

# Public-Private Dialogue

## Iraq Private Sector Development Center (PSDC)

by

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### 1- Background and Context

The World Bank has established a Private Sector Development (PSD) Trust Fund (TF) for Iraq to encourage jobs growth and additional investment. A Multi-Donor Trust Fund was established initially with the support of DFID contributing £3.2 million over 2 years and four months, (September 1 2009 to December 2011). DFID's contribution includes funding for private sector development (PSD) specialists in the Bank team in Baghdad, diagnostics, and additional PSD technical assistance and capacity building. In late 2010 SIDA decided to contribute SEK46m and broaden the focus of support for PSD in Iraq and also extend the duration of support through the Trust Fund until December 2013, with a final disbursement date of 30 March 2014.

The intervention consists of three components. The largest relates to state-owned enterprise (SOE) reform; the second component aims at facilitating additional finance for micro and small enterprises; the third pillar supports sub-national regulatory capacity reviews and the establishment and operation of a Regulatory Reform Unit at the center of government.

As part of the sub-national regulatory capacity reviews, the World Bank helped establish the Private Sector Development Center (PSDC), an umbrella NGO bringing in four business membership organizations and led by six prominent Iraqi business representatives, including two women. The objective of the PSDC is to unite the voices of the private sector and contribute to the identification and solution design of reforms that would improve the business environment. The establishment of the PSDC has taken almost one year due to the fragmentation of the private sector, a constraining regulatory framework for establishing NGOs and the research capacity of the PSDC. The World Bank has been supporting the PSDC in funding a secretariat housed within its facilities.

The PSDC is a registered local and independent NGO (April 2012) and is financially supported by the World Bank including acting as host for the PSDC Secretariat.

Unlike the more traditional PPD institutional alignment, the PSDC does not currently include public sector entities as members. It was felt that given the current environment, it would be best to begin the dialogue process by uniting the private sector voice. However as presented below, a number of strategic partnerships with Government are being developed.

The PSDC represents several private sector representative organizations including:

- Basra Chamber of Commerce with over 35,000 paying members.
- Iraqi Federation of Industries – Karbala Branch with 1,600 paying members.
- Babil Chamber of Commerce with over 5,000 paying members and 1,600 real estate agents.
- International Union of Businessmen in Iraq with over 1,500 paying members.

Altogether, the PSDC represents nearly 50,000 businesses across several provinces. Most of these businesses are from the trading, manufacturing, construction, and agriculture sectors. The PSDC has surveyed once a sample of these businesses to identify key constraints to doing business but has not yet set up a systematic process to involve them at key stages of its advocacy work. The PSDC is working on expanding membership to all business member organizations (BMOs) as well as reach out to the members of these BMOs. Founding members at the Steering Committee represent the following:

- The International Union of Businessmen in Iraq  
Based in Baghdad, the International Union of Businessmen in Iraq (IUB) aims at increasing the private sector's contribution to the economy in Iraq by adopting innovative models that will increase its effectiveness, by enabling the investment environment and by contributing to the capacity of business people in their economic activities. The IUB works to provide its members the opportunity to attend study tours and conferences as well as make business contacts abroad. Services offered to its members include hosting and designing websites, DUNS and CCR registration. The IUB has 1,600 paying members inside and outside Iraq.
- The Basrah Chamber of Commerce  
Established in 1926, the Basra Chamber of Commerce (BCC) is a professional economic organization which is financially and administratively independent. It organizes commercial activity in the governorate, provides commercial consultation to merchants and contractors. More than 36,000 members are registered with the BCC of which 30,000 are paying members.

- The Babil Chamber of Commerce  
The Babil Chamber of Commerce (Babil CC) in Hilla, Babil province was established in 1949 by a group of private traders with the goal to organize and develop commercial and economic activity, support its members and study economic environment in the province and provide recommendations. The Babil CC also cooperates with other chambers of commerce in Iraq, the Arab world and the broader international world to create opportunities for its members to participate in fairs and conferences. The Babil CC owns several properties, some of which are rented out. In 2011, over 5,000 businesses have registered or renewed their membership.
- The Karbala branch of the Iraq Federation of Industries  
The Iraqi Federation of Industries (IFI) was established in 1956 (law number 35) and presently works according to law 34/2002 which provisions that membership to IFI is optional for companies. The IFI is headquartered in Baghdad with offices and branches in every province in Iraq. Its mission is to support the Iraqi economy, encourage investment and create employment by promoting and increasing the performance of the private, mixed and cooperative industrial sector. More than 1,600 businesses are registered in Karbala of which 90 members have newly registered or renewed in 2011.

## **2- Partnership, Structure and Processes**

The PSDC has set up a structure to ensure that regular discussions on reform issues through Working Groups composed of private sector representatives are taking place. The Working Groups present their recommendations to the Steering Committee for approval.

Both Working Groups and the Steering Committee are supported by a Secretariat which provides administrative, analytical and facilitation support to help members better understand constraints and their potential solutions.

