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Developing Priorities



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Expanding Access and Promoting Regulation



Kamaran Abdullah

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A Strategic Plan Key To Development

THE REVIEW KURDISTAN

REGION OF IRAQ

March 2013

Exclusive Interview

Minister

Falah Mustafa Bakir

Kurdistan Region's strategic foreign policy goals, development as an international actor, and evolving relations with its immediate neighbors.

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CONSTRUCTION
PROJECTS



Serwan Baban

Minister of Agriculture and Water Resources

Reforming the System

ECONOMY & FINANCE
FACT-SHEET

An eye on alluring leaders, emerging sectors, leading companies and rising trends shaping the future of the Kurdistan Region of Iraq.



AN EYE ON THE EMERGING WORLD



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The BOI is providing professional one-stop-shop services to investors and is responsible for granting public benefits to eligible private investment projects based on the investment law of 2006.

www.kurdistaninvestment.org



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The Review

Kurdistan

Region of Iraq

An update on alluring leaders, emerging sectors, leading companies and rising trends shaping the future of the Kurdistan Region of Iraq.

Invest in Group (IIG) is pleased to release the first edition of its bi-monthly series, titled “The Review”, on the Kurdistan Region of Iraq. Through “The Review” series, we aim to update our readers on the recent developments in various sectors by highlighting the policies and projects of the leading actors and companies that shape the future of the Kurdistan Region of Iraq. “The Review” also puts a spotlight on investment opportunities and provides data about the rising sectors in the Region.

Despite the recent political upheaval in Iraq, the Kurdistan Regional Government (KRG) is committed to developing the region with long-term vision and strategic planning. Kurdistan has distinguished itself with a secure and stable business environment, as well as a business friendly investment law. As one of the most rapidly developing markets in its region, Kurdistan offers unique opportunities for the global business community, not only with its famous oil and gas and construction industry, but also with its tourism, agriculture, and industrial sectors.

Both statistics and recent developments endorse the accuracy of our assessment about the emergence of Kurdistan. The Regional Development Strategy for the Kurdistan Region: 2012-2016 has targeted an average annual GDP growth rate of 8%. Foreign investment is continually flowing into the region. Globally identified business hotels and famous retail brands are investing in Kurdistan's future. The Erbil International Airport was recently awarded the title of ‘Best Emerging Market Airport’ by an international jury at the Emerging Markets Airport show in Dubai. The Region's 3rd International airport, located in Dohuk, is currently under construction.

In the third quarter of this year, IIG, in partnership with the Department of Foreign Relations of the Kurdistan Regional Government, will produce the most comprehensive and updated annual business and investment guide on Kurdistan for the prominent and engaged global audience.

Invest in Group

In partnership with

Department of Foreign Relations
Kurdistan Regional Government

Special thanks to

Department of Foreign Relations (DFR)
Kurdistan Board of Investment (BOI)



We would like to express our gratitude to Minister Falah Mustafa Bakir and Minister Herish Muharam for their support of our project in the Kurdistan Region of Iraq.

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Governed by the Kurdistan Regional Government (KRG) with a capital in Erbil, the region is home to over 5.3 million people. The KRG has constitutionally recognized authority over the governorates of Erbil, Duhok, and Slemani. The Kurdistan Region's main institutions are the KRG, the Kurdistan Region Presidency, and the Kurdistan Parliament.

The KRG includes a unicameral regional assembly known as the Kurdistan Parliament (KP). The KP consists of 111 seats and is led by Dr. Arsalan Baiz. In 2009, new amendments were passed to increase the inclusiveness of the KP, so as to reflect the demographics from which it was elected. The minimum age for parliamentary candidates was reduced to 25, the quota for female MPs was increased to 30% of the legislature, and additional seats were reserved for the region's minority communities.

The majority party in the KP selects both the Prime Minister and the cabinet. The current prime minister of the region is Nechirvan Barzani, who assumed office in April 2012. Presently, the cabinet is composed primarily of members of the Kurdistan List coalition, which won the parliamentary elections in July 2009. The coalition government consists of the region's two main political parties, the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK), as well as smaller parties including the Islamic Movement

of Kurdistan, the Kurdistan Communist Party, the Socialist Party of Kurdistan, and the Turkmen Brotherhood Movement. The cabinet contains a total of 19 different ministers. Other active political parties or coalitions include the Movement for Change (Gorran Party), the Islamic Movement of Kurdistan and the Service and Reform List.

The President of the Kurdistan Region, as established by the KP in 2005, is elected every four years by popular vote. Masoud Barzani, the current president, was elected as the Kurdistan Region's first president in January 2005 and was reelected in July 2009. In the 2009 election, President Barzani received over 70% of the vote. The President's secretariat, known as the Diwan, is headed by Chief of Staff Dr. Fuad Hussein. The President represents the people of Kurdistan at national and international levels, and oversees relations between the Region and the Iraqi federal authorities. He also serves as commander-in-chief of the Peshmerga Armed Forces.

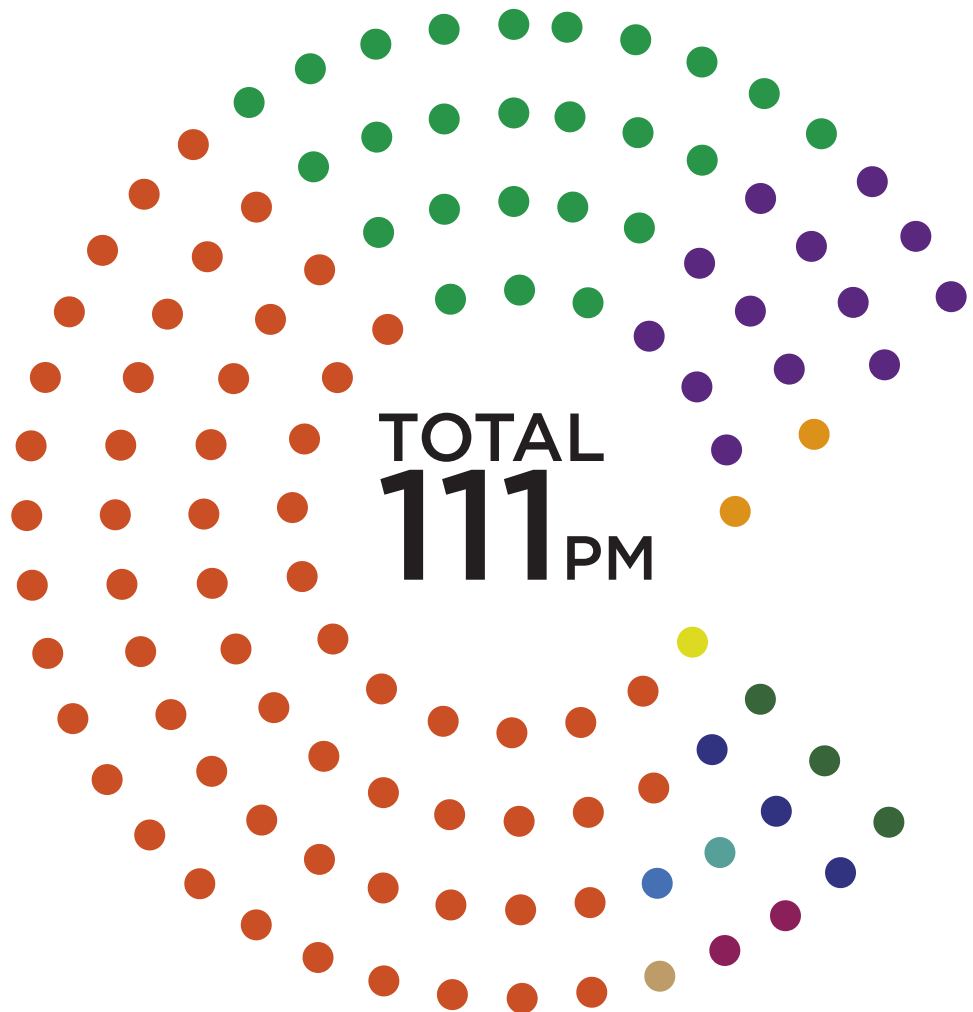
Iraq's Constitution recognizes the KRG and the KP as the region's governmental institutions and identifies the Peshmerga as the region's military force. The Constitution also gives the KRG authority to exercise legislative and executive authority in certain areas, including allocating the regional budget, policing and security, education and health policies, natural resources management, and infrastructure development.

Focus

Kurdistan Parliament

The 111 MPs in the Kurdistan parliament represent the following political lists and parties

- **Kurdistan List: 59 MPs.**
(Kurdistan Democratic Party and Patriotic Union of Kurdistan)
- **Change List: 25 MPs**
- **Reform and Services List: 13 MPs** (Kurdistan Islamic Union, Islamic Group in Kurdistan, Kurdistan Socialist Democratic Party, Future Party)
- **Islamic Movement List: 2 MPs**
- **Freedom and Social Justice List: 1 MP**
(Kurdistan Communist Party, Kurdistan Toilers Party, Kurdistan Independent Work Party, Kurdistan Pro-Democratic Party, Democratic Movement of Kurdistan People).



Parliamentary seats reserved for minority groups

- Turkoman Democratic Movement: 3 MPs
- Turkoman Reform List: 1 MP
- Turkoman Erbil List: 1 MP
- Chaldean Assyrian Syriac Council: 3 MPs
- Al-Rafidain List: 2 MPs
- 1 Armenian independent MP: Aram Shahin Dawood Bakoyian.

The first free and fair elections in the Kurdistan Region occurred on May 19, 1992. This regional election led to the formation of the first Kurdistan National Assembly (today's Kurdistan Parliament) and the establishment of the KRG.

The three primary responsibilities of the KP are to examine proposals for new laws, scrutinize government policy and administration, and debate major issues of the day.

The KP convenes twice a year in the Kurdistan Region's capital: Erbil. Each parliamentary session lasts for four months.

Parliament in numbers



75 MEN



36 WOMEN

Minimum age: 25

Total seats: 111

Speaker of Parliament

Dr. Arsalan Baiz

Deputy Speaker of Parliament

Dr. Hassan Mohammed Sura

Recent elections

2009

Number of voters

1.866.264

Threshold: 7%

Elections: 4 year term

BRIEFING

Anfal Campaign

From February to August in 1988, Iraqi forces operating under the Ba'athist regime headed by Saddam Hussein conducted a genocidal campaign against the civilian Kurdish population in northern Iraq. The campaign, known as Operation Anfal, destroyed over 4,000 villages and killed over 182,000 Kurdish people. On March 16, the Iraqi army, utilizing poison gas, conducted an attack on the Kurdish town of Halabja. Within moments of the attack, 5,000 men, women, and children were killed and 7,000 were injured. Human Rights Watch has categorized the attack as an act of genocide. In total, over 250 towns and villages were exposed to chemical weapons.

Halabja Memorial Monument

Recognizing the Anfal as Genocide against Iraqi Kurds

The British Parliament unanimously recognized the Kurdish Genocide in Iraq on February 28th, 2013. The vote came after a year-long campaign to create awareness of the matter and garner support for the vote. The KRG's UK Representation, headed by Bayan Sami Abdul Rahman, initiated and managed the campaign.

Nadhim Zahawi, the first Kurdish-born British Member of Parliament (MP), and several other MPs together requested that a debate be held asking the British Parliament to formally recognize the Kurdish genocide. The measure also requested that Parliament encourage other governments, the EU, and UN to push for a similar recognition.

Prime Minister Nechirvan Barzani welcomed the decision and thanked those who campaigned and the MPs who spoke in the debate.



— Prime Minister Nechirvan Barzani

“The British parliament’s recognition of the genocide follows similar acknowledgements by the Norwegian and Swedish parliaments last year. We thank them all and hope that this will inspire our friends and friends of human rights and freedom in other countries to do the same. We must all stand together against tyranny, wherever it may appear.”



US Ambassador to Iraq Visits Kurdistan

President Masoud Barzani and Prime Minister Nechirvan Barzani met with US Ambassador to Iraq, Robert Beecroft, to discuss solutions to the ongoing differences between the Kurdistan Region and the Iraqi Central Government. President Barzani reaffirmed his belief that the situation can only be resolved through open and meaningful dialogue. Ambassador Beecroft stated that Washington welcomes and fully supports President Barzani's efforts to engage with other Iraqi leaders to find a resolution to the current political crisis.

President Barzani in Davos

President Masoud Barzani attended the World Economic Forum in Davos, Switzerland. During the forum, President Barzani met with heads of state and political leaders including King Abdullah of Jordan, the Dutch Prime Minister Mark Rutte, and Lebanon's Prime Minister Najib Mikati. He also held talks with Turkey's Foreign Minister Ahmet Davutoglu, Switzerland's State Secretary for Foreign Affairs Yves Rosseir, and a US Congressional delegation headed by majority leader Eric Cantor. President Barzani also met with key business leaders including the President of the International Red Cross Peter Mauer, Chevron's Global Head of Business Development Mr. Jay Pryor, and the President of Exxon Mobil Mr. Rex Tillerson. It was the first time the KRG participated in the World Economic Forum. However, the KRG has pledged continued attendance for the foreseeable future.

Deepening ties with Russia

President Barzani visited Moscow to discuss regional and bilateral issues. During his first official visit to Russia, President Barzani met with President Putin and Foreign Minister Sergei Lavrov. President Barzani and President Putin discussed increasing the economic and energy cooperation between the two sides. President Barzani also announced that the KRG signed new agreements with Russia's energy giant, Gazprom Neft.



