

Indicators of the Development of the Private Sector- The Five Year Plan 2010-2014

Introduction

The aim of the five year plan 2010-2014 is to draw up a program for economic, financial and administrative reform, to redefine the role of the state and to establish an effective partnership between the state and the private sector through the state's consolidation of the foundations of security, the rule of law and the establishment of a structural and institutional foundation, as well as to secure economic stability, the completion of the infrastructure and the provision of general services. Simultaneously, the Plan aims at encouraging the private sector and providing it with the incentives to assume the leading role in the process of economic development, and to get involved in sectors which had hitherto been monopolized by the state, in addition to empowering it to expand investments in educational and health services.

For all the aforementioned, it is necessary that the state should adopt a long-term strategy for the development of the Iraqi economy, to propose policies and programs, and to expand the database pertaining to development, with a view to enabling the private sector to compete in the establishment and management of projects with multiple and multifarious activities throughout Iraq.

And through an expanded role for the private sector and affording it the opportunity to build investment projects it shall become one of the principal ramparts in implementing the strategy of the state and in diversifying the sources of its revenue. This is in addition to lightening the burden devolving upon the budget of the state, and the transfer, absorption and indigenization of the technology at the local level, and finding new opportunities for business and competition in the international market.

And in view of the importance of encouraging the private sector to invest and compete, it has become necessary to evaluate and develop the regulations and laws, and to simplify the procedures at present in effect, and to develop the infrastructure and the accompanying services in a manner that would provide a secure investment and economic environment capable of attracting investments and absorbing investors' aspirations.

One of the procedures which require considerable attention is the privatization of the public sector projects with the aim of ensuring the management of development projects with a more effective economic feasibility, the improvement of the efficiency of operations, the development of the level of performance and a reduction in the production cost.

The importance of Iraqi's involvement in strategies which aim at supporting the private sector and assigning to it a prominent development role as is the case in many states and, particularly in the states of the neighboring region which had preceded Iraq in this process during more than three decades, would in itself be regarded as a great challenge which

obliges the state to adopt to strive to activate and support it with all the means at its disposal in the light of changes and new international developments which call for our adoption of a development paradigm appropriate to this phase.

A Brief Historical Review of the Iraqi Private Sector

The performance of the private sector during the period prior to 2003 was characterized by paucity of participation in the economic activities, whether industrial or agricultural, and in its plant and livestock dimensions, and in the activities of construction and buildings, and in engaging in the fields of commercial investments and financial and banking services. And even though the private sector had endeavored to be abreast of the economic developments and what they necessitate in terms of the development of technological production and competitive capabilities, yet the legislation and laws which govern economic and working conditions have downsized its activities. This has encouraged the exodus of investors and their capital outside the country resulting in circumscribing their degree of contribution towards the gross national product or the ability to absorb the workforce, or its effectiveness in buttressing economic growth.

All the strategies contained in the economic plans have claimed that their objective was to achieve an attractive investment environment and afford assistance to individuals with a view to creating work opportunities appropriate to their potentialities, and the encouragement of small and medium-size projects, as well as the encouragement of privately owned establishments to carry out a cluster of economic activities aimed at diversifying the sources of revenue and the economic base. Likewise, they have all emphasized the need to establish a minimum standard of decent living for the Iraqi citizen. But notwithstanding all the aforementioned, and all the indicators, most of those plans have not been activated within policies and actualized procedures. To the contrary, the state had enacted a cluster of laws which had downsized and hamstrung the potentialities of the private sector to perform the role assigned to it within these strategies. Below is a cluster of legislations which have contributed towards the hegemony of the public sector over economic activity coupled with a weakening of the role of the private sector.