The Steering Committee

The Steering Committee is composed of 6 senior representatives from the Iraqi private sector, two of whom are women:

- Chairman: Mr. Khalid Mahdi
- Vice Chairman: Mr. Hameed Al-Ukaby – Head of the International Union of Businessmen in Iraq
- Mr. Ayad Radhi Hassan – Former President of – now Board Member - of the Basrah Chamber of Commerce
- Mr. Haidar Al-Fehan – Board Member of Babil Chamber of Commerce

- Ms. Hawra Abbas – Director of Karbala Iraq Federation of Industries
- Ms. Hadeel Hassan – Lawyer

### **Strategic Partnerships**

The PSDC recognizes the particularly important role of specific organizations with which it will establish strategic partnerships, as follows:

- Private sector companies
  - Energy sector (oil, gas, electricity)
  - Visible business leaders/champions
- Government partners:
  - Council of Advisors in the Office of the Prime Minister (PMO)
  - Private Sector Development department in the Ministry of Trade
  - Parliamentary Economic Committee
  - General Secretariat to Cabinet
  - Provincial Councils
- Private sector organizations
  - Trade Chamber of Sweden, based on the MOU signed in 2012
- Development partners
  - World Bank Group
  - SIDA
  - USAID
  - CIPE
  - UN

### **3- Results so far**

The PSDC has achieved some important outcomes in its three years of existence: it has contributed to improving a number of draft regulations but above all, it brought a credible and unified voice to address reform with the government and other stakeholders. Although difficult to measure, the PSDC has been a useful mechanism for building peace and creating trust in a country that still suffers from outbreaks of violence.

The PSDC was successful in lobbying the Parliament to amend the Labor Law. While the changes implemented did not address serious flaws which remain with the draft legislation, this was nevertheless a significant achievement – possibly the first time in Iraq that a business group successfully lobbied the Parliament to amend legislation. PSDC has been very active in focusing on gender and women’s economic empowerment, providing a forum for discussion. PSDC collaborated with UN women in hosting a series

of training workshops for businesswomen in several Governorates in Iraq. The challenge remains for PSDC to form a structured partnership with the government that would ensure a sustained commitment from government to address issues affecting the private sector.

PSDC impacted key regulations affecting business in Iraq, identified obstacles and alternatives for reform. It has already successfully undertaken consultations via small scale and pilot PPD with ministries on various regulations such as providing consultation on classification of contractors to the Ministry of Planning, and achieved success in having draft law amended.

PSDC has signed a Memorandum of Understanding with the Swedish Trade Chambers, formatting the collaborations between the two parties in the fields of Capacity building for the Iraqi side and particularly in the sectors of Women Economic empowerment, Policy Advocacy, International & National Arbitration and Mediation and Green Technology. A detailed action plan for 2013 tied to the sectors mentioned above and any other area agreed upon will be mutually developed before end of 2012, to be followed by further action plans for 2014 and 2015.

PSDC is currently working on issuing a quarterly magazine promoting Women Economic Empowerment - the magazine will be launched in three countries, England, Swedish and Iraq. PSDC has also recently established a Social Security Law (SSL) working group, to review new SSL draft and provide comments to the Labor Committee within the Iraqi Parliament.

Like any fairly new organization, PSDC is facing a number of political economy and other challenges. These include a public sector not familiar or experienced with transparent dialogue, evidence-based policy making and policy outreach; public sector perceptions about the role of Government in a market economy; the need for the private sector itself to continue to get better at speaking with one voice and to ensure effective and targeted messaging; and continuing efforts to ensure smooth internal PSDC effectiveness in terms of its operations including frequent turnover of its Secretariat staff.

## **Biographies of Authors:**

**Mr. Khalid Mahdi:** Chairman of the Private Sector Development Center.

*Education:* BSc in Electrical Engineering

Khalid's background is within the SME sector in Iraq, the UK, Jordan and has worked in Cote d'Ivoire and Ghana. He is a proactive and resourceful executive with extensive experience gained within commercially oriented, competitive environments. He has worked in different capacities with Pioneer Air Systems Inc, i2 (Itsalat International), as a consultant to the United Nations Industrial Development Organization (UNIDO) based in Kurdistan, Iraq and other SMEs in the FMCG sector.

Khalid also worked as an Advisor with the multi-national forces in Iraq (Civil Affairs) and assisted in the planning and execution of initiatives aimed at building the capacity of the Government of Iraq in improving economic stability, employment opportunities, attracting FDI, linking economic supply chains, and assisting State Owned Enterprises in transitioning to mixed sector and private ventures and also worked as a business advisor with the Joint Contracting Command Iraq-Afghanistan providing input on resource, financial, and economic development issues associated with strategic reconstruction projects and contracting.

**Mr. Hameed Al-Ukaby:** Chairman Deputy of the Private Sector Development Center.

*Education:* Ph.D. in Economy, University of The Hague, Netherlands

Chairman of International Businessmen Federation in Iraq, founder of Arab Businessmen Federation "Iraqi Branch", Owner of Paints Production Company, member of the Advisory Board of Commerce Chambers Federation, member of Fine Artists Association, member of Arabic Commerce and Industry Chamber - Germany – Berlin, founder member of the Transparency Convention (United Nations Ten Commandments), member of the Iraqi Business Council in Egyptian, Indian, Singapore, Oman, and Russia, founder member of the Private Sector Development Department in the Iraqi Ministry of Trade, chairman of the Iraqi Business Council in Lebanon.

**Mr. Haider Al-Mamoury:** Member of the Private Sector Development Center Steering Committee.

*Education:* BSc in Building and Construction Engineering

Member of the Steering Board of Babylon Chamber of Commerce and owner of Private Contracting and Construction Company - participated in many economic, and construction conferences in many countries.