“Russia wants to establish stronger ties with the Kurdistan Region of Iraq.”

— Russian President Vladimir Putin



International Engagement to Resolve the Iraqi Political Stalemate

A delegation of European Union Ambassadors and representatives arrived in the Kurdistan Region to discuss ongoing political disagreements in Iraq. The delegation is conducting meetings and consultations with different political factions in Iraq with a stated objective of reducing tensions in the country. Prime Minister Barzani received the delegation and welcomed the initiative, underlining his government's commitment to the Iraqi Constitution, its implementation, and the need for greater international support and engagement to help resolve the deadlock.



KRG Department of Foreign Relations

Looking Ahead

Over the past five years, the Department of Foreign Relations (DFR) has become a vital link for the Kurdistan Regional Government to the outside world, as improved international ties are essential to our future growth and security. The DFR was formed in 2007 to lead on several fronts, including representing the Kurdistan Region to the international community and serving as a focal point for diplomatic channels, think tanks, media outlets, investors, and businesses.

During this challenging mission, we have encouraged neighbors and friends abroad to establish a diplomatic presence in Erbil to pave the way for political, economic, cultural, and educational exchanges and opportunities. There are now over 26 foreign representations in the Kurdistan Region. We are proud of this achievement and believe that this makes a strong statement about the importance and confidence that foreign governments attach to the Kurdistan Region.

We have facilitated the appointments of several new KRG Representatives in Europe to promote awareness and build ties with important member states. Over the past two years, we have appointed new representatives to France, Italy, Sweden, Brussels, and Austria, and we are in the process of identifying other countries.

Today we have 14 Representations in key, strategic locations to work with our vibrant and active Diaspora community to develop strong international partnerships.

Our staff members come from rich backgrounds – many expats who have returned to contribute to the rebuilding of our region and to apply their skills set for the betterment of our department. A significant number of our staff members are female – many are abroad as part of the Human Capacity Development Programme (HCDP) to pursue postgraduate studies and return to apply their experiences to our mission. Our young people need training in the areas of management and diplomacy, and we are always on the alert for opportunities to improve the skills and abilities of our personnel. The key challenges for us over the next few years will be to institutionalize this department. We have established working groups to visit other ministries and departments to conduct the following:

- Gather annual facts and figures
- Compile guidelines and policies for inter-cooperation with KRG authorities
- Produce key publications with reputable, international firms
- Facilitate the establishment of new KRG Representations abroad
- Enhance our communications with other foreign ministries and investment agencies in the international community.



Minister Falah Mustafa Bakir hosts EU delegation

DIPLOMATIC MISSIONS

Embassy Offices

Korea
Netherlands
Romania
Sweden

Consulate Generals

France
Germany
Iran
Jordan
Palestine
Russia
Turkey
UK
USA

Embassy Consular Offices

Italy
Poland

Consulates

Egypt
UAE

Commercial Offices

Austria
Czech Republic
Greece

Honorary Consulates

Belarus
Denmark
Japan
Slovakia
Spain



President Barzani Meets President Obama at the White House in 2012

Our work has been challenging, but we are optimistic. We have strong will from our staff and we have the support from our leadership.

We have solid communication with the Federal Ministry of Foreign Affairs in Baghdad, and discussions about making us part of the Iraqi Diplomatic Mission are ongoing. Our representations abroad have working relationships with the Iraqi Embassies and we coordinate official visits with respective embassies.

But there remains much to be done. Meaningful topics for the next few years include:

- Moving to new, permanent premises
- Creation of country and regional desks
- Forging strong ties with well-known think tanks and institutions
- Establishment of a strong information and media directorate
- Diplomatic status for our representations
- Internship opportunities with foreign governments and representations

There are also discussions regarding establishing a diplomatic training institution in the Kurdistan Region for our staff and for those in representations abroad.

We have a challenging and exciting road ahead of us, but I am confident that this department will continue to serve as a key component of the Kurdistan Regional Government and its communication with the international community.

Today, this region is becoming a growing player on the international scene, and I am confident that this department is playing an important role in that effort.

The future of the Kurdistan Region looks bright.

“A significant number of our staff members are female - many are abroad as part of the Human Capacity Development Programme (HCDP) to pursue postgraduate studies and return to apply their experiences to our mission. Our young people need training in the areas of management and diplomacy, and we are always on the alert for opportunities to improve the skills and abilities of our personnel.”

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Q&A

Facilitating
Openness & Stability

Falah Mustafa Bakir —
*Head of the KRG Department of
Foreign Relations*

Minister Falah Mustafa Bakir details the Kurdistan Region's strategic foreign policy goals and objectives, development as an international actor, and evolving relations with its immediate neighbors.



IIG: How do you believe the Kurdistan Region was able to progress from the repression of the previous regime in Baghdad to where it is now?

FMB: When you have the clarity of vision, when you want to live in peace, when you want to build democracy, you need partners and you need to work from a strong foundation. We were able to lay down that foundation in accordance with our “roadmap”. In our mind, we had to determine our objective. So, we decided that we wanted to build friendly relations with our neighbors and with the international community, we wanted to develop our economy, and we wanted to provide services for our people.

When the goal is clear, you then just have to find the right mechanism to accomplish it. With the fall of the previous regime, we wanted to be partners with the rest of our colleagues in Iraq in order to build a new country. We assumed that together we would be able to build a new Iraq both in terms of politics and economy. This Iraq would be based on a federal system of governance, would ensure the sharing of both power and wealth, and would guarantee a better future for all of us. Unfortunately, our partners did not have the same view. Some of our partners, it seems, wanted to dominate everything. They wanted to marginalize and exclude people, including the Kurdistan Region, which had the only functioning democracy and Parliament in Iraq.

IIG: How did that functioning system of governance benefit the Kurdistan Region in terms of recognition from outside countries?

FMB: It allowed us to make progress day after day. So, even for the countries that have embassies in Baghdad, when they came to the region, they saw a totally different picture. Now when they come here, they see a political system that works. They see a President who represents the region to the outside world and to the rest of Iraq. They see a Parliament that has both ruling and opposition parties, and conducts deliberations and debates in order to pass laws for the people of this region. They see an executive branch that implements these laws and an independent judicial council. However, if you ask me if we never make mistakes, I will say no. We are not there yet, but we are determined to be. There may be flaws in our system, but we are working to fix them. More importantly, we are able to admit that we made mistakes in the beginning. Our past did not allow us to have significant experience or opportunities. Even in 2003, the international community was not ready to recognize Kurdistan Region. We were a de facto reality on the ground, but people would not recognize us. They came and visited, but said, “We don’t want this visit to be publicized. We don’t want to be seen on TV. We want this to remain private.” Since then, there has been a massive change. Now, people invite us officially to go to these countries. We meet

with Presidents, Prime Ministers, Foreign Ministers, Trade and Economy Ministers. In these meetings, we have been able to prove to our neighbors that we are a reliable partner, that we are committed to the contracts and agreements that we have made, and that, above all, we are a legal entity. We operate according to the Constitution of Iraq and the laws that have been passed by the Parliament of Kurdistan. We abide by both. Most importantly, our leadership has delivered what it has promised. So, when our leadership shake hands, it has real meaning.

IIG: How do you think the Kurdistan Region was able to make such a change in a relatively short amount of time?

FMB: Since the fall of Saddam Hussein, I believe we have proved to our neighbors that we are a good partner. We are friendly, we do not pose a threat, we are not interested in involving ourselves in their internal issues and we are ready to work with them to find common ground. I believe it is normal to have differences and to have disagreements. However, it is abnormal not to have talks. Therefore, we have always called for open dialogue in order to find proper ground on which to work. In essence, we have proved to them that we are a factor for stability.

IIG: With that in mind, I’m curious how you would categorize your current relations with Turkey, Iran, and Syria?



FMB: The largest Kurdish population is in Turkey, the second largest is in Iran, the third largest in Iraq, and the fourth in Syria. So, this in itself is a kind of a complication in terms of maintaining good relations. However, thanks to our leadership, we have been able to prove to our neighbors that we have no intention whatsoever to harm their interests. We want to have good relations based on respect, understanding, and mutual benefits. So, I can tell you that we enjoy very good relations with the Republic of Turkey and with the Islamic Republic of Iran. I don't believe any country today could enjoy good relations with the Republic of Syria, given the situation there. Therefore, we have come a long way. We had the Turkish Prime Minister visit Erbil and PM Erdogan and President Barzani opened Erbil International Airport, which was a project designed by a British firm

and implemented by a Turkish partner. We have had Turkish Foreign Minister visit a number of times. So have Turkish Minister of Trade, Finance, and Economy. This is how far we have come. It's the same for the Islamic Republic of Iran. We had Iranian Foreign Minister, Trade Minister, Vice-President, and other delegations visit the Kurdistan Region.

Overall, we want relations with our neighbors that based on mutual respect and understanding. We expect from them not to interfere our internal affairs and respect the governmental institutions of the Kurdistan Region. It's one thing to have good relations, but it's another thing to have interference. So, we are very clear. Having relations according to international norms and conventions is something that we welcome. Beyond that, that's something different. ①

“We have been able to prove to our neighbors that we are a reliable partner, that we are committed to the contracts and agreements that we have made, and that, above all, we are a legal entity.”

Q&A

Sharing Common Vision for the Future

Aydın Selcen —
Turkish Consul General

Aydın Selcen tells IIG about the role Turkish companies have played in maintaining diplomatic relationships, Turkey's commercial involvement in the oil and gas sector, and his thoughts on the future of Erbil.



IIG: In the past, you've spoken of a sort of "permeable frontier" between Turkey and Iraqi Kurdistan that would allow for the free flow of information, people, goods, and investment. Do you think that this has been established?

AS: Yes. It's part of our regional strategy, and, I should add, is not my own personal idea that I developed. Our Foreign Minister, Mr. Ahmet Davutoğlu, has repeated this concept time and time again, not only with Iraq but also with all of our neighbors. We would like to render these frontiers meaningless, especially with Syria and Iraq because of our common histories. This is particularly true with the Kurds of Iraq. We lived under the same roof for longer than we lived under different roofs. By all means, we respect political boundaries. However, as our Prime Minister, Mr. Tayyip Erdoğan, stated in a speech here in Erbil, our goal is full economic and social integration. This is of course for all of Iraq, but right now with our immediate neighbor,

Iraqi Kurdistan. We have so many things in common; not only a common frontier, but also a common history, a common cultural base, a common language, and even a common vision for our future together. So, we are able to talk about all subjects with the Iraqi Kurdish leadership and the government, and I believe this fact demonstrates the health of our relations. However, Turkey did not discover Iraqi Kurdistan or Iraqi Kurds yesterday, and the same is valid for them as well. We know each other well, so that even at the top levels, there are many robust personal friendships that were established decades ago.

IIG: Turkish companies have obviously been very involved in the Kurdistan Region. Is it fair to say that they have been instrumental in furthering Kurdish-Turkish relations?

AS: Definitely. I always openly thank our private sector representatives for their work here because, in this particular case,

we diplomats followed our businessmen here. Now, of course, we have taken the lead in opening doors for them, and we are protecting their interests, as we should. However, I am grateful to every single construction contractor, businessmen involved in trade, or energy entrepreneur that established himself here. They opened the path, in a way. In those difficult years, especially between 2003 and 2007, they really kept our relationship warm with the Iraqi Kurdistan government. So I am very grateful on behalf of my government to all of our entrepreneurs. Today, almost half of all the registered foreign companies here in Iraqi Kurdistan are from Turkey. We have almost 1,100 companies here, and we have 30,000 citizens registered here with a residency permit. We also have banks and airlines, and there is heavy traffic and trade between Turkey and Iraqi Kurdistan.

IIG: With so many companies already active in the region, do you believe there is still room for Turkish companies to get involved? How else do you think Turkish companies could benefit the region?

AS: Definitely, especially when you look at the energy sector. We have Genel Energy, Petroquest, Bogan Energy, and Pet Oil. All these companies are delivering social corporate responsibility projects. Turkish companies are willing to teach their

"Today, almost half of all the registered foreign companies here in Iraqi Kurdistan are from Turkey. We have almost 1,100 companies here and we have 30,000 citizens registered here with a residency permit."

Kurdistani partners how to operate and how to build. They are sharing information and technology, which is definitely a good thing. They're acting in a socially responsible way. More importantly, they are willing to do this; they are not forced to do this. On the other hand, I believe there is of course lots of room in other sectors. There is always plenty of availability in terms of financing these large-scale projects. Then there is the technology sector. Turkish companies can enter into the more difficult or demanding technology projects, perhaps with other partners. Of course, there are numerous opportunities to work as subcontractors. This is especially true for smaller companies who wish to get involved with larger ones. The biggest areas are of course in oil exploration, which I think we will start to see more of in the coming year and beyond. I believe we will see an increased number of service companies from Turkey as well, particularly in that sector.


IIG: How important do you think Turkish involvement in the Oil and Gas sector will be for both Iraqi Kurdistan and for Turkey?

AS: I think it's vital. We are next door: Erbil is less than 185 kilometers by flight from the Turkish border. I believe the super majors (Exxon,

Chevron, Gazprom, Total) are here of course for profit, but also because they have already bought the future of Turkey's relations with the Iraqi Kurdistan Region. They believe in the future of these relations, and they are not wrong to do so. One way or the other, this oil will always find its way to the world market. So, we will work in unison, hand in hand, with the KRG and its leadership so that oil and gas flows to Turkey and other world markets.

