

Concept Paper

**Development of One Stop Shop (OSS)
For
IRAQ NATIONAL INVESTMENT COMMISSION (INIC)**

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*Developed by:
Munther Al-Fattal, Senior Advisor
Investment Promotion Director*

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Concept Paper for the DEVELOPMENT OF A ONE STOP SHOP (One Window) FOR IRAQ NIC

Developed by: Munther Al-Fattal, Senior Advisor,
Investment Promotion Director
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1. Background

The attractiveness of a country to foreign investors and the feasibility of individual investment projects is closely linked to a country's policy environment. However, this dependence does not only refer to the legal framework or the general policy prescriptions. Equally, if not more important is the practical administrative implementation of these policies.

These administrative procedures can pose serious impediments even in countries with an apparently quite liberal investment environment. Many governments realize with frustration that investors openly complain about difficulties even after the introduction of broad liberalization measures with respect to foreign direct investment (FDI). What frequently happens is that broad policy reforms do not actually translate into improvements in the various bureaucratic processes investors have to go through.

Most investment promotion agencies (IPAs) therefore recognize early on that promotion activities by themselves are not sufficient to attract investors to the country. In fact, such a strategy can easily backfire. A good marketing and public relations effort might well result in a strong response from abroad, with many interested investors visiting the country to explore it more carefully as a potential investment location. But in situations where administrative processes pose a serious problem, potential investors are likely to find out fast. Own experiences with obtaining visas and entering a country might be taken as a first indication. Reflections and opinions of existing investors who incurred unnecessary costs and losses due to delays resulting from actions – or a lack of action – by government agencies will leave lasting impressions. Should it turn out that administrative practices do pose a serious burden, potential investors are likely to walk away, not to return for a long time as the country now has a stigma of not being investor-friendly.

It is not that foreign investors just fundamentally abhor government agencies and specific rules and regulations any investor has to follow. In fact, they are quite used to dealing with government administrations in their home countries. They also do not expect that all these procedures will always be unproblematic and work seamlessly. But they will be most sensitive to discretionary behavior

and a general unpredictability with respect to obtaining approvals. Especially when they recognize that the success of their venture will to a large degree depend on paying bribes or relying on personal relations with well-connected individuals, serious investors will think twice before committing their capital.

Delays, discretion and a lack of transparency also encourage the practice of “speed payments” where bureaucrats would demand, or investors and their agents would willingly offer informal payments to obtain a quick approval.

All this means that IPAs cannot remove themselves from the question of the policy environment within their own country and its practical implications for investors. On the contrary, by advertising their country as an attractive investment location, their credibility rests with the satisfaction of their potential investors and clients. Should investors find that their expectations were not fulfilled; they will often feel betrayed and lose trust in the IPA as an objective counterpart.

In Iraq, skill level and institutional reform has not kept up with policy leaps; in fact, there is more bureaucracy today than before. Civil servants are being asked to make decisions regarding complex new market economy concepts and take responsibility for them. They are at a loss, so they create more obstacles to slow things down and protect themselves. The absence of a simple system which shall be competently executed will prove to be a tremendous impediment for investors large and small, local and foreign.

Recognizing that existing administrative practices pose a threat to their policy reform efforts, governments therefore often try to find practical solutions to creating a more attractive business environment. An IPA, being the point of first contact and gate of entry for foreign investors, seems to be the most appropriate candidate to tackle these issues.

During the 1980s, the concept of a “One-Stop Shop” (OSS) came into fashion as a vehicle to deal with administrative barriers to provide a more streamlined and investor-friendly policy environment. However, as the following discussion will show, the experience with the OSS concept is checkered and not particularly positive in many instances¹.

