



Agenda

REINFORCING INFRASTRUCTURE DEVELOPMENT IN IRAQ

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

Organised by the

MENA-OECD Investment Programme

29-30 April 2010

**OECD Conference Centre
Room CC 13**

Paris, France

Opportunities for Infrastructure Financing in Iraq

Despite significant advances in many areas of infrastructure in Iraq, for example, electricity, roads, bridges, rail lines, airports, provision of potable water, and communications, much still remains to be undertaken. It is important for the Government of Iraq (GOI) to increase its ability to deliver basic services given that the Iraqi population is on a considerable growth trajectory, there are increased expectations of a higher standard of living, and there is a need to accommodate economic growth. Responding to these needs will demand considerable strengthening of infrastructure.

Funding for infrastructure¹ from outside sources has decreased or been depleted and the GOI has seen a leveling off in available budgetary funds for investment in the past few years. The major source of GOI revenue is oil sales, and in recent years oil prices have declined while Iraqi production has not seen a discernible increase. Overall annual budgetary funds have been reduced, and funds specifically available for infrastructure investment have decreased disproportionately. Recent production contracts should increase oil production and GOI revenues, but this is projected to take considerable time. Given the shift in the origin of funds toward internal sources, the decline in those internal flows, and the increased demand for basic infrastructure, the GOI should look to available alternative sources for development funds. There are two major extra-budgetary sources of funding for infrastructure:

- 1) *International and regional organizations* that provide medium and long term funding for infrastructure, including the World Bank, sovereign wealth funds, regional development banks, the Islamic Development Bank, and donor agencies, and
- 2) *The private sector*, through such mechanisms as public-private partnerships and strategic production sharing arrangements, supported by export credit agencies and insurance and guarantee agencies (OPIC, EXIM Bank, MIGA, JICA, Coface, ECGD-UK). Various combinations of donors and mechanisms are possible. Private sector participation in infrastructure development must be defined in a way that allows for cash-flow to be attributed to the private partner(s) and provides a risk-adjusted rate of return.

The Creation of the Working Group on Infrastructure Finance

The decision to create the **Working Group on Infrastructure Finance** was taken at a *Conference on Opportunities for Infrastructure Financing in Iraq* held in Baghdad on 21 November 2009. The conference was co-organised by the Iraqi Institute for Economic Reform (IIER), a local research institute, and the MENA-OECD Investment Programme as part of its longstanding work on improving the Iraqi investment climate. The 85 participants included representatives of the Government of Iraq, private sector operators, international banks and financial institutions (such as the World Bank and HSBC), foreign embassies, and investment promotion and research organisations. Key themes of the conference included:

- The current infrastructure development profile of Iraq and trends over the past five years
- Trends and challenges in infrastructure financing
- Extra-budgetary sources of infrastructure finance involving international financial institutions and private firms, and their applicability to Iraq
- Means of prioritising and coordinating these mechanisms in order to move forward with a national infrastructure development program

Participants decided upon the creation of the Working Group, which is charged with the following missions:

- (1) Make recommendations on priority infrastructure needs and appropriate financing mechanisms,
- (2) Identify issues and obstacles associated with the most applicable financing mechanisms and make recommendations to address these issues,
- (3) Identify high priority infrastructure projects and prepare proposals and recommend implementation to the Government of Iraq, and
- (4) Monitor project implementation.

¹ *Infrastructure is defined as transportation infrastructure (roads, bridges, airports, ports, rail lines); communications infrastructure; housing; and electricity generation and distribution. Infrastructure projects can be “mega projects” (dams, coast-to-coast highways, mega-ports, large power plants) or much smaller projects that can include communication franchises or limited highway spurs. This definition does not include humanitarian and other economic development needs, the general lack of FDI and related investment environment issues, or direct contracting with the government.*

Expected Outcomes

The first meeting of the Working Group, held in Amman, Jordan, on 17-18 February 2010, was attended by a top-level Iraqi delegation representing 12 government ministries or agencies. The meeting allowed Government of Iraq officials to benefit from detailed briefings by Working Group technical experts on two extra-budgetary sources of funding for infrastructure projects that are relatively well-adapted to the Iraqi situation – public-private partnerships and development bank loans. Members approved an action plan calling for Iraqi ministries to submit priority infrastructure project proposals to MENA-OECD for study at the second meeting of the Working Group. MENA-OECD will identify a shortlist based on criteria specified in the action plan, and will seek initial expert feedback as well as any necessary supplemental information to ensure that substantial progress can be made in Paris. At the meeting, experts will provide advice on how to develop the projects into viable financing applications. Major corporate players in the infrastructure field will be invited to present case studies of successful projects, and the issue of integrity in public procurement will also be addressed.