IIG: We've heard Kurdistan described as "The Final Frontier" or "The New Dubai". Do you think that these are fitting titles, or do you think that there's another that is more apt?

AS: They actually coined a new one in a conference entitled "The Exploration Capital of the World". This is obviously for the oil mandate. If you look at the onshore reserves, I think these epitaphs are fitting. This is the last frontier. It is the exploration capital of the world.

The New Dubai? I don't know. The social structure is very different here. Definitely, the backbone of all this development is oil and gas. Once the wealth is pumped into the lifelines of this region, I think the development rate will accelerate geometrically. We are happy about this because we will grow together. 

Turkish PM Tayyip Erdogan paid an historic visit to Kurdistan Region on March 30, 2011. During the visit, President Masoud Barzani and PM Erdogan opened Turkish Consulate General and Erbil International Airport.



KRG Investment Law, Article 5:
A Project shall be exempt from all non-custom taxes and duties for 10 years starting from the date of providing services by the Project, or the date of actual production.

2,000 Registered foreign companies exceed

\$24.6 Billion Foreign and local investments
**Excluding the Oil & Gas sector*

2012 Economic Growth —

Based on current calculations, the economy of the Kurdistan Region is estimated to have grown by approximately 12% in 2012. Continued investment in the oil and gas, construction, and electricity sectors was largely responsible for this development.

Driven primarily by the oil and gas sector and a favorable investment law, the economy of the Kurdistan Region continues to develop at a rapid pace. Indeed, the region's GDP has nearly tripled since 2006.

Since its first project in November 2006, the Board of Investment has licensed 517 different projects. In 2012, the BOI licensed 138 projects worth a total value of \$6 billion. Thus, approximately 27% of all licenses permitted by the BOI were granted in 2012.

- Foreign Banks**
- Albaraka Bank – Turkey
 - Bank Asya – Turkey
 - Byblos Banks – Lebanon
 - Is Bank – Turkey
 - Vakıfbank – Turkey
 - Ziraat Bank – Turkey
- National Banks**
- North Bank
 - Bank of Baghdad
 - Trade Bank of Iraq
 - Kurdistan International Bank
 - Emerald Bank

Focus: Banking

According to BOI, 16.67% of region's capital investment is dedicated to the banking sector. This number constitutes about \$2.3 billion in investment projects. These figures indicate that the cutting of significant red tape and the overall healthy investment climate have made getting involved in the banking sector a more feasible option for both local and multi-national banks.

Currently, the sector in the Kurdistan Region consists of two state-owned central banks, 14 state-owned regional banks, and 30 privately owned banks with branches spread across the region.

Despite the involvement of foreign branches and the continued growth of local banks, the banking sector of the Kurdistan requires further modernization and development. Under Saddam Hussein, all banks were state owned. As a result, the regime was able to routinely seize bank assets, delete accounts, and pass conflicting regulations. The people of Kurdistan were therefore historically weary of banks, a legacy that continues today. One branch manager in Erbil noted that people currently prefer to use cash rather than card, and that wire transfers are generally slow and overregulated. Moreover, confusing banking regulations continue into the present. As a result, banks are generally involved in personal banking or confidence building rather than providing loans or financing for long-term investment projects.

However, the continued operation of local banks coupled with further involvement from established foreign banks is expected to force changes in the current banking regulations. The government has shown its desire to support development in this sector, a fact that could be crucial in the coming months.

GDP
\$23.6 billion⁽²⁰¹¹⁾

GDP per capita rates for the Kurdistan Region are higher than those in the rest of Iraq (\$3500).

GDP Per Capita
\$4,452⁽²⁰¹¹⁾
Kurdistan's GDP per capita have increased by 1400% since 2003.

Budget
\$13.1billion⁽²⁰¹³⁾
President Masoud Barzani approved the General Budget Law for Kurdistan Region on February 27, 2013.

GDP Composition by Sector

- 30.1%** Services: \$7.1B
- 20.6%** Public Services: \$4.8B
- 17.5%** Agriculture: \$4.1B
- 13.5%** Trade & Transport: \$3.1B
- 9.4%** Mining & Manufacturing : \$2.2B
- 7.6%** Construction : \$1.7B
- 1.3%** Banks & Insurance : \$0.3B

8%
Growth rate
(Forecast in 2013)

The "Regional Development Strategy for the Kurdistan Region: 2012-2016", which was designed and implemented by the Ministry of Planning, has targeted an average annual GDP growth rate of 8%.

Population
5.3 Million
7% UNEMPLOYMENT RATE⁽²⁰¹²⁾
1.2 MILLION LABOR FORCE⁽²⁰¹²⁾
38% UNDER 14 YEARS



BRIEFING

Germany – Kurdistan Region Economic Forum

A high-level business delegation from Germany headed by Peter Ramsauer, Federal Minister of Transport, Building, and Urban Development, visited Erbil to hold meetings regarding the strengthening of economic and trade ties between Germany and the Kurdistan Region. Several KRG ministers, high-ranking officials, 50 German companies, and Kurdish business representatives participated in the economic forum.

“There are tremendous investment and development opportunities in the Kurdistan Region and German companies are ready to offer their expertise and knowledge and are willing to participate in the process of developing the Kurdistan Region.”

— Minister Peter Ramsauer



UAE to send high-level official business delegation to Kurdistan

The United Arab Emirates (UAE) will send a business delegation to Kurdistan in April to host the TradeUAE Iraq event. The delegation is expected to include representatives from the Dubai Department of Economic Development (DED), Dubai Exports, Dubai Foreign Direct Investment, and Abu Dhabi Department of Economic Development, as well as key businessmen and investors. The two-day conference is aimed at developing further links between the private and public sectors in Kurdistan.

“This official mission will focus on bringing businesses and government officials from both sides together to share useful information on main potential sectors in Kurdistan including, trade, construction, tourism, oil, hospitality, retail, utility, technology and telecommunication.”

— Saeed Al Awadi, CEO of Dubai Exports



Boosting UK – Kurdistan Trade Ties

In partnership with the KRG, the UK's Middle East Association will take a high-level trade delegation to Kurdistan Region in April. The delegation is expected to visit Erbil and Duhok in order to explore investment and business opportunities in the sectors that have been prioritized by the KRG. These areas include healthcare, education, infrastructure, hydroelectric power generation, agriculture, and water treatment.

Key Investment Opportunities

The BOI has identified several alluring areas for investment in the Kurdistan Region

Industry

Medical Vaccines

Construction and operation of a factory for producing Foot-and-mouth-disease vaccine in order to protect livestock against imported FMD. Investment volume is \$8 million.

Status: The land plots are available and investors are invited to provide their details and to submit project proposals to the Kurdistan Board of Investment.

Duhok Industrial Zone

Providing attractive incentives for investors in the Governorate of Duhok.

Status: The industrial zone is already implemented and more investors are sought to settle industries here and submit proposals for industrial projects via the Kurdistan Board of Investment.

Erbil Industrial Zone

Industry sector is encouraged to grow further by establishing an industrial zone outside the city of Erbil. **Status:** The final stage of setting up the Erbil industrial Zone has been reached and soon investors will be requested to submit proposals for industrial projects via the Kurdistan Board of Investment.

Slemani Industrial Zones

Two industrial zones in Arbat offer great potential for investments in the industrial sector of the Slemani governorate.

Status: The zones are

being developed and master developers are being searched for one of them to propose possible scenarios of developing the areas for industrial projects. The other is currently being developed.

Tourism

Lake Dukan

One of the biggest lakes of the Region will be developed as top tourist destination including water sports and 5 star hotels.

Status: Master developers are pre-selected and prepare the bidding for individual projects for which international investors are sought.

Mount Safeen

The beautiful mountain range with a flat top is an ideal location for a tourism resort and prime holiday destination.

Status: Master developers are being searched and shall propose possible scenarios of developing the area as a mega tourism project. Later, individual investors will be asked to submit project bids.

Mount Zawa

Next to the city of Duhok lies a gorgeous mountain range that is ideal for high quality tourism investments.

Status: Master developers are being searched and shall propose possible scenarios of developing the area as a mega tourism project. Later, individual investors will be asked to submit project bids.

Hawary Shar

More than 1.2 m square meters are earmarked for modular tourism investment projects.

Status: Several plots of land are already available. Potential investors are asked to submit individual tourism investment proposals.



Q&A

Developing Priorities

Herish Muharam —
Head of the Kurdistan Board of Investment

Minister Herish Muharam discusses the limited development in the banking sector in Kurdistan and the priority areas for future investment.

IIG: How large a role do you think banking can play in diversifying the investment climate here in the Kurdistan Region?

HM: When we identified shortages in the investment climate, according to our observations, there were still shortages in the financial sector. These shortages had nothing to do with the Kurdistan Regional Government (KRG). According to the Federal Constitution, both the financial sector and the overall financial policies must be developed by the central government, and this cannot even be done in coordination with the different regions. So, in the Kurdistan Region, we cannot license any bank unless the Central Bank of Iraq (CBI) licenses it.

IIG: How helpful has the CBI been in terms of implementing policies to aid in the development of the financial sector in the Kurdistan Region?

HM: Frankly speaking, the CBI was never cooperative with us, at least in terms of opening a branch of the bank in this region. They still don't have a branch in the Kurdistan Region. Secondly, for the past few years, we've been facing a very big challenge from the CBI, specifically in that they were offering 22% interest on any deposit. So, people were coming to me and asking, "Why should I bother with you? You're

asking me to do lots of paperwork and take risks. I can get a 22% rate of interest simply by putting my money in the bank." This is a logical question; it makes sense. However, just putting money in a bank doesn't help create opportunities or investment. So, that was another challenge for us.

IIG: With those issues in mind, what are your thoughts on the present banking system operating in the Kurdistan Region?

HM: Despite all the banks and branches that exist in Erbil, I still do not see a sophisticated banking system in operation. When we got support from the government to develop this sector, we had meetings with many bankers here in Erbil. We came up with the plan to develop a corporation and we agreed to contribute a certain amount for its development. We asked these banks to contribute financially [to the corporation] and then manage it. We felt we didn't need to manage it; we wanted to remove it from governmental control. However, after many long debates, we could not reach an agreement. The reason for that may be some of our legislation or it may be restrictions from the CBI. So, bankers are now focused on providing support and assistance to small projects, and this is a very positive development. We shouldn't only be talking about mega projects. I'm

very interested in giving lots of attention to the small projects and small enterprises that can be enhanced with our support. However, I still don't see very significant positive or tangible intervention from the banks in the investment sector.

IIG: So, there is obviously room for growth in the banking sector, but that seems to depend, to some extent, on Baghdad. Let's talk about the investment areas that the Board of Investment (BOI) has prioritized: industry, agriculture, and tourism. What is the BOI doing to encourage involvement in those areas?


HM: We have changed the investment process. The investment policy remains the same, but the process is different. The first step we took was to gather many different suggestions regarding how to review the Investment Law. According to our direct observation of the law, we thought it was a little out of order and a little outdated. It was fantastic for a certain period of time, but now the situation is totally different.

IIG: Can you talk a little bit about the differences and how the proposed changes reflect that difference?

HM: With the first law, we were providing incentives to all sectors equally, because we had no specific priorities. Everything was our priority! Now, the situation is different. We have piles of proposed projects in which investors have applied for housing. However, we've suspended housing projects for now. In 2008, we would have to go and convince investors to submit a proposal for a housing project. Now, we have almost 100 requests for hotels. Not long ago, we were requested for investors to come and build hotels. However, over that same time period, we have had fewer requests for projects relating to industry and agriculture. So, we have proposed that we should concentrate on these three areas: industry, agriculture, and tourism. We believe these areas will be useful in terms of both generating income and engaging foreign and local investors in the Kurdistan Region long term. We've highlighted areas and projects for these sectors. More importantly, we're not waiting for investors to come and give us their proposals. We know what we need and we are instead delivering our projects to them. Now, we have identified almost 30 projects in the preliminary

stage as ready-made or tailor-made projects. These are ready, and we are ready to discuss them with a potential investor who wants to come here and be directed to a specific sector. This applies to the three sectors across the entire Kurdistan Region, not just in one area.

IIG: What steps is the BOI or the KRG taking to incentivize that involvement?

HM: We are waiting to see how the new Investment Law will be processed. We have submitted a proposal that requests that more incentives be given to these sectors and to raise the limit of these incentives. There is a very important article in the law that will give us the authority to discuss and negotiate incentives beyond what is indicated in the current Investment Law. Of course, for transparency measures, we requested that these changes be discussed at the Supreme Board of Investment that is chaired by Prime Minister and includes seven ministers representing the private sector. These changes will most likely apply to mega projects or other strategic projects that will have an impact on the economic status of the region. So, we have full authorization to work jointly with the private sector and help companies that are concentrating on any of these three areas. 

“Now, we have identified almost 30 projects in the preliminary stage as ready-made or tailor-made projects. These are ready, and we are ready to discuss them with a potential investor who wants to come here and be directed to a specific sector.”

Q&A

Expanding Knowhow

*Changing the Local Business
Climate One Step At A Time*

Dara Jalil Khayat —
*President of Erbil Chamber of
Commerce and Industry*

Dara Jalil Khayat talks to IIG about the evolution of the Chamber of Commerce, the industries that have undergone the most successful development, and the commercial sectors that are ripe for investment.