2. The “One-Stop Shop” in Theory and Practice

When trying to establish an investment project and making it operational, investors tend to face a myriad of steps where they need to interact with various government agencies to obtain all the necessary permits, licenses, approvals and clearances. As a first step, a potential investor needs a visa to

¹ Frank Sader, Do “One-Stop Shops” Work? Foreign Investment Advisory Service (FIAS), The World Bank, 2003, p 1-2.

enter in order to explore the country as a potential investment location. Having developed an interesting investment project, in some cases a foreign investment and/or general industrial license needs to be obtained. Sectoral or industry-specific licenses are generally required before operations can be initiated. The new company needs to be incorporated and registered. The paid-in capital often needs to be valued when in-kind and certified. Tax authorities need to register the company. Registration approval procedures need to be completed with finance, banking and trade authorities in cases involving foreign exchange and export/import transactions. Central, regional and provincial authorities have to clear access to land and approve the construction and occupation of production facilities. For the hiring of domestic and foreign workers, approvals need to be obtained from labor and immigration offices. Clearances and inspections are required from a number of authorities, including environment, health, safety and labor. In short, an investor has to be in contact with a number of different government authorities to go through their administrative procedures before operation can begin. A delay in any of these steps will translate into additional costs and foregone revenue, and any permit, approval or clearance not forthcoming can jeopardize the entire project.

Given the complexity of this process, the concept of an OSS seems very appealing. The basic idea is that an investor would only have to be in contact with one single entity to obtain all the necessary paperwork in one streamlined and coordinated process, rather than having to go through a labyrinth of different government bodies. In practice, however, such a mechanism works in barely any country of the world.

In its narrowest definition, such an OSS would effectively mean that one government agency has all the authorities necessary to grant the various licenses, permits, approvals and clearances. Without such an all-embracing authority, the agency could in fact not wield much control over the process. It could therefore not actually provide all the necessary clearances at various stages of the administrative process, having to depend on other authorities instead.

In practice, however, such an idealistic notion of the OSS has proven unrealistic. Practically all governments that tried to implement this form of an OSS encountered significant resistance by the various government agencies responsible for the different administrative procedures. Most importantly, other ministries and agencies fear that the creation of such an OSS would result in curtailing their authority and mandate, quickly leading to intensive turf battles within the government bureaucracy.

More relevant is the question whether a single agency should actually have this much authority and power. It is important to recognize that most agencies and administrative processes were created in response to particular policy concerns of the government. Be it concerns related to immigration, environmental degradation, tax evasion or health and safety problems, each

agency tries to address a particular issue with specialized staff and processes. Any OSS that wants to provide qualified authorizations in any of these areas, would in fact have to re-build these (or similar) structures in-house. Otherwise approvals such as environmental impact assessments, VAT reimbursements or health and safety certificates would most likely not meet the underlying policy objectives. But such a mirroring of administrative capabilities would quickly turn an OSS into a bureaucratic super-agency with massive staff and resource requirements. It is unlikely that any such agency would be capable of providing fast and client-oriented services to the private sector.

Governments therefore typically shy away from establishing such an OSS in the narrow sense. Instead they tend to rely on some form of coordination mechanism where the various authorities maintain their existing mandates and responsibilities. The typical structure of such a coordinating mechanism consists of the delegation of staff from the various ministries and agencies to establish their offices in the same location, frequently an IPA.

But putting together even such an OSS is not at all an easy task. Other authorities are still likely to feel threatened, even if the OSS mandate is carefully defined as a coordinating function only. Ministers and agency heads tend not to show a strong interest in cooperation as they feel unsure about the true intentions of the OSS, fearing incursions in their fields of responsibility. In many cases, these authorities therefore only delegate junior staff to the OSS who do not have sufficient authority to actually grant approvals. This, in fact, means that paperwork is simply collected at the OSS offices and transferred to the main offices of the relevant authority just to pass through the same administrative process as before. In such a situation the potential investor has gained nothing. The OSS is simply a mailbox operation, where the investor submits his paperwork just to pursue it directly with the relevant authority in order to see his application through. The “One-Stop Shop” has actually turned into a “one more stop”, as investors are now forced to interact with one more entity in the process of implementing their projects².