First- Agricultural Activity:

The state had enacted a number of laws in accordance with which it had striven to regulate agricultural activities under the state's direct supervision, an example of which is the special enactment regarding horticulture and forests for the year 2000, according to which a public company was established with a 300 million Iraqi Dinar capital, whose task was focused on research and the development of technologies and research, the conclusion of contracts to produce primary agricultural materials, and the development and expansion of agricultural projects, the purchase and importation of the production ingredients and marketing, while simultaneously exercising agricultural and commercial activity such as transportation, storage, insurance, opening exhibitions, and the appointment of agents for wholesale and retail sales.

A legislation was also enacted by virtue of which a public company was formed for industrial products with a capital of 200 million Iraqi Dinars whose aim was supervision of the development and production of agricultural products for the uses of both the private and the public sectors. It was also assigned the task of organizing the contracts for utilizing agricultural lands belonging to it with the private sector (individuals and companies), in addition to a plethora of objectives which had been formulated for the public company in charge of horticulture and forestry as indicated above.

The state also assumed the administration of the affairs of the fellahin (farmers) through enacting legislations to regulate their activities and by virtue of which to ensure its direct supervision over their activities. Thus came into being the law for farmers cooperative societies pursuant to which the General Federation of Farmers' Cooperative Societies would define its spheres of operation at the level of administrative units and individual villages. These institutions and societies were regarded as the highest authority concerned with formulating agricultural policy, and with adopting decisions which they deem appropriate for the achievement of their aims.

Second- Agricultural Sector:

The sector most adversely affected by circumscribing the role of the private sector and its marginalization had been the agricultural sector. The state had laid down four categories of enactments pertaining to this activity:

- a) A group of enactments relating to the establishment of public companies whose concern was industrial, mechanical, and chemical activities, in addition to research and development. Most of these companies were accountable to the military industrial complex, such as the Fao, Hammurabi, and Al-Qa`qa` companies, and others.
- b) A group of enactments pertaining to the supervision and ownership of the public sector in a number of shareholding companies, such as the Cement Company, the Tabuk bricks, textiles and others; Subsequently, the issuance of legislation which enabled the state to buy up the shares owned by the private sector under the supervision of the Ministry of Industry and Mining.
- c) Legislation regulating the activities of maintenance, repairs and industrial services offered to the citizens, and indigenization of these projects in industrial collectivities, and the drawing up of annual plans for their development.
- d) Enactments governing industrial projects, such as Law (22) of 1997, which was regarded as offering additional advantages and incentives with a view to activating the investment climate in Iraq, where it was made possible to convert a public company into a shareholding company provided that such conversion was carried out with the approval of the Council of Ministers. This was in addition to the Law of Industrial Investment in both the mixed sector and the private sector No. (20) of 1998 which licensed the directorate of industrial development affiliated to the Ministry of Industry and Mining to carry out the task of granting permits for the establishment of projects in both sectors, in accordance with regulations and general criteria for licensing industrial projects.

Third- Commercial Activity:

In this sector the state was the largest monopolizer of activities, in a much as limiting the sector of imports and exports to its jurisdiction, and covering all categories of goods and commodities. This role became more expanded after the issuance of the decision imposing an economic blockade of Iraq. Thus, the state assumed the task of procuring the basic food basket to the citizenry in a manner which came to be known subsequently as the ration card. Accordingly, the role of the private sector was confined to the distribution of the materials contained in this ration card. The departments of import and export affiliated to the Ministry of Trade were the quarters officially authorized to carry out this activity, and both eventually integrated a group of other specialized institutions. This resulted in raising the cost of operations and the poor quality of imported material in consequence of the absence of any supervision, as well as the conditions of blockade which were imposed on Iraq during that era.

Fourth- Services Sector:

The state monopolized the sector of public utilities, such as electricity, communications, health, tourism, drinking water, information, transportation and other activities. Thus, the generation and distribution of electricity was a monopoly of the state, and such monopoly was extended to include other activities linked to its main functions. Likewise, the communications sector was confined to the public sector companies, in order to implement the plans and policies of the state in the field of electronic services and industries such as computers, command and control systems, communications, and to ensure interconnectedness with the operating sectors affiliated to it such as the command and control systems company established in 2001 and affiliated to the Electronic Industries Company, both of which are in turn affiliated to the Ministry of Industry and Mining.