IIG: You mentioned that, with the fall of the previous regime, it was important for the people of Kurdistan to travel abroad. Do you believe that one of the primary goals in this action was to create more business experience and overall know-how that could then be brought back to the region?

DJK: Sure. Our businessmen needed to gain better knowhow, to become more familiar with new technology, and to witness change. Even as recently as 2006 or 2007, many businessmen didn't travel outside of Kurdistan or Iraq. A lot of them hadn't even seen Turkey. Now our businessmen are very familiar with the business scene in our neighboring countries as well as in the rest of the Middle East. They have good relations with contacts abroad and are creating many opportunities (specifically joint-ventures) with Turkey, Iran, Syria, UAE, Saudi Arabia, Kuwait, Egypt, and other Gulf countries. Now, they want to be involved even further abroad in Europe, the USA, and China, so that they can get even more experience and create more additional relationships.

IIG: So, aside from increased foreign contact, what other elements helped changed the business and investment climates here in Kurdistan?

DJK: Another factor that led to the success of business is the Investment Law. According to the law, an investor can easily



establish a branch here, which isn't really common in the rest of Iraq or other neighboring countries. Foreign investors can own 100% of their investment. Europeans can enter into the region without a visa. So, these and other similar facilitations contribute to the success of business and investment.

IIG: What local companies do you think are having the most success in and around Erbil, and why do you think they have been able to attain this level of success?

DJK: As a result of the socialist system of the previous regime, there were no large private companies in Iraq. So, we can say that the establishment of private, local companies didn't really happen until 2000. The first companies to become active were in the construction and telecommunications sectors. These local companies needed (and probably still need) some time to establish themselves in terms of finance and technical experience. In Turkey or Iran, local business began on their own and then foreign companies got involved much later. Here, it was the opposite. So now there are local companies doing huge projects relating to electricity, power, and cement. In the future, we hope that this progress will continue and these small or medium companies will become giant local companies.

IIG: Are there any specific local companies that started small and have now gotten bigger?

DJK: Yes, there are examples in each sector. For example, in the telecommunications sector, there are Korek Telecom and

“We have the financial aptitude and capacity, but perhaps we lack some of the artistic and technical ability. We need this expertise to be imported.”

Asiacell. Both started small and now both are giant companies involved in big deals. In the construction sector, there are numerous examples of companies that started with small projects (like single unit homes) and now are quite huge. For example, Mass Company started with some small power facilities and is now developing large-scale power plants. You can find similar stories in nearly every other sector of the economy.

IIG: What would you say that Kurdistan offers to companies that are considering getting involved here? Why should foreign companies, outside the oil and gas sector, want to come to Kurdistan?

DJK: Other than oil and gas, there are certain technological areas that we don't have familiarity with. We need to increase our knowledge, basically. For example, we can build very nice buildings. However, to complete the design with accessories, to make these buildings a certain caliber, or to make them state-of-the-art and modern, we need outside involvement. We have the financial aptitude and capacity, but perhaps we lack some of the artistic and technical ability. We need this expertise to be imported. ⑩

INSIGHT

Strengths, Vulnerabilities and Objectives

Haydar Mustafa Saaid —
*Director, Department of
Research and Information
Kurdistan Board of Investment*

Haydar Mustafa gives IIG his insight into the strengths and vulnerabilities of the investment climate in the Kurdistan Region and the key objectives for improving the overall business environment.

STRENGTH

Encouraging Investment Law

We have established an investment law in the region that is really quite business-friendly. Amongst other things, it allows for corporate tax exemption for 10 years, exemption from customs duties for 5 years, connections to public infrastructure, and the allocation of favorable land plots for subsidized lease. This law presents an obvious attraction for foreign investors and I believe the KRG is doing an excellent job of coordinating with the relevant ministries to ensure that the process is active and efficient.

Transparency Initiatives

The Board of Investment has placed a strong emphasis on operational transparency. We have contracted Roland Berger, a global strategy-consulting firm, to aid in developing certain sectors in an effort to increase transparency and efficiency. Some of these areas include information presentation and sharing, the development of online services, and the maximization of worker productivity. Our offices do not hesitate to provide requested materials to both local and foreign investors, and we have established strong KRG offices abroad to help facilitate the sharing of information.



VULNERABILITY

Banking

The banking sector in the Kurdistan Region is still very new and is therefore not as advanced as would be ideal in terms of supporting the investment climate. Right now, banks are mostly only utilized for basic services like transferring money, saving funds, or distributing cash. However, there is a real need here in the region for banks to provide long-term loans, as well as to support the business environment in terms of the development and implementation of new policies that could facilitate further economic growth.

Historical Destruction of the Agricultural Sector

The overall demography of the Kurdistan Region was dramatically altered by the actions of the previous regime: Saddam Hussein destroyed the agricultural infrastructure of the region. He razed villages and moved a large percentage of the rural population to more urban areas. Since 1991, we have attempted to return the demographics of the region to what they once were. However, as a result of the actions of the previous regime, there is currently a lack of innovation or specified knowhow in the agricultural sector. New technologies and approaches are required to rehabilitate the sector, and increased funding is necessary to rebuild the infrastructure of the rural areas.

OBJECTIVE

Eliminate Bureaucracy

One method for promoting transparency while simultaneously fighting corruption is to minimize the bureaucracy here in the Kurdistan Region. We have pushed to allow for interaction with the Board of Investment via online pilot services. Currently, it is still more common for private sector companies to visit either the local branches of the Board of Investment or to come here to the central office in Erbil. However, it is our hope that further development of the online licensing process will promote greater equality in terms of investment opportunities.

Efficient Marketing

The tendering process for certain projects is handled by the individual ministries with which the project is associated. However, each ministry utilizes different methods for promoting awareness of the tender. Ministry A might simply publish a notice in a local newspaper. Ministry B might put a briefing on the KRG website. Ministry C might only invite those companies with which it already has familiarity. In essence, there are numerous opportunities here in the Kurdistan Region, but there is not, at present, an efficient marketing system in place to attract the broader local community to get involved in those opportunities. We need to develop and implement an official gateway of information to allow for the efficient distribution of strategic materials. ⑤

Q&A

Generating Trust in the Banking Sector

Bustam Al-Janabi —
Managing Director, Kurdistan International Bank

Bustam Al-Janabi gives insight into the evolution of the banking sector in the Kurdistan Region, the projects that the Kurdistan International Bank for Investment and Development (KIB) has undertaken to encourage investment, and the role that Islamic banks can play in developing the region.



IIG: What can you tell us about current banking regulations and the impact they have on KIB's operations?

BJ: We are licensed by the Central Bank of Iraq, so we have to abide by their regulations. They are the primary supervisor throughout the Iraqi banking sector. We are also subject to supervision by the Minister of Trade and we are listed on the Iraqi Stock Exchange, which creates further regulation. So, there is a lot of supervision in the banking community. Then, because KIB is an Islamic bank, we must also conform to Sharia Law as well. We abide by Islamic finance rules in terms of contacts and returns on investment. We generate a return on our investments and our savings accounts, but not with a fixed rate. We don't simply implement rates of 5% or 10%. Our returns are based on profit sharing, so the amount earned dictates the amount that will be returned.

IIG: Who would you say are KIB's usual clientele?

BJ: It's a very diverse group. We have individual investors or individual businessmen, as well as medium to large local businesses. Of course, we also provide banking and financial consulting services for large corporations or organizations, both foreign and domestic. These companies are usually involved in a variety of different economic sectors, which means they come to us for many different reasons. However, we provide our services on an Islamic basis.

This means we encourage risk taking, profit sharing, and joint ventures, but not interest bearing loans. I believe that this is very advantageous policy in this market because the people of the Kurdistan Region seem to have more reliance and trust in Islamic finance. They don't like interest, but they do like taking risks and sharing profits.

IIG: How would you describe the current state of the banking sector?

BJ: In 2004, there were no private sector banks in operation. Now, there are 30 or 35 banks, including major foreign banks from Lebanon, Turkey, and the UK. This is a major development. These banks are providing numerous services, most notably financing for domestic operations. In

my opinion, the continued involvement of foreign banks will further increase the strength of the financial sector. It will allow for more foreign operators to come here, see that things are financially stable, and get involved. For example, we recently signed an agreement with SACE, the Italian financial institution that provides private sector insurance and investment protection. This agreement will cover Italian companies working in the Kurdistan Region against commercial or political risks.

So, the banking sector here is clearly developing rapidly, especially when compared with the rest of the country. People are starting to see clear distinctions between Kurdistan and the rest of Iraq in terms of both stability and economic forecasts. The amazing development in terms of infrastructure is obvious evidence of this fact. So, I think the Kurdistan Region is becoming a gateway to both the rest of Iraq and the rest of the Middle East. The economic advantages that are offered here are only further reinforcing that idea.

IIG: What specific advantages are you referring to?

BJ: The geographical location, the stability, the security situation, and the legal framework. The legal framework is very critical, particularly the Investment Law. It allows for incredibly beneficial exemptions and, most notably, free land. With most construction projects, obtaining the land makes up a third

“The banking sector here is clearly developing rapidly, especially when compared with the rest of the country. People are starting to see clear distinctions between Kurdistan and the rest of Iraq in terms of both stability and economic forecasts.”

of the total cost. So, free land is an obvious benefit for investors.

Then there's just the general climate here: the Kurdistan Region has a very accommodating culture. People here are interested in the quality of the project or product, not in someone's race, creed, or religious beliefs. So, I think this allows the region to attract people from all over the world to work here in a free, accommodating environment.

IIG: The population here still doesn't entirely trust the banking sector as a result of the policies and actions of the previous regime in Baghdad. Would you say that is the case and what has KIB done to change that attitude?

BJ: The issue is banking awareness. Specifically, what the cultural attitude is regarding the financial sector. As a result of the actions of the previous regime in Iraq, some people still do not believe in banks. They prefer to leave potential deposits at home. So, it's really a matter of trust: banks have to go about the process of earning that back.

The people of the Kurdistan Region are more interested in trust than in interest rates. I believe that Islamic banks are able to instill this trust. In 2004, KIB conducted a survey in Erbil and Duhok. Most of the people surveyed indicated that they preferred to deal with Islamic banks because they were more responsive to individual needs and because they were seen as more trustworthy. As a result, in the past 10 years, we have seen a steady increase in deposits. In fact, in comparison to 2011, we have now managed to double our total deposits, our shared capital, and our total profit.

IIG: You mentioned that investors have begun to see clear differences between the Kurdistan Region and the rest of Iraq. Is that just in the financial sector or in other areas as well?

BJ: If you examine the per capita income in the Kurdistan Region, it's much higher here than in the rest of the country. In my opinion, the rate of development is at least double that of the rest of Iraq. Similarly, there are clear differences in terms of the poverty line. In the rest of Iraq, it fluctuates between 20% and 23% of the population living beneath it. In the Kurdistan Region, the number is closer to 3% or less.

All of these figures indicate that there is a much higher standard of living here in the region. You can see this reflected in a number of different areas. The unemployment numbers are very low. Workers are needed to complete the numerous construction projects. The traffic here is another indicator of the standard of living: everyone has a car! Some people have two or three.

Financial education has also improved. In 2004 and 2005, we were actively recruiting workers. However, because of our requirements, only a few people were able to apply. Today, because more young people have elected to pursue education opportunities abroad, there is more unique knowledge than ever before. Local universities have also improved significantly, and are much better at preparing their students to work in the modern world. I believe all of these developments can serve as stepping-stones for the rest of Iraq, but have also gone a long way towards convincing people that the Kurdistan Region is a secure place that is good for investment.

IIG: What sort of things is KIB itself doing to encourage more investment in the Kurdistan Region?

BJ: KIB is an investment-oriented bank. We pursue different opportunities when they present themselves. For example, in 2011, we initiated the "Kurdistan Taxi Loan" project. Over the past three years, we have imported over 15,000 cars from Japan (mostly Toyotas and Nissans) for use as new taxis. We offered loans to people who were either seeking a new opportunity or were willing to replace their old taxis with brand new ones. The loan was offered under Islamic Murabaha, and could be paid back within a pre-arranged period of time. The program proved to be both environmentally friendly and economically beneficial, as it created thousands of employment opportunities for both men and women.

Another example would be our push to establish affordable housing. We have cooperated with other investors to construct housing and then sell those individual units on installments. Our goal with this type of project is not to cater to deluxe housing or high-income purchasers, but rather to middle or limited income families. We prefer to have a social agenda combined with our investment projects.



KURDISTAN INTERNATIONAL BANK

The Kurdistan International Bank for Investment and Development (KIB) is a leading bank in the Kurdistan Region and one of the most successful private Islamic banks in all of Iraq. According to Iraqi Central Bank evaluations, KIB is the number two bank in the country and the number one private bank. KIB provides a wide range of investment products and services to a diverse group of corporations, government bodies, and individual businesses. The bank also seeks to promote social and humanitarian services by granting interest free loans for social purposes.

| | |
|-----------------------------|--------------------------------------|
| Headquarters | Erbil |
| Chairman of the Board | Salar M. Hakim |
| CEO | Bustam A. Al-Janabi |
| Branches | Slemani, Erbil (2) Duhok, Baghdad |
| Bureaus | 14 |
| Representative Offices | Vienna & Dubai |
| Established | 2005 |
| Est. 2011 Gross Revenue | \$45,564 M |
| Est. 2011 Gross Expenditure | \$21,501 M |
| Est. 2011 Profit | \$24,063 M |
| Est. 2012 Paid-Up Capital | \$255 M |

IIG: Based on your experiences here, what do you think is the future of the banking sector?