Members of the Working Group

GOI Representatives	Technical Experts and International Members
Obaid Mahal Fraih, Deputy of the General Secretariat of the Cabinet	Alexander Böhmer, Head, MENA-OECD Investment Programme
Jaber Khalaf Awad, Advisor, Office of the Deputy PM for Infrastructure (DPM/I)	Bertrand Nora, Risk Analysis Department, French Development Agency
Shakir Salman Fayyadh, Director General, Office of the DPM/I	Stephen Rimmer, Senior Private Sector Development Specialist, World Bank
Thair Salah Mahdi, Advisor, Office of the President	Walid Abdelwahab, Director, Infrastructure Department, Islamic Development Bank
Ather M. Kalaf, Head of Protocol, Office of the DPM/I	Louis Bedoucha, Senior Business Development Officer, Multilateral Investment Guarantee Agency (MIGA)
Riyadh Yousef Aboud, Chairman, Infrastructure Committee, Office of DPM/I	Husain Al-Chalabi, International Energy Sector Consultant
Saleh Abed Sahab, Chairman, Public Services Committee, Office of the DPM/I	Marc Murcia, Director of Public Guaranties, Coface France
Abdulsatar Abduljabar Hasan, Head of Administration, Office of the DPM/I	James Polan, Vice President, Overseas Private Investment Corporation
Rafe Khuder Salih, General Director, Office of the PM, Advisory Board	Chris August, Expert on Banking, Finance and Investment
Muayad Mohamed Ibrahim, Senior Chief of Engineers, Ministry of Water Resources	Arouna Roshanian, Private Sector Development Program, UNDP Iraq
Mohammed Raouf Hassan, General Director, Ministry of Finance	Bruno de Cazalet, UNIDO Legal Expert, Private Sector Development Programme Iraq
Ehsan Mohammad Salman, Snr. Chief of Engineers, Min. of Transportation	Jérôme Grand d'Esnon, Lawyer, Carbonnier Lamaze Associés
Lubna Hamid Raheem Al Saghan, Expert, Ministry of Electricity	Sven de Smet, Head of Acquisitions, Investments & Financial Advisory, GDF-Suez Energy International
Emad Mostafa Younes, General Director, Ministry of Construction and Housing	Pierre Sorbets, Public Sector Department, HSBC France
Nazim Abbas Mutlaq, Assistant General Director, Ministry of Oil	Laurence Héron, Senior Manager, Transaction Advisory Services - Project Finance, E&Y
Abdul Hussein Noori Mahdi Al-Hakim, Expert, Ministry of Agriculture	Stéphane Manoukian, Senior Manager, E&Y
Abdul Ridha Naji Mahmoud, Assistant General Director, Ministry of Municipalities	Curtis Ohlers, Iraq Transition Assistance Office, U.S. Embassy, Baghdad
Basim S. Hussein, Expert, Ministry of Telecommunications	Mustafa Alshawi, Chairman, Iraqi Institute for Economic Reform
Saad Sharif Al-Katib, General Director, Ministry of Planning	Antony Jamo, Partner, Tigris Capital Partners LLP
Ahlam Abbas Mohammad Ali, Senior Chief of Engineers, Amanat of Baghdad	Observers
Mazen Sabah Ahmed, Snr. Researcher, National Investment Commission	Florian Amereller, Amereller Legal Consultants
Khamis Hamad Margab, Private Sector, Asas Al Sharq Co. (Trading and General Construction)	Emily Walker, Finder, Multilateral Investment Guarantee Agency
Shaban Abbas Kadhim, Private Sector, Jazira Company (for livestock services)	Pierre Fournol, Lawyer
Embassy of Iraq in France	Gilles Pinot de la Villechenon, HSBC France
Amer Sulaiman, First Secretary, Embassy of the Republic of Iraq in France	Elisabeth Blanc, Coface France
Sahib Abbas Mahmud, Commercial Service, Embassy of the Republic of Iraq in France	Joshua Volz, US Department of State, Bureau of Near Eastern Affairs, Economic Advisor – Iraq
Shakhwan Tayfor, Commercial Service, Embassy of the Republic of Iraq in France	Kamal Field Al Basri, Expert on Iraqi Economic Affairs
	Representative, Medef International