In the field of health, and notwithstanding the urgent need to support the activities and vitality of this sector, yet the state had intensified the centralization of its performance, whether through the establishment of special factories for pharmaceutical industries or through the importation of the necessary material relating to its activities, or the establishment of hospitals and laboratories for pharmaceutical and medicinal analysis. During the last decade, prior to 2003, a license was granted to a limited number of doctors to establish private hospitals, consequent upon the increased need to support the private sector in meeting these increasing needs.

In the field of tourism, the state, through the establishment of the tourism board was responsible for all the touristic facilities and installations. The state also implemented a number of such projects directly, such as the tourtic resorts at Habbaniyyah and Mosul, in addition to the construction of a number of large hotels in Baghdad. However, and simultaneously, it had closed a number of private restaurants and nightclubs, and proceeded to impose its participation in the family clubs established throughout Iraq.

In the field of information (media), the plethora of laws enacted to regulate this activity were designed to ensure direct supervision, such as the Law of the Ministry of Culture of 2001 by virtue of which the Ministry of Culture was separated from the Ministry of Information, subsequent to which it undertook the task of indoctrinating a culture inspired by the principles of the dissolved party and its objectives, and highlighting its achievements. Likewise, was the law governing Dar Al-Jamaheer for Publishing of 2000, which empowered this state-owned establishment with the responsibility for publishing newspapers, magazines, periodicals and any other printed material, and it was linked to the Ministry of Culture and Information. Moreover, there was issued the Law governing private printing presses, which empowered the Ministry of Culture and Information with the jurisdiction of granting permits for the establishment of private printing presses, provided that there shall not be established more than one printing press in more than one location, and that the term of the permit was limited to 1 year to be renewed within 60 days from the expiry of its validity.

The state also became a competitor in the field of transportation alongside the private sector, where a series of enactments were made in 2000 pertaining to private taxi services, water transport, and the transportation of persons, commodities, and passengers. According to those laws the state was empowered to oversee the activities of this sector within and outside of Iraq. The private sector was not permitted to establish similar companies, and the state additionally monopolized air transport, railways and their maintenance.

Fifth-Banking Activities:

In view of the circumstances surrounding the blockade, and the increase in the rate of inflation, and consequently a rise in the volume of demand for the dollar, the state enacted legislation by virtue of which it established the industrial bank as a public shareholding company and authorized it to grant loans against fixed assets, specifically to the industrial sector. The public shareholding company for banking services also undertook the task of offering all types of banking services such as the exchange of Iraqi and foreign currencies, financial instruments, gold, silver, and bullions, in addition to other banking services. The private sector was not permitted to operate in the banking sector; to the contrary, those who did pursue that activity were brought to justice.

Sixth-Regulation of the Investment Environment:

In a state initiative to encourage the participation of the private sector, the state enacted two pieces of legislation in support of the private sector in its local and external dimensions, namely:

- a) The Law for Arab Investment of 2002 which considers foreign investment case by case through the Department of Arab Investment. However, and notwithstanding its promulgation, its implementation was not at a level commensurate with the aims provided for in its establishment, where the approval for a project was accompanied by the exclusive approval of the Council of Ministers thus diminishing its effectiveness.

- b) The Development Fund Law of 2000 pursuant to which the development projects for all economic activities producing production means and which utilize local raw materials are to be given loans (i.e. credit). The role of this Fund was also limited compared with the existing volume of demand for goods and services, and the wish of investors to establish their development projects.

The two institutions, the Department and the Fund are affiliated to the Planning Board (currently the Ministry of Planning and Development Cooperation).

The foregoing overview indicates clearly the hegemony of the public sector, and the monopolization of all economic activities, whether in terms of administration or operation, while not allowing the private sector to engage in any clear development activity given that this sector has been exposed to strict monitoring and penalization which have prevented it from implementing any project inside Iraq. This has led to the exodus of major investors and capital to outside of Iraq.