BJ: The past is the key to the future. I believe that, given the rapid growth of the past 6 or 7 years, the region will continue to develop at a fast pace. I believe this growth will naturally create further competition, but it will also allow for further cooperation as well. It allows for international investors to partner with domestic businesses. It allows for budgets to expand because of increased financing options. Most importantly, it allows for the creation of even more unique opportunities that will serve to highlight the overall growth of the Kurdistan Region. 

BRIEFING

Federal Budget Passed

On March 7, the Iraqi Parliament voted to pass the Federal Budget for 2013. The \$118.6 billion budget allocated \$650 million for the oil and gas companies operating in the Kurdistan Region. The KRG had requested a budget allocation of around \$3.5 billion, which it claimed included the outstanding payments of all oil and gas exports between 2010 and 2013.

Voting on the budget had been delayed on multiple occasions due to differing interpretations of governmental obligations. While the central government maintains it has the sole authority to grant licenses and control oil exports, the KRG has awarded contracts to approximately 50 private oil and gas companies operating in the region. The dispute of oil revenue payments already led to the suspension of crude oil exports from the Kurdistan Region to the rest of Iraq.

Proven Oil Reserves

45 Billion Barrels

Expected Oil Production (2013)

250,000 bbl/d

14 upstream projects (as of January 2013)

There are around **50** foreign companies from **23** different countries working in the oil and gas sector, which sees investments up until now of **\$15-\$20 billion**.

WesternZagros Spuds Kurdamir-3 Well

In late February, WesternZagros Resources began drilling operations at the Kurdamir-3 appraisal well. The appraisal well is being drilled approximately three kilometers from Kurdamir-1 and five kilometers from Kurdamir-2 discovery wells. Kurdamir-3 is planned to achieve a total depth of 2,800 meters and should take approximately four months to drill. The well is intended to further appraise the boundary of the significant oil discovery encountered in the Kurdamir-1 and Kurdamir-2 wells. WesternZagros recently announced an increase in the estimate of Mean Contingent Resources to 147 million barrels of recoverable oil and in the estimate of Mean Prospective Resources to 1.2 billion barrels for the Kurdamir Block.

“We are delighted with these results as we have found what this company was created to find, and the reason we entered Kurdistan. The Kurdamir structure is proving to be one of the top oil discoveries of the decade and this is a company maker for us.”

— Simon Hatfield, WesternZagros's Chief Executive Officer

Gazprom Neft Expands Activities

Gazprom Neft acquired its third exploration block within the Kurdistan Region. The company, which had previously acquired interest in the Garmian and Shakal blocks, secured an 80% operating stake in the Halabja block. Gazprom Neft is one of the few oil companies involved in both the southern portion of Iraq and the Kurdistan Region, as it maintains a 30% operator stake in the Badra oilfield. Badra, which is expected to begin operations in 2017, has estimated reserves of 3 billion barrels. Reserves within the Halabja block are estimated between 630 million and 790 million barrels.



KRG - Gazprom working meeting in the Gazprom headquarters

Power in Numbers

Continued investment and strategic planning have put the Kurdistan Region years ahead of Iraq in terms of the production and transmission of electrical power. Indeed, by 2016, the Ministry of Electricity aims to produce enough electricity to satisfy the region's energy needs and allow for the export of power to neighboring governorates and countries.

In the past five years, electricity production in the Kurdistan Region has increased by approximately 460%. In comparison with the rest of Iraq, which generally receives about 5 hours of electricity per day, the Kurdistan Region receives 20-22 hours per day. Moreover, since 2006, energy consumption within the region has increased by approximately 140%, with current rates around 3,500 megawatts.

To satisfy this growing need, the Ministry of Electricity (MoE) has invested over \$1.5 billion into current and ongoing infrastructural and technological development. This investment has helped finance local electricity generation, such as the gas power stations in Chamchamal, Erbil, Duhok and Baadre and the hydropower stations in Darbandikhan and Dokan. These are in addition to the three power stations in Erbil, Duhok, and Slemani, capable of

producing 29 megawatts each.

However, as a result of continued demand for electricity, the MoE recently announced plans to expand production to 6,000 megawatts by 2016. New facilities in Qaladzi and Harir, the development of the Erbil Combined Cycle Gas Power Station, and the expansion of the Khormala, Zakho and Baadre power stations should help meet the MoE's 2016 target.

Power Consumption Rate

3,488 megawatts

2006 Power Consumption Rate
1,457 megawatts

Electricity Production (by year)

| | |
|------|---------|
| 2007 | 482 MW |
| 2008 | 484 MW |
| 2009 | 809 MW |
| 2010 | 1047 MW |
| 2011 | 1435 MW |
| 2012 | 2700 MW |

Ministry of Electricity Facts

112 ongoing and proposed projects

Total value: 1.8 trillion IQD (approximately \$1.5 billion)

Current budget allocation

500 billion IQD (approximately \$440 million)

Last year's budget allocation

900 billion IQD (approximately \$700 million)

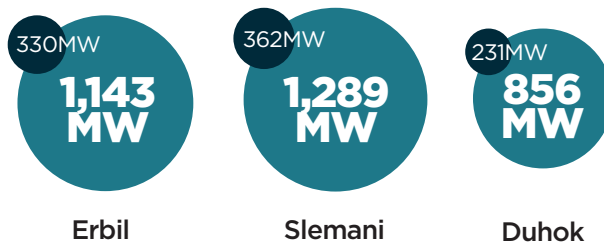
Current Power Supply

20-22 hours/day

Current Power Stations

Chamchamal, Erbil, Duhok and Baadre Gas Power Stations, Darbandikhan and Dokan Hydropower Stations, and three **29-megawatt** power stations in Erbil, Duhok, and Slemani

Power Demands (2004/2012)



Increasing per capita electric power by **11%** annually
Increasing achieved power by **12.5%** annually with
a total growth rate of **8.8%**



Q&A

Continuously Developing

Kamuran Çelebi —
Regional Manager, MITAS

Kamuran Çelebi discusses the specific services offered by his company, the development of infrastructure in the Kurdistan Region, and his thoughts on the current and future energy demands of a growing population.

IIG: MITAS has been involved in Iraq since 2003. Why did the company to choose to get involved here at such an early stage? Were those operations in all of Iraq or focused primarily in the Kurdistan Region?

KÇ: Our primary purpose in getting involved so early was humanitarian: we wanted to provide assistance and help the Iraqi people rehabilitate many of the energy transmission lines that had been destroyed by neglect, war, or terrorism. At that time, we distributed our projects throughout all of Iraq, so we weren't focused exclusively on the Kurdistan Region.

IIG: What was the situation like in the Kurdistan Region when MITAS first became active here and how has it evolved over time?

KÇ: In 2004 and 2005, when MITAS first became active in the region, there were huge shortages in virtually every sector, especially in power generation and transmission. These shortages were due in large part to damaged or destroyed infrastructure. However, the Kurdistan Regional Government (KRG) stepped in and, after 2006, placed a strong emphasis on power generation. As a result, these areas developed rapidly, and are continuously developing even today.

IIG: In 2012, MITAS elected to focus exclusively on electrical towers and

energy transmission. Can you explain the specifics of that decision?

KÇ: Currently, MITAS manufactures quite a few pieces of equipment that are specifically designed for energy transmission. These items include galvanized towers for high and low voltage lines, communication towers, lighting poles, and energy transmission poles, which range from 11kn to 333kn to 132kn to 400kn. Then, of course, we specialize in the manufacture and installation of overhead transmission lines. This has been the company's specialty since 1955.

IIG: How would you rate the current transmission and distribution systems in the region?

KÇ: Overall, I would say the available energy in the Kurdistan Region is sufficient for the demand, at least at the moment. New construction projects like power plants and greater transmission lines should allow the KRG to sell generated power to other governorates throughout the rest of Iraq. I believe there are currently plans for one of the investment projects in the Kurdistan Region to begin selling generated power to cities such as Tikrit and Baiji.

- 1 MITAS engineer reviewing design specifications
- 2 Quality assurance tech
- 3 MITAS installed electrical tower
- 4 Calibrating equipment



Company Profile


Founded in Ankara in 1955, MITAS Energy and Metal Construction Incorporated has grown to be a leading company in terms of the design, production, and installation of steel towers, energy substations, and electrical poles. MITAS has also completed projects relating to energy production and telecommunications in both Turkey and Iraq.

IIG: In your opinion, what does the KRG need to do to ensure that this availability of generated power continues into the future?

KC: I think that the KRG have done an excellent job so far, but the government needs to prepare for the future. As I said, right now, available energy is sufficient in terms of meeting demand. However, demand is rising significantly, and the government will need to work hard to find new solutions so as to avoid any and all shortages. I think the KRG needs a plan for the next 20 years to ensure that power generation increases systematically and in pace with demand. Personally, I also believe that the KRG needs to continue to support companies, such as MITAS, that can handle a variety of different obstacles

or situations because there will certainly be unforeseen problems in the future.

IIG: So, you mentioned that the KRG needs to develop a 20-year plan. How involved do you expect MITAS to be in those next 20 years?

KC: For the past ten years, we've been coordinating with the Ministry of Electricity in Baghdad and, for the past seven years, with the Minister of Electricity in Erbil. Because we have completed multiple projects in so many different areas, we have quite a wide base throughout Iraq. With that in mind, there are obviously going to be numerous projects and opportunities in both Iraq and the Kurdistan Region, and I'm sure we will be involved whenever possible. 

“Right now, available energy is sufficient in terms of meeting demand. However, demand is rising significantly, and the government will need to work hard to find new solutions so as to avoid any and all shortages.”

CONSTRUCTION

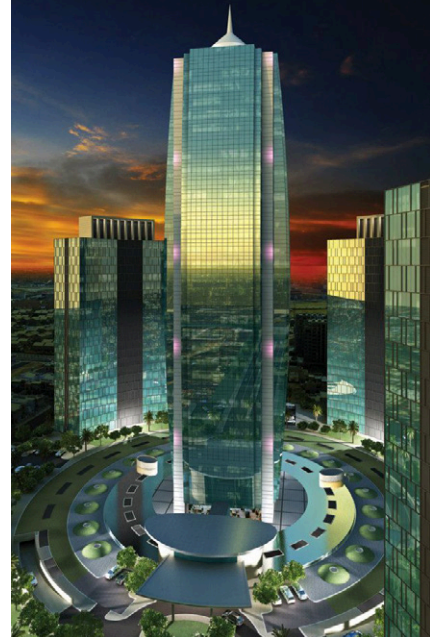
EMPIRE WORLD

The Empire World complex includes the 33-floor Business Tower, 6 Diamond Towers, 300 Royal City Villas, 33 Empire Wings residential buildings with a total of 1,664 apartments, a 6-building Business Complex, 32 Royal Apartment buildings with a total capacity of 804 apartments, 7 Empire Pearl Towers with a total capacity of 564 apartments, the Erbil Speed Center, and the five-star Marriott Hotel.

Company:

Empire World / Falcon Iraq

Completion date: **2017**



GULAN PARK

40,000 square meter building complex consisting of two skyscrapers housing a five-star hotel, residences, and a business center. The complex, located at the vital intersection of Ainkawa Road and Gulan Street, will be finished with state-of-the-art technology, as well as other modern services.

Company: **SB Ozel Group**

Completion date: **2014**



THE ATLANTIC

The Atlantic is a large-scale residential development complex located in Erbil. The facility will include a total 896 apartments in 28 buildings, 643 single-family houses, 2 schools, and a health clinic. The facility will also feature a commercial center housing restaurants, shops, a market, a gym, and cafes. The Atlantic hopes to cater to locals as well as foreign businessmen and families living in the Kurdistan Region.

Company: **Claremont Group**

Completion date: **2015**



PARK VIEW

Park View will function as a combined residential and commercial complex. The facility will consist of 12 multi-story residential apartment buildings designed to accommodate the diverse population of residents found in Erbil. The facility will also include extensive commercial facilities, including a mall and multiple restaurants.

Company: **Ici Construction**
Salahaddin Construction
 Completion date: **2015**



NAZA TOWER

The 66-floor tower will consist of 400 apartments and offices, an underground car park, and a restaurant on the top floor. Naze Tower aims to be the tallest structure (275 meters) in both the Kurdistan Region and all of Iraq. UAE based OGH Design and Consultancy Company has designed the project, and the local Raha Design Company has designed the civil portions of the project.

Owners: **Haji Shahab Nuraddin / Sabah Nuri (Kirmanj Company)**
 Completion date: **2015**



MEGA CONSTRUCTION PROJECTS

The Kurdistan Region is home to thousands of construction projects, with many more on the way. However, there are “construction projects” and then there are “mega construction projects”. Here are a few that, amidst the construction boom of the region, have truly set themselves apart.

WARIN CITY COMPLEX

Warin City aims to be the largest residential and commercial complex in Kurdistan. The complex will include a 30-floor residential apartment building, twin 55-floor residential and commercial buildings, five 40-floor residential and commercial buildings, five 15-floor residential buildings, the largest shopping mall in Iraq, and an aquarium.

Company: **Ranj Company**
 Completion date: **2015**



Q&A

Confronting
Challenges Head-On**Sabri Özel —***Chairman, SB Özel Group*

Sabri Özel discusses the development of the Gulan Park Project, the operational history of the Erbil Steel Company, and the challenges of doing business in the industry and construction sectors.