3. International Best Practices & Global Models

Some of the best examples of successful one-stop shops can be found in Ireland, Singapore and Malaysia. These successful examples often utilize more their political clout and seniority, rather than legal mandate and coordination. A critical point in all the literature on One Stop Shops is that they must be combined with policy reform. In Iraq that would require a close coordination with the policy reforms recommended in the Investor Roadmap of Iraq, presented to the government of Iraq by USAID in July of 2006.

² Frank Sader, Do “One-Stop Shops” Work? Foreign Investment Advisory Service (FIAS), The World Bank, 2003, p 3-4.

Different Global Models

1. Single autonomous agency or commission.
2. Permanent inter-ministerial body/coordinating organization.
3. Agency that reports to an inter-ministerial committee
4. Diffuse approach.
5. Attempting to house all registration, licensing/permitting functions in one location requires assignment of representatives of appropriate rank and authority to make decisions.

All the models can be summarized as follows:

- One Shop or Window for Many Services: Investors visit a number of different kind of regulatory (licenses & permits) services concentrated in one separate office, called “one window” or “one stop shop” or “one roof” or “single table”
- One Shop or Window for One Service: Investors apply at only one shop/window/ table of one office, called the same.
- One Stop Shops: Investors go to single location, window, door ...etc for all services; applications are processed (routed or taken to other ministries/agencies) and returned to investors by same location (shop, window...etc).

Another way of explaining the models is:

- Reception and Return
- Reception, Processing and Return
- Reception, Processing, Issuance and Return

4. Objectives of all types of One Stop Shops:

1. Serve as accessible entry point for investors in need of regulatory compliance with laws and/or regulations at the National Level;
2. Change regulatory decision process (registration, licensing, permitting, land allocation) by increasing transparency, clarify regulations and improve quality and timeframe of service;
3. Perform pre and post investment screening for appropriate investors and investments into a country on a project-by-project basis;
4. Allocate various Incentives (tax, land, training, free zones, etc.);
5. Participate in the regulatory reform/roadmap process of the country;
6. Provide pre-approval services (market data, costs, incentives, project approval, visits, local partners, etc.) to investor; and
7. Provide post approval services (permits, approvals, import equipment & raw materials, central bank profit repatriation, work permits, etc.) to investor.

5. Costs/Benefits of One Stop Shops

C O S T S / P R O B L E M S	B E N E F I T S
Continued lengthy delays in approval process for investors called “one	Allows governments to monitor investment processes in their country

<i>more stop shops"</i>	
Division of decision making and administration	Predictable timelines for licenses, permits
Loss of historical technical expertise, especially in licensing, in fields like health, construction and mining where domestic private sector fear of competition is the strongest	Shorten and improve the regulatory process, as well as increase predictability of decisions and minimizes resources investors must spend to obtain approvals, permits, licenses, etc.
Former centers for approval (Ministries, Customs, etc.) feel compromised, loss of power unless strategy in place for coordination and continued role in regulatory process	Country with One Stop Shop or regulatory window is deemed "investor friendly"
Ineffective, increased costs and limited power when "stand-alone" from reform process	Effective when a part of the regulatory reform process and have sufficient "power"
Parallel structures created when high ranking Ministerial regulators are not appointed to the new centralized location, i.e. one stop shop.	Marketing tool to investors advertising that investment promotion agency is concerned with facilitating regulatory process.

6. Conclusions / Recommendations for Iraq:

Iraq's Investment Law No. 13 for 2006, specifically stipulates in

- Article No. 9 (item: Third): *The Commission shall promote investment by working on the following:
Establishing one window at the National Investment Commission and the Regions and the Governorates Commissions, which includes authorized representatives from the ministries, and members nominated by the Councils of the regions and governorates as the case, and the concerned authorities to undertake issuing the license and obtain the approvals of other authorities in accordance with the law.*
- Article No. 20 (Item: First): *The Commission may issue the establishing license through establishing one window in the region or the governorate not organized in a region that includes authorized representatives of the ministries and relevant bodies. The Commission shall grant project establishing license and obtain approvals from the entities in accordance with the law.*
- Article No. 20 (Item: Second): *The Commission may help the investor to obtain the Establishment license by approaching the competent authorities and exploring the opinions of the entities concerning the issuance of the establishment license. These entities must issue the decision to reject, approve or request amendment within 15 days from the date of being notified. The failure to reply from*

the entity from which the opinion is solicited shall be deemed as an approval and in case of a rejection there must be cause for it.