Challenges facing the growth and development of the private sector

The private sector faces difficulties and impediments limiting its development and the growth of its productive capacities, which increase its production costs and weaken competitive capabilities. Those difficulties and obstacles may be categorized within two groups: -

- 1- The first group represents the overall domestic challenges constituted of the weakness and imbalance of the administrative, legal and judicial aspects, and of the shortcomings in the infrastructure and the basic services, not to mention internal challenges related to the weakness in institutional organizations of the private sector.
- 2- The second reflects external challenges, most prominent of which are the demands of globalization and the challenges relating to the production technology, the methods of marketing, and accessing foreign markets.

A Future Vision for the Development of the Private Sector

The five-year plan is to be regarded as an appropriate foundation for achieving transformation towards granting a greater role to the private sector and an enhancement of its contribution to the formation of the gross national product, through including within it the pillars and the necessary objectives for achieving this transformation, as well as developing a new vision for its entry into a partnership with the state towards achieving comprehensive development. The role can be briefly summarized as follows:

- To consolidate an economic system based upon a leading role for the private sector in all the economic and social activities.
- Improvement of the overall environment for investment and the provision of the requirements for a sound investment environment.

- According increased attention and encouragement to the private sector with a view to directing it towards agricultural and industrial investment, as well as services, tourism and export-oriented activities.
- Reform of the financial sector and the improvement of the performance of the banking sector through the expansion of its services and the encouragement of the entry of the private sector into its operations.
- Reform of the tax and customs system in order to simplify the procedures and improve the investment environment.
- To strive to attract foreign investment and the transfer of modern modern technology and experiences.
- To encourage complementarities and integration between small and individually owned companies.
- The participation of representatives from the private sector in the higher committees and the board of directors of governmental organizations and funds, and their participation in official negotiations with world states, as well as in the negotiations for joining the World Trade Organization.
- Raising the level of employment of national workers in particular (males and females), and those working in the public sector in general.
- Raising the level of competitiveness within the private sector and an improvement of its productive efficiency and export capabilities.

The Necessary Polices For Achieving The Vision

The orientation and pattern of future actions makes it incumbent upon the private sector to redefine the basic approaches of the private sector and its objectives and instruments, with a view to achieving qualitative advances and high levels of growth. This requires:

- The adoption of new dynamism focused on open competition within the matrix of a speedily changing world
- To focus on markets which go beyond regional frontiers and in which methods of marketing and advertising play a pivotal role.
- Dealing with accelerating technological developments and modern means of communication while observing the freedom of the transfer of capital.
- The development and expansion of a comprehensive database relating to investment affairs.
- The reinforcement of the role and mechanism of the market and its expansion. This requires the following:

- a) To expedite the implementation of the privatization strategy.
- b) The creation of partnership between the private and public sectors.
- c) The creation of specialized investment banking systems.
- d) Permitting the entry of foreign investors and allowing them to invest in shareholding companies.

The national economy contains vital spheres and economic potentialities which permit the utilization of comparative advantages and the growth of competitive capabilities within the private sector, with a view to achieving the optimum utilization of the economic resources in the long run. This is because the most important reason which impels our orientation towards encouraging the private sector to compete lies in the following:

- a) To lighten the burden on the state budget.
- b) To develop and diversify the sources of revenue.
- c) To reduce the costs of production and services and to also reduce the period necessary for achieving the production targets.
- d) The utilization of the capital of the private sector.
- e) To indigenize local capital.
- f) To attract foreign investment.
- g) Transfer of modern technology.
- h) Raising the level of quality and specifications.