**IIG: How did SB Özel Group's story begin in the Kurdistan Region?**

SÖ: In the early 2000s, we saw that there was a serious lack of metal in the Kurdistan Region. The whole Kurdistan Region, and Erbil in particular, was in the process of being heavily rebuilt. The infrastructure here was, across the board, in need of total repair. However, iron and steel were so scarce here that they really were almost like precious metals. We wanted to help find an effective solution to the lack of resources here. So, we began importing iron and steel into the region. However, there were some governmental obstacles that really complicated the process. We sometimes had problems even obtaining nuts and bolts for simple projects. As a result, it became apparent that we needed some form of a concrete solution. So, in 2006, we decided to open the only steel factory in Erbil. At that time, it turned out to be the only factory of any kind in the city.

IIG: What problems did you encounter in terms of establishing the steel factory?

SÖ: When we decided to build the factory here in Erbil, we encountered a very big problem right away: there was no electricity. The maximum amount of electricity that the municipality could supply at that time was equivalent to two hours. There was no way that we could run an entire factory on two hours of power. So, we developed a solution, which was to build our own

power plant to provide electricity for the steel manufacturing process. Completion of both the factory and the power plant took approximately two years, so the factory did not actually begin production until 2007. It was a very challenging process, and, as I said before, we were the only ones here attempting a project like this. We still are. Other companies are currently trying to establish similar factories, but for now, we're the only one here. More than anything, I think our biggest success was that we were able to solve our own problem, create a localized source of electricity, and contribute to the overall infrastructure of the city.

IIG: Is Erbil Steel Company able to satisfy the needs of the region?

SÖ: Currently, we are able to satisfy about 40% to 50% of the demand for steel here in the Kurdistan Region. However, we have plans to increase our overall capacity.

IIG: So increasing production capacity your main priority?

SÖ: We would like to increase the capacity of Erbil Steel factory. However, I have some concerns about doing so. At the moment, the core material for steel production has been scrap metal. There has been enough scrap metal available in Erbil to keep production running smoothly. To increase our capacity, we would have to increase our area of operation. We are not yet at

the point where we feel that is a prudent move, so for now, the factory's capacity will remain where it is. Instead, we have turned our attention to the completion of the Gulan Park Project, which is itself a massive project.

IIG: Can you give us some of the details regarding the current plans for the Gulan Park Project, in terms of what it will offer to the city of Erbil?

SÖ: The project will have four multi-story towers. Two of the towers will be office buildings, one will be a residential building, and the fourth will be a franchise hotel. The complex will also contain a shopping mall. Our goal is to make the foreigners who come here to Kurdistan feel at ease. That's our target audience. So, all four towers will be outfitted to allow our residents to live and work in complete comfort. We've just signed an agreement with a very famous global hotel chain to occupy the fourth tower. In the near future, we will be making the details of that partnership public.

IIG: How is the project progressing at the moment?

SÖ: We began construction in October 2010. However, we had to suspend the project due problems related to regional infrastructure. The municipality had difficulty obtaining domestic water for us to use in both construction and operation. Basically, they told us that they would not

be able to obtain water resources for two years. As a result, we had to find our own solution to the water issue. Until we could find one, we suspended construction. We were able to reinstate construction in 2012 by installing water tanks to ensure that our facility always has the best possible quality of water. The completion date of the project is 2014.

IIG: Do you think the solutions for problems such as these should come from the private sector, the government, or a combination of the two working together?

SÖ: Of course, the private sector or

individual companies can try to find solutions for some of these issues. For example, look at the water issue. Right now, everyone utilizes wells. What happens when that supply runs out? What will people do? That's what we're trying to deal with right now. We are trying to identify realistic solutions that we can use but that everyone else can also utilize. However, I don't believe that these are individual problems; they are issues experienced by many people here in Kurdistan. So, the problems require concrete, innovative solutions that can really only be implemented by the government. ⑩

“Currently, we are able to satisfy about 40% to 50% of the demand for steel here in the Kurdistan Region. However, we have plans to increase our overall capacity.”

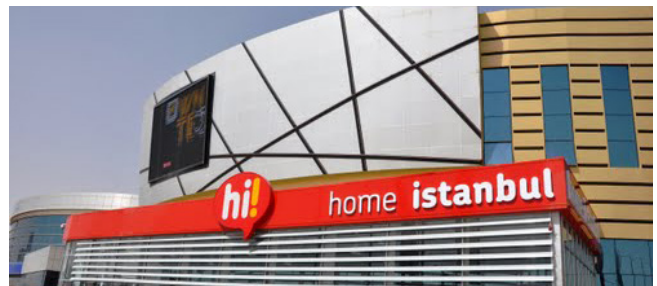
Company Focus : SB Özel Group

The SB Özel Group of companies includes:



Erbil Steel Company

Manufacturing facility that consists of a power plant, steel plant, rolling mill, and oxygen station. The power plant is operated by 20 engineers and produces enough electricity to power the entire manufacturing process. Erbil Steel Company produces approximately 240,000 tons of reinforcing steel annually.



Home Istanbul

Opened in Erbil in April 2011, Home Istanbul is largest do-it-yourself store in Iraq. The store has successfully introduced 18,000 types of products, including home textiles, furniture and appliances, garden accessories, decorative pieces, and light fixtures.



Canada Village

Project designed to provide comfortable living spaces in the Kurdistan Region. Canada Village Homes are wooden and can be adapted to all types of environments due to their innovative insulation properties.

Gulan Park Project

The complex is composed of four tower buildings and a shopping facility. Two of the towers will be office buildings, one will be a residential building, and the fourth will be a franchise hotel.



SUCCESS STORY

From New York to Erbil

Shawn Emamjomeh —
Regional Director, Claremont Group

How the American Real Estate Development Giant Learned to Navigate a New Market Without a Local Partner



Since its founding in 1979, Claremont Group has strived to achieve the highest standards in real estate development. From government buildings in New Jersey to corporate high rises on Wall Street to luxury condominiums in Manhattan, Claremont has an established reputation within the United States. Now, the company is bringing more than three decades of experience to Kurdistan and its doing so without a local partner.

“It comes down to the relationship that you build with the government and your credentials as a company to actually be able to come in and complete the project.”

Residential construction is not a unique sight in Kurdistan, where, in recent years, housing complexes have constituted a large portion of the construction sector. Claremont, however, is unique in that it was able to begin work on The Atlantic housing development without the usage of a local partner. Getting involved in a new market generally requires local knowhow, and Kurdistan is no exception. However, Claremont Group astutely surmised that the most fruitful partnership would be with the Kurdistan Regional Government (KRG) rather than any private, local party.

“The KRG has a greater vision for the region and they’ve successfully fostered a safe and investor friendly environment,” noted Shawn Emamjomeh, Regional Manager for Claremont in Kurdistan. “It starts from the top. We wouldn’t be here without the KRG and their various initiatives to attract and cultivate foreign direct investment. We came in independently to do a particular project, and the Board of Investment (BOI) had certain criteria on their agenda that they wanted to accomplish here in Kurdistan. That agenda has slightly shifted now, but at that time it was a lot of residential development because of a significant housing shortage.”

About

Shawn Emamjomeh has partnered and worked with Claremont Group since 2007. Prior to his arrival in Kurdistan in June 2011, he worked in the company’s New York office and specialized in sales and marketing.

However, it wasn’t just convenient timing or simply showing up that got the ball rolling. The investment licensing process itself proved quite demanding. Claremont put together multiple concept designs, budgets, and potential costs. The BOI then gave input and operating advice based on its own regulations and guidelines to ensure that the project satisfied regional needs. From there it was just a simple matter of developing a proposal, getting the proposal approved, deciding on location, preparing the logistics for construction, beginning sales, and then, finally, initiating construction.

“You definitely need a dose of patience,” remarks Mr. Emamjomeh. “That being said, the government here is definitely willing to work with you.” Such was the case when it came time to determine the best



- 1 DoubleTree by Hilton
- 2 The Atlantic Apartments
- 3 Atlantic Villa residence

PROJECT : THE ATLANTIC

Timeline

2010: Claremont arrived in Kurdistan. Planning process completed and proposal submitted.

April 2011: Investment license granted.

July 2011: Sales process initiated.

September 2011: Site development initiated. More than 1.5 million cubic meters of dirt moved.

January 2012: Construction begins with Claremont breaking ground on The Atlantic residential development.

February 2013: Construction ongoing.

Details

The Atlantic residential development consists of a total of 1,539 units (643 villas and 896 apartments), a commercial center, two schools, and a health clinic.



possible location for The Atlantic: as with any urban development, the government had a master plan in terms of how it wanted Erbil to evolve, and the allocation of land reflected that strategy. The BOI designated potential land plots and then worked with Claremont to ensure that the areas were suitable for the proposed plan.

The construction process itself brought about further dilemmas. With no local partner, it was crucial for Claremont to take time in evaluating potential subcontractors to handle the work. According to Mr. Emamjomeh, “When we came here, we didn’t know any of the vendors. So, everything was from scratch; even though we did our due diligence prior to arrival, everything that we bought from hammers to nails to tiles to concrete had to be shopped.

We had to find it all, and we had to find the reputable vendors, dealers, and manufacturers in this region of the world. That was a daunting task. Now we’re here and we know a lot of players on the ground; it makes it easier for the next project.”

It seems that that’s what Hilton Hotels and Resorts is banking on. In 2012, Claremont signed a partnership agreement with the franchise to bring The DoubleTree by Hilton to Kurdistan. “I’m sure Hilton had their own criteria that they needed satisfied in order to make this work. We brought that to the table and then we were already a player here, so they could see how we were operating here in the region and also see our previous work in the US.” The project is now in its final design stages with construction scheduled to begin in early 2013. ①

CLAREMONT GROUP

Claremont Group was founded in New York City in 1979 as a residential real estate development firm. Since that time, the company has successfully diversified to include office, residential, lodging, student housing and international projects. Claremont has conducted multiple projects outside of the United States, with ongoing projects in Ghana and Morocco.

| | |
|-----------------------|-------------------|
| Headquarters | New York, NY |
| CEO | A. Alexander Lari |
| Founded | 1979 |
| International Offices | 3 |
| Projects in Kurdistan | 2 |

Q&A

Erbil's Pel Company eyes profit in Kurdistan Region

Mustafa Özçelik —
CEO, Pel Company

Pel Company is a residential and commercial construction company that was first formed in Kurdistan in 2003. IIG asks about the changes taking place in Kurdistan, recent shifts in the construction sector, and Özçelik's outlook for the coming year.

IIG: The construction sector has evolved in Kurdistan since 2003. What were some of the limitations you initially observed?

MÖ: There were no spare parts, so we couldn't just get one from a store. We had to order it from Turkey, but the transportation process was uncertain as well. Sometimes, our trucks would sit at the border for a month. In terms of personnel, there were no workers with the necessary experience. So, larger companies were very hesitant to get involved. However, the government had so many construction needs that they were forced to hire companies with unproven experience. So, prior to 2006, the quality of construction wasn't what it is today and sometimes projects were not completed.

IIG: So what caused the process to change so dramatically?

MÖ: The KRG sent people out of the country to get training and increase their level of experience. The KRG then established better dialogue with neighboring countries and was able to learn a lot from these new connections. These countries then encouraged more established companies to get involved in the region, so that the quality and efficiency of the construction process was able to improve significantly.

IIG: How has Pel Company been able to adapt and keep pace with an evolving construction sector?

MÖ: When Pel first started working in Erbil, we were only focused on smaller projects that our team could manage, such as private houses or offices. However, as the sector improved, we were able to begin designing and constructing luxury villas, including some of the residences at the Salahaddin Resort. We tried to establish a reputation for quality and efficiency.

IIG: What are your more recent projects?

MÖ: We signed an MOU to construct the Erbil Media Center Project. The Media Center is composed of seven different buildings and a service area. We also handled the construction of the Awamedica pharmaceutical facility. We consulted with expert engineers and technical personnel from Sweden, Finland, India, and Iraq. We had to make sure that every aspect of construction was in line with international regulations.



“Today, the KRG is able to facilitate the completion of projects that never would have been possible only a few years ago.”

IIG: What is your prediction on the construction opportunities for 2013?