➤ **Conclusions:**

1. With all the dangers/costs/problems involved in setting up one stop shops, it is a requirement of this new Iraqi legislation.
2. Current legislation places the One-Stop-Shop (One Window) within the National Investment Commission within the Prime Minister's office and suggests a strong model with the authority to actually issue Investment licenses.
3. As for the regions and governorates not organized in a region the Law in Article 20 gives two alternatives as shown above:
 - The Commission may issue the establishing license through establishing one window in the region or the governorate, or
 - The Commission may help the investor to obtain the establishing license by approaching the competent authorities.....
4. Key conclusions from International models and actual experience are that
 - **POWER PLAYERS MUST BE CONSULTED**
 - **ONE STOP SHOP STAFF MUST HAVE SOME SIGNIFICANT AUTHORITY**
 - **PROCESS MUST BE DONE IN CONJUNCTION/PARALLEL WITH POLICY REFORM**
(Iraq Investor Roadmap Policy Reforms).

Important Notes:

5. Although the terminology used in the Investment Law No. 13 for 2006 for Investment License and Establishment License referred to the same. *This concept paper specifically distinguishes between "Investment License" (to be issued by the National, Regional, and Provincial (Governorate) Investment Commissions) and Project Establishment licenses/permits (to be issued by or requiring the approval of other Ministries/authorities).*
6. Investors shall face a big impediment when approaching the One Window (OSS) in a provincial investment commission to get other Establishment licenses/permits and approvals for the project for the following reasons:
 - There are no branch offices for Companies Registrar/Ministry of Trade in the provinces (governorates). This means that the

investor has to get his company registration license in Baghdad at the Ministry of Trade.

- The representatives of other government authorities within the provincial One Window (OSS) are *“members nominated by the Councils of the regions and governorates as the case, and the concerned authorities to undertake issuing the license and obtain the approvals of other authorities in accordance with the law (Article 9/Third)”* and *“These entities must issue the decision to reject, approve or request amendment within 15 days from the date of being notified (Article 20/Second)”*. This shows that the provincial One Window members are not representatives of relevant ministries and authorities concerned with issuing Project Establishment licenses, permits and approvals (not Investment License which is to be issued by the provincial commission itself). These issues must be taken over to the center (Baghdad) to be processed. It is expected that this processing shall take much longer time than the 15 days time frame determined by the law.

➤ **Recommendations:**

1. The NIC should jumpstart the establishment of the investor “one-stop-shop” as soon as possible. This operation shall have the power and mandate to deal with all aspects of investment and should be a small and efficient department designed to facilitate and simplify the investment process through coherent access to all relevant aspects of government. As a first step, it is recommended to streamline business registration processes— cutting down the number of procedures, the number of visits that investor has to pay to government bodies, and the time needed to obtain a registration certificate, and making involved authorities’ procedures time-bound.
2. The NIC, in coordination with the Directorate of Companies Registration at the Ministry of Trade, should spearhead the efforts of establishing communication systems and mechanisms between all involved authorities. An important recommendation necessary to facilitate communication between all relevant authorities is to create a single, unique tracking number for investors when they first submit their applications (as it is done at the Companies Registrar Office and where they create a single company ID number once a company is registered). We are well aware of the NIC efforts for establishing provincial investment commissions. It is recommended through the Investment Law No. 13 for 2006 that each provincial investment commission acts as Iraq’s one-stop-shop in that particular region. This of course needs to be very well coordinated with provincial branches of Companies Registration Offices (none existing until now).