Likewise, the encouragement and expansion of private sector export-oriented commodities, requires the adoption of a number of procedures, most important of which:

- To complete the infrastructure for exports in terms of refrigerated storage, commodity shipment, port services, and competitiveness between companies operating in the ports.
- To give attention to quality, packaging, and marketing, and the encouragement of the creation of special marketing companies.
- To study the potential export markets and to establish a database on such potentialities.
- To organize intensive promotional campaigns in regional as well as international markets through exhibitions and meetings between businesspeople, and through embassies and Iraqi commercial attachés abroad.
- To encourage the establishment of a specialized financial institution to finance exports.
- To develop a relationship of commercial partnership with the various regional economic blocs in a manner conducive to the augmentation of trade exchanges and entry into such markets.
- To benefit from partnership with foreign companies for entry into outside markets.

The increasing importance of the development of manpower resources within the transformations which the national economy is witnessing in the direction of the supremacy of the market mechanism and competition, in addition to the developments brought about by the information revolution and the tremendous development in the field of technology: All these have highlighted the need to augment technical qualifications and vocational and professional training, in addition to the development of skills and capabilities in the use of advanced technologies. Within this sphere comes the role of the

state alongside the private sector in adopting policies towards science and technology capable of providing the capabilities and the infrastructure for scientific research and the promotion of such research in universities and research centers, as well as the encouragement of the process of innovation and development. The Five Year Plan aims at implementation of the following policies and procedures:

- To study and define the actual current as well as future needs of the various spheres of specialization.
- To design and implement multiple and intensive programs for training the unskilled workforce through the participation of all concerned parties including the private sector.
- The state shall bear a part of the cost of the qualification program and the rehabilitation of the workforce in the private sector under the aegis of the Vocational Training Fund.
- The private sector shall establish and manage training and rehabilitation centers in a manner capable of meeting its requirements in the various specialized fields.
- Linking the outputs of higher education, and technical and vocational training with the development needs.

The positive outcome derived from implementation of this vision, is contingent on the liberalization of the erstwhile centrally controlled economy and its transformation towards the free market economy. This includes the adoption of a policy of freeing the currency exchange rate as one of the more important pillars, the reform policies necessary for resolving the imbalances in the currency markets, and the achievement of stability, thus raising the competitive capability of the economy. This should be coupled with the need to monitor the results of such policies and orientations in a manner conducive to motivating and mobilizing the potentialities of the private sector and its competitive capabilities. Below are listed the requirements for reinforcing the role and mechanisms of the market and its expansion.

a) **Privatization and the Activation of the Role of the Private Sector**

Privatization comes as one of the components of the program for economic, financial and administrative reform designed to redefine the roles of the various parties in the development process. Privatization is regarded as the instrument for enhancing the capacity of specialization, the utilization of economic resources, the expansion of the scope of ownership, and the development of the factor of competition in the economy. Privatization is based upon a complete system of sound scientific foundations and operating controls, within fixed timetables, and in a manner which ensures the soundness of its implementation and the achievement of the targeted objectives. These are embodied in the following:

- To assert the role of the state in the management of the economy in accordance with the market economy.

- To reduce the burdens of the state stemming from its expenditures on the economic enterprises owned by it.
- To raise and increase the capacity of the economic units on competitive bases.
- To encourage ownership and private investment in a competitive manner, provided that it shall not lead to monopolistic practices, and to achieve a wider base of ownership through public subscription.
- To ensure the flow of new investments and modern advanced technologies not harmful to the environment.
- To encourage the creation of the financial market.

The Privatization Law also provided for the implementation of the privatization operations, totally or partially, through one of the following methods:

- To float shares for public subscription.
- The participation of those working in the enterprises through the ownership of a whole or specific part of the shares of the economic enterprises.
- The contracts of shareholding in the capital and operations.
- To sell individual assets owned by the state.
- To sell the shares or allotments owned by the state in the mixed economy institutions.