MÖ: The new opportunities in the sector are closely related with the normalization of the present political situation between Erbil and Baghdad. I believe things will be resolved in the near future and new opportunities will be created for large-scale projects. ☺



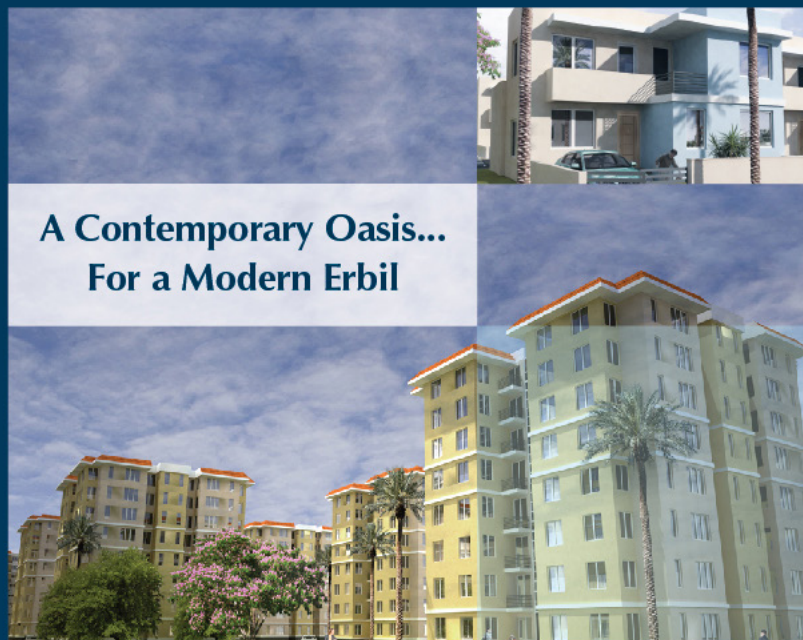
The Atlantic
Villas & Apartments

پروژەى ئەتلانتىك بۆيىلا و ئەپارتمانە

Mobile: 0750 199 5310
0750 199 5311
www.atlanticerbil.com



CLAREMONT



**A Contemporary Oasis...
For a Modern Erbil**

TOP 5 HOTEL PROJECTS

Marriott Hotels and Executive Apartments

The Marriott Hotel will be located within the Empire World complex in Erbil. The 28-story hotel will feature 174 single rooms, 30 junior suites, 2 VIP suites, 1 Presidential suite, 7 international restaurants, and an 800-person ballroom. The attached Marriott Executive Apartments will feature 24 studio apartments, 20 one-bedroom apartments, and 52 two-bedroom apartments.



Four Points by Sheraton

The Four Points by Sheraton will consist of 250 guest rooms and will offer extensive dining, leisure, and conference facilities. The hotel will also feature all the amenities usually associated with its brand, including the Four Comfort Bed and complimentary Wi-Fi access.



Best Western Premier Hotels

The first Best Western is scheduled to open in the 2nd quarter of 2013, will be located in the immediate vicinity of the Erbil International Airport and will feature 82 guest rooms. The second, scheduled to open in the 2nd quarter of 2014, will be located in the heart of Erbil and will feature 160 guest rooms.



The Park Hotel by Kempinski

The Park Hotel will be located on Gulan Street next to the Rotana Hotel. The 23-story hotel will feature five-star amenities and a connected shopping mall. The hotel site sits on an approximately 50,000 m2 plot of land.



DoubleTree by Hilton

The DoubleTree by Hilton will be located on 100 Meter Road near the Ainkawa District. The hotel, which will tailor to the needs of long-term stay guests, will feature 200 serviced apartments, eight multi-purpose meeting rooms, a business center, two restaurants, a health club, lounges, and a pool.

BRIEFING



Zain Expands Operations in Kurdistan

Zain announced plans to increase the company's activities in the Kurdistan Region. The telecom provider will begin offering a new mobile phone promotion called "1+5". The service allows subscribers to select a group of five Zain users to call for free, and also includes 15mb of internet weekly and the ability to call anyone outside of the region.

Wael Ghanayem, Chief Financial and Operating Officer, noted, "Over the last two years, we have invested more than \$100 million in the Kurdistan Region. We are planning to further our investment in the next two years. Such investment gives us the strength and capability to provide good quality service." Ghanayem also noted that there is still room for development in the Kurdistan Region. "Kurdistan has a market penetration rate of around 90%. If you compare this to the neighboring countries, you're talking about 120% to 130%."

"Kurdistan is a very promising market because it's a very young population, so the growth potential here is huge. With all the investment that the KRG is putting into the market, I think it's very encouraging."

—Philippe Hanna, Chief Commercial Officer for Zain Iraq

Speaking with IIG, Philippe Hanna, Chief Commercial Officer for Zain, gave his thoughts on the opportunities present in the region. "Kurdistan is a very promising market because it's a very young population, so the growth potential here is huge. With all the investment that the KRG is putting into the market, I think it's very encouraging. This is why Zain is very much focusing on being able to participate and push the growth of this market. There is a direct link between mobile and broadband penetration and GDP development. That's why Zain is now entering into this market, so as to be able to contribute to that and even push it further."

Zain now has 1000 point of sale locations in the Kurdistan Region, as well as four stores and two new service centers in Erbil. Zain, which currently has over 100 employees in its Kurdistan office, also recently announced plans to float 25% of its shares on the Iraqi Stock Market.

Product Spotlight

Asiacell's "Almas Line"

At last month's Global Mobile Awards, Asiacell's "Almas Line" took home the award for Best Mobile Product or Service for Women in Emerging Markets. The Almas Line was designed and launched by Asiacell, Iraq's second largest mobile operator, exclusively for use by its female customers. The service consists of a SIM card embedded with specific features aimed at making the device more user friendly for its female clientele. Almas, which means "diamond" in Kurdish, is intended to target the primary obstacles for female mobile usage in the developing world: pricing, cultural sensitivities, technological illiteracy, and the potential for harassment.

According to Asiacell statistics, roughly 3.5 million of the company's 10 million subscribers are women. Almost half of those female users subscribed after the launch of the Almas Line. These figures indicate that in one year the company was able to double the number of female users that it had acquired in the previous 11 years of operation. Judges at the Global Media Awards praised the Almas Line's ability to cater to traditional values while at the same time have a large-scale impact on its intended clientele.

Asiacell's network currently covers 97% of Iraq's governorates and is highly active in the Kurdistan Region, particularly in the company's home city of Slemani. Company management estimates that Asiacell enjoys a 43% market share of the 23 million subscribers in Iraq.

Focus

Regional Telecom

Regional Telecom is a leading communications service provider in the Kurdistan Region. The company recently signed an agreement with French telecommunication equipment company Alcatel-Lucent to launch the first 4G LTE network in Kurdistan. The new network is expected to be the first in the region to offer large-scale wireless broadband services, and will serve to modernize Kurdistan's communication infrastructure.

Q&A

Expanding Access and Promoting Regulation

Jonson S. Ayo —
Minister of Transportation and Communication

Jonson S. Ayo discusses the development of the telecommunications sector, details the monitoring of the present operators, and addresses competition amongst the major mobile providers.



IIG: What is the present state of the telecommunications sector and how it has changed in the past few years?

JSA: There has been a huge change in the telecommunications sector here in Kurdistan. Compared with other cities in Iraq, there is much more development here across the board. However, for me personally, this is still not enough. So, we have a comprehensive program to develop the telecommunications sector, particularly concerning internet systems.

We have implemented new operating directions for the telecommunications companies operating here in Kurdistan. We have also developed new monitoring procedures for these companies to ensure that our citizens receive the best possible services. Additionally, we made new amendments to the old contracts of the private sector companies working here, and implemented a new LTE [long term evolution] program to better develop the telecommunications sector.

IIG: Does the internet supply or overall capability meet the demand?

JSA: The supply is not enough and must be further developed. We issued the new technology (LTE technology). We have two new systems. The first is the LTE system (the new system), which allows for


the transmission of high-speed data. The second system utilizes VSAT technology and is mostly used in the rural areas. These areas are not reached by fiber optic cables, and therefore have historically only had limited internet availability. With the implementation of VSAT technology, this will change. In the future, we hope to install further fiber optic cables to better connect the entire region and ensure that all of our citizens benefit from this technology.

IIG: Are there plans to develop the 3G network to allow the major mobile providers in the region to better serve their subscribers?

JSA: This Ministry deals primarily with

regulating the companies providing the internet or mobile communication services. So, we monitor Korek, Asiacell, and Zain, and ensure they satisfy our standards. However, the government in Baghdad handles the development and installation of the 3G and the 2G systems. Hopefully the 3G system will be implemented in the near future.

IIG: Are those three providers enough for the Kurdistan Region?

JSA: Right now, yes. There is currently enough competition amongst the major providers to keep the rates low and allow for widespread access for the people of Kurdistan. 

“We have two new systems. The first is the LTE system (the new system), which allows for the transmission of high-speed data. The second system utilizes VSAT technology and is mostly used in the rural areas.”

BRIEFING

New Driving Regulations and Technologies

According to Ministry of the Interior sources, 300 new mobile PoliScanspeed Systems will be installed in the Kurdistan Region by May 2013. These new scanners are far more effective and efficient than conventional police radar systems, and are being installed with an aim to reduce the number of traffic accidents and fatalities within the region. New regulations regarding obtaining drivers licenses, which were implemented in the past few years, have also had a positive effect in terms of promoting safety on the roads and highways of the Kurdistan Region.

Limiting Automotive Imports

The KRG has moved to initiate new directives to limit the number of cars that are imported into the Kurdistan Region. A new committee, composed of the Ministers of the Interior, Planning, Trade and Industry and Finance, will meet to review the quality and environmental impact of all cars imported into the region. The committee aims to relieve traffic congestion, reduce the rate of automotive accidents, and alleviate some of the effects of increased air pollution. Statistics indicate that there are roughly 1.1 million cars in the Kurdistan Region, an average of one car for every five people.

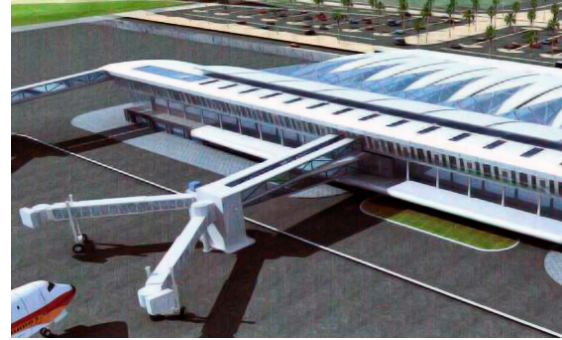


Erbil International Airport wins 'Best Emerging Market Airport' Award

An International Jury at the Emerging Markets Airport Show in Dubai voted Erbil International Airport the best airport amongst emerging market airports. Mr. Ukata Chrissukata, Jury Chairman and Head of the Africa Logistics Association, noted "Erbil International Airport is one of the fastest growing airports across the Middle East, Africa, and Asia. Opening in September 2010, as an entirely new facility, the airport has gotten off to an amazing start. This award is a way of acknowledging the progress made in such a short period of time and draws attention to the fact that establishing a safe, secure and efficient airport in such a short timescale is an achievement that deserves our praise." The jury also noted Erbil passenger growth rate and overall cargo tonnage handled as primary reasons for awarding the honor.

Spotlight

Duhok International Airport



Scheduled to be completed in 2015, Duhok International Airport will be the third international airport in the Kurdistan Region. Speaking at the groundbreaking ceremony in September 2012, Prime Minister Nechirvan Barzani remarked, "The building of airports in all of Kurdistan's provinces paves the way to the outside world. This is a vehicle to open up a Region that is closed to the world. This airport is a bridge between a land locked nation and the outside world."

Commenting on the services provided by a third airport in the region, Minister of Transport and Communication Jonson S. Ayo stated, "The Duhok Airport will have a large role in terms of the movement of passengers and cargo within Kurdistan. We are far away from major seaports, so a new airport will help increase the amount of material flowing into the region. It will also serve to complement the services offered by the Erbil and Slemani airports." The Minister also noted that the airport has the potential to benefit not just Kurdistan, but the surrounding region as well. "If you live in Diyarbakir in Turkey and you want to travel to Europe, it's easier for you to fly from Duhok than from Ankara or Istanbul. It's the same for the population in the rest of Iraq. Traveling from Kurdistan may be much easier for them as well."

The airport was designed by the Lebanese company Dar Al-Handasa Engineering. Construction of the project will be handled by the Turkish construction company Makyol, which previously built Erbil International Airport. A team from South Korea's Incheon International Airport will supervise the construction process.

Q&A

Establishing International Connections

**Delsoz Sherwani —
CEO of Zagros Group**

Delsoz Sherwani discusses the Zagros Group's decision to enter the aviation sector at a very early stage, the importance of creating international relationships, and the future of Zagros Air.

IIG: Why did Zagros Group decide to become active in the aviation sector and what is the company's present level of involvement?

DS: When the old Erbil International Airport opened in 2005, only NGOs, like the Red Cross, or military aircraft were utilizing the facility. We started Zagros Air to help improve the lack of commercial involvement at the airport. So, we approached Iraqi Airways about forming a partnership. At that time, because of the security zone, they were based in Amman, Jordan. So, we signed an agreement with them to move part of that base of operations here to the Kurdistan Region.

Then, because there were certain areas that Iraqi Airways was not able to cover, we began flying on our own to new destinations. In 2005, we started services to both Dubai and Istanbul. We stopped those services in 2008. However, we have now signed a joint-venture agreement with Atlasjet, and are once again offering flights to Istanbul.

We also succeeded in signing an agreement with Austrian Airlines. Initially, they were only offering a few flights to the Kurdistan Region. Now, they are offering flights every day. We signed a similar agreement with Lufthansa. We also have facilities both in Erbil and Baghdad to perform aircraft maintenance.

IIG: How does the involvement of international airlines contribute the business environment in Kurdistan?

DS: When people hear that Austrian Airlines or Lufthansa is operating here, they get the impression that this area is safe, secure, and full of opportunity. Moreover, the involvement of these big name airlines helped bring international companies to Kurdistan. People could easily come to region, get involved, and participate in the development process. So, the presence of these airlines really helped grow the overall economy of the region.

IIG: How did Zagros become the General Sales Agent (GSA) for Lufthansa and Austrian Airlines?

