financing proposals for selected priority projects with support from the OECD Secretariat and the other international expert members of the Working Group;

- (2) Recognition that financing models selected for a given project may combine aspects of the various models of PPP and project financing, focusing on key steps: the division of risk, reward and operational responsibility between the public and private partners; and bankability, including sector analysis and project feasibility studies;
- (3) Recognition of the importance of further moves towards legislative PPP frameworks, at the horizontal and sectoral level, and towards adherence to additional international trade and investment agreements and arbitration facilities, in order to build investor confidence;
- (4) Support for the creation of a PPP Unit within the Ministry of Finance;
- (5) Continued emphasis on an integrated process ensuring that ministries share their experiences amongst themselves and mutually strengthen their capacity and coordination; and
- (6) Improved understanding of the cost of finance involved in PPP's as opposed to traditional procurement.

**Members of the Working Group noted that:**

1. Since the creation of the Working Group, a list of six infrastructure projects were identified and studied in detail via dedicated expert groups. The projects that are currently under consideration are the Grand Fao Port project (Ministry of Transportation), the residential complexes project (Ministry of Construction and Housing) and the Diwaniya landfill construction project (Ministry of Municipalities);
3. The strategic Grand Fao project is the single most important infrastructure project in Iraq today. Given appropriate sovereign guarantees, the project – either in its entirety or a sub-portion – could be carried out as a public-private partnership. But to attract investors, the projects need to be well prepared and presented to investors in detail;
4. One particular challenge for the Government of Iraq is providing housing units for a demand estimated at 2.5 million units by 2015. At current rates of production, only a fraction of this demand will be met. Despite the clear business case for investing in residential real estate, investors are hesitant due to a number of regulatory and political risks and obstacles. There are severe constraints both on the demand and the supply side, as noted in the expert presentation in the meeting, a joint effort by the MENA-OECD Investment Programme, the World Bank, and UN-Habitat;
5. With a projected increase in levels of production and consumption in Iraq in the near future, waste management appears as a key issue for the Government of Iraq. There are 116 open dump sites in Iraq among which only 25 are approved by relevant authorities. There is therefore the need for the Government to build and operate state-of-the-art landfill sites in Iraq in collaboration with the private sector, through PPP schemes;
6. In a training on PPP and project finance, participants addressed the importance of sovereign guarantees and institutional capacity to support major infrastructure projects by means of PPP's;
7. On current trends investment and commercial activity drivers of the Iraqi economy will be limited at best. Investment will focus on the consumer market, however it is unlikely that this will contribute to the Iraqi economy. There is therefore a case for the Government of Iraq to make targeted investments in different sectors to spur diversification of the Iraqi economy;
8. It makes sense, given the convergence of issues discussed in the Investment Zone and Infrastructure Finance

working groups, to gradually merge the two work streams, in particular in terms of training and capacity building activities.

**The eighth meeting of the Working Group** held in Cairo, Egypt, on April 30 and May 1 2013 included high-level representatives from the Office of the Iraqi Deputy Prime Minister for Infrastructure, the Iraqi National Investment Commission, and several Iraqi line ministries, as well as the MENA-OECD Investment Programme, UN-Habitat, and a range of international experts on project finance and legal issues.

**The eighth meeting of the Working Group recommended:**

- (1) To provide practical, interactive training sessions on feasibility studies and Public-Private-Partnership to complement the working group meeting format. The training sessions would focus, in the context of a given infrastructure project, on (1) the different kinds of feasibility studies needed for complex infrastructure projects, (2) project finance and (3) the costs and benefits of any appropriate form of Public-Private-Partnership arrangement. The organisation of these training sessions will be closely co-ordinated with the Office of the Deputy Prime Minister for Infrastructure and the Iraqi National Investment Commission.
- (2) To further progress on the Grand Fao port, the MENA-OECD Investment Programme proposes to (1) further investigate on different options to involve both public and private sector in the construction and operation of the Grand Fao port, in particular through close monitoring of developments and relevant events, and (2) investigate on the combined use of sovereign guarantee and private financing for the development of the port. Findings and results will be presented at a capstone event tentatively scheduled for October 2013, in Baghdad.
- (3) To tackle the housing challenge, the Government of Iraq should consider a single housing agency designed to spur private sector investment according to free market principles, including auctioning of land designated for housing purposes. Two entities, the National Investment Commission and the National Housing Council, exist already. The MENA-OECD Investment Programme, in co-operation with the World Bank and UN-Habitat, will endeavour to provide additional guidance and good practice examples of similar agencies from MENA region and beyond. Progress will be reported at the capstone event in Baghdad and a planned joint conference on housing in June, 2013, with the World Bank and TOKI, the Turkish housing development agency. In particular, a pilot auction of land in valuable areas, such as former informal settlements in the Baghdad Metropolitan Area, should be considered and, if appropriate, facilitated and accompanied by the OECD and other Working Group members.
- (4) To select as a pilot project the construction and operation of a landfill in the province of Diwaniya or any other province of Iraq. The MENA-OECD Investment Programme proposes to investigate on the different options to develop and implement the project as a Public-Private-Partnership in the view of contracting with relevant experts to conduct a pre-feasibility study and present progress at the capstone event in Baghdad.
- (5) The capstone event to be held in Baghdad will involve high level representatives of the Iraqi government, and to be organised by the Government of Iraq with co-ordination and technical input by the MENA-OECD Investment Programme and other experts and stakeholders. This event will present the main findings and recommendations of the Working Group since its inception. The event may either take the shape of a single, high-level event, or multiple, sector or topic-specific events, depending on the preferences of the Iraqi administration.