And even though the five year plan encompasses an ambitious program of privatization, yet the implementation of such a program stands in need of expediting, starting with the readying of the economic units in the various sectors which organize the opportunities for investment in the private sector, with a view to reinforcing its role and the augmentation of its productive capacity and the activation of the economy in general, as well as providing an appropriate investment environment through a clear strategic vision for competitiveness and partnership in the management of projects.

b) Second/Partnership Between the Private and Public Sectors

The process of economic and social development is contingent on the mobilization of all the potentialities of society including the capacities, resources and expertise of both the public and private sectors with a view to their joining in institutional structures which shall carry out and operate projects of various types.

The public-private sector partnership focuses on various aspects of interaction and the numerous spheres of cooperation between the private and public sectors, relating to the utilization of their human, financial, administrative, organizational, technological and knowledge potentialities and assets on a basis of partnership. It also means commitment to the objectives, freedom of choice, joint responsibility and accountability, with a view to achieving the economic and social objectives which are of concern to the greatest number of people in society, and which have a far reaching impact on their aspirations, in order to enable society to be abreast of modern developments effectively, and the realization of a better competitive position.

The partnership between the public and private sectors is regarded as an advanced model for economic activities, which is likely to help in increasing the investments of the private sector in all spheres of economic and social activities, with a view to realizing the needs of society for goods and services by modern methods. The current strategy recommends the adoption of this model for the following reasons:

- The accelerating technical and economic changes which provide an opportunity for the reduction of the costs of projects.
- The increasing pressures of competition and the reduction in the rates of growth.
- The limitations on the financial, human resources and technology available to the public sector, in view of the multiplicity of spheres and projects which are in need of implementation. The partnership requires a reduction in the intensity of competition between these spheres through a shared commitment amongst the partners.
- The limitation of the financial resources allocated for social development programs, and the demands of citizens for improving the services offered by governmental institutions.
- To increase the effectiveness and capabilities through adopting the principle of comparative advantage and the rational division of labor.
- To support the partners by affording them complete solutions required by the nature of the relevant problems.
- To enhance decision making in the service of the public interest.
- To achieve a higher value on the invested capital.

One of the following forms of partnership shall be adopted through the following classification which is based on a constellation of concepts, orientations and criteria, such as the pattern of organization, decision-making, the type of sector, the nature of the activity, and the nature of the contract.

- **Cooperative Partnerships**

These are focused on the management and organization of partnership on a joint basis between the public and private sectors. It is characterized by horizontal relationships between the parties to the partnership, and decisions shall be taken by consensus, and in which all parties shall perform their tasks and duties. There shall not be any individual control by any party in accordance with the precepts which it imposes.

- **Contractual Partnerships**

This means arrangements to provide services in accordance with a contract between two parties, while the relationship between the parties to the partnership shall be vertical with the existence of one single point of reference which exercises control and command over the activity. The contractual partnerships take many forms, such as leasing, management, services, total or partial sales, strategic partnership, and concession. The concession includes many forms, the most important of which is the

system of BOT (build, operate and transfer), and which means that it would be a commitment by the state or one of its organs to the private sector institutions to grant them the concession to build and operate one of the basic infrastructure projects or general services, for a period of time to be agreed upon by the two parties, and hence to transfer the project to the state which shall be the proprietor of the concession at the end of the period of the concession.

The vision of the plan in adopting this method aims at achieving the economic and social development of Iraq, where the role of the state shall be decision making and the formulation of policies, while the role of the private sector shall be the implementation of the projects. The benefits of such partnership are embodied in the following points:

- To distribute the risks involved in the establishment projects between more than one party.
- To provide the capital of the private sector and its reservoir of know-how and experience in the management of projects, and in which the time element is considered critical, and to reduce the time periods for implementation of such projects, and therefore improving the overall general administration.
- To lighten the financial burden from which the public sector is suffering, and the creation of an added value which is provided through financial flexibility, while improving the administrative capability of the public sector.
- The arrangement of partnership realizes better outcomes than can be achieved if each party were to carry out the task on its own. This is achieved through the mutual influences of the partners on the objectives and value systems of each one of them through negotiations, and arrival at better work criteria. On the other hand, this shall expand the reservoir of financial resources in consequence of the cooperation of the various parties in the projects.
- To give to the economic dimension greater importance in formulating relevant policies, and the management of projects on economic bases, which would achieve social and economic gains.
- To arrive at flexible solutions which respond to development and growth policies, where the local partner would facilitate the compatibility of the programs included in such policies, with a view to identifying the specific problems and the available options for action.
- To achieve success and expansion in implementation of work through motivation and futuristic visions, and to devise solutions for the economic and social problems which in turn would generate incentives.
- To create a dynamic work environment for change within governmental bureaucracies which allows the governments to implement their policies of change without affecting its real work regarding the development of its social policies and its future orientation, and the evaluation of its services.