3. The One Window (One Stop Shop) of the National Investment Commission (NIC) aims at providing investment licensing and project establishment (registration services, etc.) to projects. The Window shall operate under the supervision of the Chairman. It shall extend its services to investors in a manner that ensures centralizing the receipt of applications and processing, prompt issuance of investment licenses, and finalization of such matters as approvals, permits, visas and residence permits, etc. required for carrying out the activities.

4. Functions of the One Window (One Stop Shop):

- Granting investment licenses.
- Providing facilities and support services required for investment projects.
- Supplying potential investors with information pertaining to different phases of the investment project.
- Coordinating with other government ministries and organizations to provide required project establishment licenses, permits, and other approvals.

5. Proposed Structure of the One Window (OSS)

The Window can be comprised of the following three units:

a) Investor Services Unit

This unit receives and registers investors' applications and ensures that they supply the Window with all the required documentation for obtaining the licenses, permits and approvals. The Unit rechecks the investment applications it receives from investors and notifies investors with incomplete or missing documentation. Complete applications are then sent to the Audit Department within the Directorate of Legal Affairs.

It provides investors with all investment related information extracted from the new Investment Law, the Company Law, the Labour Code, the Tax Code,..... etc. It also assists the investors by giving them advice, answering their queries, doing follow-ups, and informing them of measures taken regarding their applications.

b) Coordination Unit:

This Unit helps the investor obtain the Establishment license by approaching the competent ministries and other authorities and exploring the opinions of the entities concerning the issuance of the establishment license and assists investors in establishing contacts with other investment related government agencies in order to eliminate all obstacles hindering the licensing of their projects. It issues supporting letters which help in obtaining incentives for the investor and regulate other matters.

In addition, it sees the affairs of the representatives of ministries and other agencies and organizes times and places of their presence at the NIC.

c) Representatives Unit:

This Unit includes representatives located permanently or sporadically at the National Investment Commission (NIC) from most of government ministries and agencies dealing with the registration and licensing of projects.

Representatives of relevant ministries and agencies shall look into investment license applications and establishment license, permits and approvals according to procedures and time frames stipulated in the law.

In addition to the Commission staff these representatives are to be high level officers (preferably in the rank of D.G.) from:

- The Ministry of Trade
- The Ministry of Finance:
 - General Tax Commission
 - General Customs Commission
- The Ministry of Industry & Minerals
- The Ministry of Foreign Affairs
- The Ministry of Interior
- The Ministry of Electricity
- The Ministry of Environment
- The Ministry of Municipalities & Public Services
- The Ministry of Transport
- The Ministry of Communications
- The Ministry of Labor & Social Security
- The Ministry of Agriculture
- The Ministry of State for Tourism & Ruins
- The Ministry of Housing & Construction
- The Mayoralty of Baghdad (Amanat Baghdad)
- Union of Chambers of Commerce
- Other Agencies as may be required.

6. Proposed Services of One Stop Shop

Potential investors shall benefit from the following services provided by the Window (OSS):

- **Issuance of Investment Licenses:**

According to the new Investment Law, investors shall obtain Investment licenses for their projects from the National Commission or the Commission of the region or governorate. The Window (OSS) receives applications for investment licenses to establish projects. It informs investors of the final Commission's decision regarding their

applications within a period not exceeding 45 days from the date of filling the application form and submitting it with the attachments required in Article 19, Third of the new Investment Law.

- **Post Licensing Services:**

Representatives of main government ministries and other authorities in the Window shall guarantee, according to a set up mechanism (in compliance with Articles No. 9 and No. 20 of the Investment Law), prompt provision of support services, utilities, and incentives such as registration of the project (company) at the relevant Chamber of Commerce, the Ministry of Trade / Companies Registrar, the Ministry of Finance/General Tax Commission, approval of the relevant sectoral ministry, and other ministries and authorities, sponsoring of expatriate workers who need approval of the Ministry of Labor and Social Affairs and Ministry of Interior / Immigration Office, and other related matters.