8:30 9:00	Iraqi participants depart Hotel Concorde Registration at OECD Conference Centre
9:30-9:45	Opening Remarks Mr. Shakir Salman Fayyadh, Director General, Economic Advisor, Office of the Deputy Prime Minister for Infrastructure, Iraq Mr. Amer Sulaiman, First Secretary, Embassy of the Republic of Iraq in France Mr. Alexander Böhmer, Head of Unit, MENA-OECD Investment Programme
9:45-10:45	Session 1 – Toward a strategic framework on infrastructure financing
9:45-10:45	Toward a strategic framework on infrastructure financing <i>This presentation focuses on elements of an attractive infrastructure finance environment, including investor protection and arbitration, and on a methodology for prioritizing infrastructure projects.</i> Mr. Alexander Böhmer, Head of Unit, MENA-OECD Investment Programme Discussant: Mr. Curtis Ohlers, Iraq Transition Assistance Office, U.S. Embassy, Baghdad
10:45-11.00	Coffee Break
11:00-12.30	Session 2 – Summary Presentation of Iraqi Infrastructure Projects
11.00-12.30	<i>This session allows each Iraqi Ministry to briefly present its two infrastructure project priorities. Each presentation should last no more than 5 minutes <u>per Ministry</u>.</i>
12:30-14:00	Lunch
14:00-16.00	Session 3 – Basic Requirements for PPPs, Development Bank Loans and Guarantees
14.00-16.00	Requirements for Public-Private Partnerships, development bank loans & guarantees <i>This presentation covers the essential elements of a public-private partnership, including the special purpose company, the role of the State and the private partners, risk sharing, remuneration, duration, and the regulatory framework. It also covers requirements for development bank loans and guarantees.</i> Mr. Louis Bedoucha, Senior Business Development Officer, MIGA Mr. Jérôme Grand d'Esnon, Lawyer, Carbonnier Lamaze Associés Mr. Pierre Sorbets, Public Sector Department, HSBC France Discussion amongst Working Group members.
16:00-16:30	Coffee Break
16:30-18.30	Session 4 – Case Studies of Public-Private Partnerships
16:30-18:30	Project financing in the energy sector at GDF Suez – a case study Mr. Sven de Smet, Head of Acquisitions, Investments & Financial Advisory, GDF-Suez Energy International Two infrastructure case studies in France Ms. Laurence Héron, Senior Manager, Transaction Advisory Services - Project Finance, E&Y Mr. Stéphane Manoukian, Senior Manager, E&Y <i>Discussant: Mr. Bertrand Nora, Risk Analysis Department, French Development Agency</i> Discussion amongst Working Group members.

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9:00-15:30	Session 5 – Financing Iraqi Infrastructure Projects
9:00-10:30	<p>This session will allow Iraqi ministries to present selected infrastructure proposals in more detail. Optimal financing arrangements and the content and presentation of PPP designs and loan applications will then be commented on by an expert discussant. Each discussant will have contacted the relevant ministry prior to the meeting to obtain all necessary information.</p> <p>Project 1 (PPP opportunity): Gas-Powered Electricity Generation Stations Presenter: Ms. Lubna Hamid Raheem Al Saghban, Expert, Ministry of Electricity. Discussant: Mr. Marc Murcia, Director of Public Guarantees, Coface France.</p> <p>Project 2 (PPP opportunity): Market Complexes for Goods Delivery and Dispatch Presenter: Mr. Abdul Hussein Noori Mahdi Al-Hakim, Expert, Ministry of Agriculture. Discussant: Mr. Antony Jamo, Managing Partner, Tigris Partners LLP.</p> <p>Discussion amongst Working Group members.</p>
10:30-11:00	Coffee Break
11:00-12:30	<p>Project 3 (PPP opportunity): Oil Pipelines and Infrastructure in Southern Iraq Presenter: Mr. Nazim Abbas Mutlaq, Assistant General Director, Ministry of Oil. Discussant: Mr. Husain Al-Chalabi, International Energy Sector Consultant.</p> <p>Project 4 (PPP opportunity): Construction of the Grand Fao Port Presenter: Mr. Ehsan Mohammad Salman, Senior Chief of Engineers, Ministry of Transportation. Discussant: Mr. James Polan, Vice President, Overseas Private Investment Corporation.</p> <p>Discussion amongst Working Group members.</p>
12:30-14:00	Lunch
14:00-15:30	<p>Project 5 (development bank loan opportunity): Sewage Treatment Systems Presenter: Mr. Abdul Ridha Naji Mahmoud, Assistant General Director, Ministry of Municipalities. Discussant: Mr. Curtis Ohlers, Iraq Transition Assistance Office, U.S. Embassy, Baghdad.</p> <p>Project 6 (development bank loan opportunity): Highway Construction Presenter: Mr. Emad Mostafa Younes, General Director, Ministry of Housing and Construction. Discussant: Mr. Mustafa Alshawi, Chairman, Iraqi Institute for Economic Reform.</p> <p>Discussion amongst Working Group members.</p>
15:30-16:00	Coffee Break
16:00-17:30	Session 6 – Integrity Tools for Public-Private Procurement
16:00-17:30	<p>Integrity Tools for Public-Private Procurement Ms. Nicola Ehlermann-Cache, Senior Policy Analyst, MENA-OECD Investment Programme Discussion amongst Working Group members.</p>
17:30-18:30	Session 7 – Action Plan for Iraqi Infrastructure Projects and Closing Remarks
17:30-18:30	<p>Moderators: <i>Mr. Shakir Salman Fayyadh, Director General, Economic Advisor, Office of the Deputy Prime Minister for Infrastructure, Iraq</i> <i>Mr. Alexander Böhmer, Head of Unit, MENA-OECD Investment Programme</i></p> <p>Discussion will focus on how Iraqi officials can move ahead on loan applications or PPPs for the shortlisted projects prior to the third meeting of the Working Group. Closing Remarks.</p>

Government of Iraq

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