The national development strategy focuses on basic components for sustained development in Iraq. It indicates that Iraq shall permit the establishment of independent projects for the

generation of electric power on the basis of building, operating and transfer of ownership (BOT). Through these two documents, Iraq has acquired a clear-cut pathway which highlights the fact that in order to achieve sustained development, it is essential that it be planned and implemented by both the public and private sector, and that this shall be done jointly.

c) Development of the Private Sector Role in Financial Activities

For the development of this sector, a number of basic instruments are required for dealing with the problems involved:

- To analyze and review the performance of the financial sector at the national and regional levels, and to formulate the appropriate financial models compatible with the targeted objectives.
- To liberalize the interest and exchange rates, and to reduce the restrictions on the flow of capital.
- To provide support and consultations in the organization of the banking system, the financial market, insurance, and investment institutions, and to endow them with legal frameworks. (These include the formulation of programs which ensure the organization of those institutions and supervision over them, and the formulation of financial polices and the evaluation of their performance, and providing support to the auxiliary sectoral banks).
- To develop technologies, regulations and procedures for the management of financial risks with a view to reducing such risks.
- To develop institutions, financial markets, loaning programs and banking insurance.
- To develop the financial market in its capacity as a new channel which could be a more effective means of harnessing the savings of individuals, including the individuals with small savings, and the attraction of foreign capital, as well as the surpluses of the expatriates. The plan aims to create the market in accordance with steps which require the completion of the legal and legislative measures for the development of the financial market, and the provision of a favorable environment for the success of the market, and particularly, to carry out judicial and administrative reforms, and to assure the conditions for economic stability and the stability of the exchange rate.

d) To Reinforce an Environment Favorable to Investment

The rectification of conditions in order to guarantee the rule of laws and legislations which safeguard property rights and the application of contracts has become an urgent necessity that is not amenable to delay, coupled with the dire need to uproot corruption and to elevate the level of performance of the government's administrative organs, so as to create an environment favorable to investment, since the environment is still unfavorable and unattractive, and it is essential to intensify the efforts of the state towards adopting the international model in dealing with investment. A delay in adopting such measures would lead to depriving the private sector from participation

or the entry of the external private sector in participation in implementation of the strategic projects such as in mining, petrochemicals, transportation, communication, electricity, drinking water, sewage and otherwise. A favorable investment environment is achieved through providing the following:

- A favorable economic and investment environment can be achieved through providing the regulations and adopting policies which are characterized by flexibility and are responsive to the economic changes at both the local and international levels.
- To formulate appropriate regulations which would ensure fair and just competition.
- To expand the creation of shareholding companies with economic feasibility.
- The need for the presence of transparency in investment policies between institutions of the state and the private sector, while emphasizing the importance of the existence of informational links necessary for the establishment of the projects.
- To modernize supporting economic legislations for a market economy, and which simultaneously aims at achieving the required social objectives designed within this strategy.
- To develop the capabilities of governmental institutions and their contribution to the growth of the private sector.
- To encourage the private sector to establish projects through:
 - Granting agricultural land at appropriate prices.
 - Granting easy credit.
 - Reduction of customs charges and fees.
 - To facilitate procedures for granting licenses.
 - Freedom of movement of capital.
 - To prepare industrial sites.
 - To offer the necessary facilities for promoting exports.