DS: We approached them. Zagros started out as one company, but now consists of 14 different ones. Each time we get involved in a new field, we try to tie-in with either a reputable international company or a reputable international consultant. We do not wish to start from zero or rely on trial and error. We want to start at the current level of international operations. So, we approached reputable international carriers.

In 2005, we sponsored numerous delegations between Erbil and Austria. We sent envoys to propose the partnership and they sent delegations here to do assessments. One team came to assess security. Another came to assess the situation of the airports in terms of baggage handling, ground terminal services, and other areas. A third even brought pilots and had them fly from Istanbul to Erbil to see what the process was like. In the end, we invested quite a bit in the operation.

IIG: Where is Zagros currently active in the Kurdistan Region and what are the company's plans for further expansion in the aviation sector?

DS: We have our base in Erbil and networks in Slemani. However, since we are the GSA of Iraqi Airways in the Kurdistan Region, we have offices in Duhok as well. We have definite plans to expand our operations. We are in the process of finalizing our AOCs [air operator's certificate] and we will then start flying to Frankfurt, Dubai, Stockholm, and other international airports. We are also in the process of finalizing the purchase of three new aircraft, which will obviously also allow us to further expand our overall capabilities. 



“Each time we get involved in a new field, we try to tie-in with either a reputable international company or a reputable international consultant. We do not wish to start from zero or rely on trial and error.”

ZAGROS AIR

Aircraft Utilized:

Boeing 737-400 and Airbus 320

Regional Offices:

Erbil (HQ), Slemani, Duhok

International Offices:

Istanbul, Frankfurt, Stockholm

GSA in Northern Iraq:

Lufthansa, Austrian Airlines, Iraqi Airways, Rus Aviation

Joint Venture Partnership:

Atlasjet

Airports Served:

Erbil, Slemani, Baghdad, Basrah, Najaf, Tehran, Seyria, Beirut, Amman, Vienna, Frankfurt, Dubai

Q&A

A Strategic Plan Key To Development

Kamaran Ahmed Abdullah —
Minister of Housing and Reconstruction

Kamaran Ahmed Abdullah gives IIG an exclusive look into the burgeoning road, bridge, and tunnel construction sectors and details the Kurdistan Regional Government's 20-year plan for the region's transportation infrastructure.



IIG: In 2012, the Ministry of Housing and Reconstruction undertook the highest number of projects in its history. Do you think 2013 will see a similar number?

KA: Yes. We expect that number to either remain the same or increase. Last year, we had multiple large-scale projects undertaken as part of our strategic plan. This year, we have a similar number planned, most of which are related to road construction. The Ministry has a strategic plan that covers multiple areas. The first is the construction of roads, bridges, and tunnels and the second is the construction of housing for limited income families.

There was no strategic plan for road construction within Kurdistan prior to 2010. We began to create a master plan in 2011, but we actually focused more on the individual components of the plan such as the traffic load in the region or the capabilities of existing roads. So, even before the master plan was completed in 2012, we already had an idea of what we needed and what the priority areas were. In 2012, the project was allocated to that year's budget. So, the road map began in 2011 but wasn't complete until 2012.

For limited income housing, the budget in 2011 was 49 billion Iraqi Dinar (\$42 million). In 2012, the budget was increased to 200 billion dinar (\$172 million) and we have proposed a similar budget for 2013 as well.

IIG: Are foreign construction companies involved in the bidding process for these contracts or does your ministry prefer to use more local companies?

KA: We are not obligated to deal only with local contractors, nor only with foreign contractors. We deal with companies based on the qualification process. So with any company, whether it is foreign or local, that they are qualified for the project is the only thing that determines whether or not they will succeed past the pre-qualification stage to the second stage of the tender process.

That said local companies are able to complete the majority of the housing projects. Foreign companies are welcome to participate, but it is much harder for them to win these sorts of contracts. However, for the larger strategic projects, like road or specifically tunnel projects, there are no local companies involved. These are usually highly technical or difficult projects

that cannot be easily completed. So, for these larger projects, we have a lot of foreign companies in competition. Even with the road projects that have budgets of more than \$30 or \$40 million, it's either a purely foreign company or a joint-venture company doing the work.

IIG: So, with these larger road construction projects, what exactly is being done?

KA: The master plan that we have created details road construction for the entire region, with an emphasis on two-lane roads linking the major cities of the region. Right now, most of the roads connecting the major cities are only one-lane roads. This is obviously not adequate for the traffic load we have right now. In 2003, on some of the major roads, there was an average of 200 to 500 vehicles per day. In 2010, the data collected indicated that the traffic rate increased on those same roads to between

"Today, we have a shortage of roads that match our transport needs. So, by 2017, we hope to satisfy the demands of our traffic load. At that point, the system will need improvement. So, after 2020, we will begin work on the privately financed express motorways."

3,000 and 5,000 vehicles per day. Today, the average is more like 5,000 to 8,000 per day. So, one-lane roads are not enough. The capacity needs to increase.

These numbers also give us an idea of the development that has taken place in the Kurdistan Region, and the amount of transport that takes place here. That can be personal transportation, but also transportation of construction materials, agricultural products, or industrial products. Essentially, it demonstrates the change in trade between the Kurdistan Region and its neighbors. That's the main reason why this traffic load has increased so significantly.

Right now we have three tunnel projects under implementation and another two in the tendering process. In 2013, we will have the longest tunnel project in the region, which will be two tubes, each 5 kilometers long. Then there will also be multiple other

The tendering process today is not like what it was before. Now, we have the pre-qualification stage for the larger strategic projects. If a project is budgeted over \$5 million, it is deemed a strategic project and we then have to follow a pre-qualification process. If a company wants to get involved, it is graded according to its technical and financial capabilities, as well as by the similarity of the projects it has completed in the past 5 years. As a result, we have been able to eliminate some companies that were not capable of completing these projects successfully.

For example, we recently began the tendering process for a new tunnel project. 91 companies expressed an interest in the project. In the second stage, after the pre-qualification process, only 19 companies remained, and we sent invitations to bid to those 19 companies. So, the process has

a large-scale project. So, now, they have the experience, the technical and financial capabilities, and the necessary reputations.

However, this is not to say that Turkish companies are the only ones doing good work here in Kurdistan. The pre-qualification process is designed to make everything transparent and reward any company, regardless of its national origin, that has been determined to be capable. So, right now, we have numerous European companies getting involved.

When these foreign companies come to meet with us, we encourage them to investigate pursuing a joint venture with a local company. This option is obviously not mandatory. However, it can help the company to become more familiar with the institutional system of the region. Foreign companies may not be very familiar with our system, the prices of materials, or the availability of local manpower. Local companies have this knowledge. So, joint ventures can help these foreign companies more adequately prepare for working in Kurdistan.

“We have a plan with a targeted completion date of 2030, and we will do everything we can to achieve that goal, strengthen the infrastructure of the region, and improve the entirety of Kurdistan if possible.”

tunnel construction projects. So, we have a plan with a targeted completion date of 2030, and we will do everything we can to achieve that goal, strengthen the infrastructure of the region, and improve the entirety of Kurdistan if possible.

IIG: These large projects will require larger companies that can handle the responsibility and the technical work. So, looking at the companies that are presently working in the region, what do you think they are bringing to the table?

KA: The Kurdistan Region does not have a lot of experience in institutional system management. We are new. However, also have a target that we hope to achieve. In the beginning, we were not a well-organized institutionally. However, we recognized this and decided to make the necessary changes step-by-step.

been improved.


In the past, some of the projects may have been managed by companies that were not capable of completing them. Today, with the new system, I am confident that no such problems will be encountered and all the companies involved will be qualified and capable.

IIG: Which companies or types of companies would you say have had the most success here in Kurdistan?

KA: Most of the companies involved right now are Turkish companies because they are well organized and because they were patient when they first got involved in the region. They came and established their footprints here, and didn't expect to receive large projects after only one month. Some stayed here for two or three years without having the opportunity to begin work on

IIG: I know that the targeted completion date for the roadmap is 2030. Can you tell us a bit about the timeline for the roadmap from now until then?

KA: By 2020, we plan to have completed all the two-lane roads connecting the major cities in the region. These will be Class-A highways. After that, we will begin construction on an expressway that will be financed by investors rather than via government budget and will most likely employ a toll road system.

Today, we have a shortage of roads that match our transport needs. So, by 2017, we hope to satisfy the demands of our traffic load. At that point, the system will need improvement. So, after 2020, we will begin work on the privately financed express motorways. However, we still have to have enough alternative roadways that can be used free of charge. These roads also need to maintain all the required safety measures. Obviously, we want to implement both roadways. However, it's not fair to say to our citizens that they either have to pay for the newer roads. We have to have alternative roads free of charge that comply with international safety regulations. Right now, we don't have this. In 2017, we will. 

Restoring the Bread Basket

Historically, the Kurdistan Region was a major agricultural producer and exporter. Indeed, throughout the 1960s and 1970s, the region was a major provider of wheat, chickpeas, apples, peaches, grapes, and numerous other agricultural products for both Iraq and the surrounding region.

However, throughout the 1980s and particularly during the Al-Anfal Campaign, agricultural infrastructure was destroyed and the rural population was uprooted and shifted to new locales or urban centers. Consequently, agricultural production was incredibly limited. The United Nations Security Council 986 Resolution of Oil for Food further worsened the situation in both the agricultural and water sectors. As a result, the historically rich region has today shifted from an agricultural producer to a consumer.

To combat this issue, the Ministry of Agriculture and Water Resources (MoAWR) developed a Strategic 5-Year Plan in 2009 aimed at facilitating development in multiple sectors. Production of wheat, chicken, poultry, and various vegetables all increased significantly. However, to make even greater improvements in the vulnerable areas (red meat, milk, corn, oats, and fruits), significant investment is needed and further government oversight and management are required.

The MoAWR has prioritized overhauling the production process itself. This means making significant changes to existing management practices, training, legislation, and methods of work. A second Strategic 5-Year Plan is currently in development and should further clarify the road map to be followed in order to further improve a developing sector.

As identified by the MoAWR, the following are the main strengths of the agriculture sector in the Kurdistan Region:

- Vast land suitable for farming
- Suitable climate in a majority of the region
- Plentiful water resources
- Large number of cadres within the Ministry and its related departments

The MoAWR also identified the following vulnerabilities in the agriculture:

- Scarcity of experience amongst the region's farmers

- Lack of higher education degree holders in research centers
- "Limited implementation of new technologies within the sector
- Lack of necessary legislation for water usage, protection, and management

The Kurdistan Region possesses favorable resources that make it well suited to the development of a booming agricultural sector. These include:

- **Available land** – The total arable land in the Kurdistan Region is approximately 1,536,000 hectares.
- **Vast water resources** – 60% of the rivers in Kurdistan originate within the region, while 40% originate in foreign countries. If regulated properly, irrigation in the region could be complete and effective. Currently, only 11% of the arable land in the region is sufficiently irrigated.

Key Investment Opportunities

Several land plots are available and investors are invited to submit their project proposals via the Kurdistan Board of Investment.

Fish Farming

10 floating cages are required in the existing water resources of the Darbandikhan and Dukan lakes for the breeding of fish. Equally attractive closed-pool fish breeding in areas far from natural water resources are needed.

Milk

Construction and operation of a station for cow breeding, milk collection and distribution from 100 decentralized, local farmers who are given some 2,000 milk cows on a debt basis with an investment sum over \$16 million.

Seedlings

Production of seedlings for trees and ornamental plants is sought to replace imported products on local markets with an estimated investment sum of \$5 million, production output of 1m pcs/year on an area of 250,000 sq.

Olive Trees

The cultivation of olive trees on orchards and production of olive oil is offered in the hills of Tarin on an earmarked area of almost 3 m sqm.

Greenbelt of Erbil

The city's future green lung provides valuable land for various agricultural projects directly within the urban area. The Greenbelt has been approved by the KRG and the detailed planning stage is entered.

Red Meat

Production of red meat (lamb and beef) as well as animal skins from breeding cattle using 2,500 heads of calves and 2,000 heads of lamb with an estimated investment sum of \$6 million.

Shamamok Irrigation

The breadbasket of Kurdistan Region offers great returns on investment by using modern irrigation. Master developers are being searched and shall propose possible scenarios of developing the area as a mega irrigation project.

INSIGHT

Reforming the System

Professor Serwan Baban —
Minister of Agriculture and Water Resources

Professor Serwan Baban on his Ministry's Strategic Plan, the reforms currently underway in the agricultural sector, and food self-sufficiency in the Kurdistan Region.



Our task here at the Ministry of Agriculture and Water Resources is to provide food and food security, as well as to provide water and water security. When we examined our strategic plan, we did so from the top down. We had all the numbers, statistics, and tabulations for all the agricultural products that we produce, as well as for water storage, preservation, and use. We then used those numbers to establish a baseline of what we had and what was needed.

Food sufficiency, in my opinion, means providing every citizen with a menu that makes the individual citizen healthy; that means providing protein, carbohydrates, and minerals. So, we compared those needs to our total rates of local production. What we found was that, for certain items, such as wheat, we had reached self-sufficiency. In other areas, such as red meat, we needed to increase production so as to ensure that we are keeping our population healthy.

To allow us to then make the key decisions regarding our areas of focus, we simplified the data to help develop our Road Map, which is a revision of the ongoing 5-year Strategic Plan. We identified the areas that were below 50% self-sufficiency (colored red), the areas that were 50% self-sufficiency (colored yellow), and the areas in which we had achieved self-sufficiency (colored green). The idea then was simple: keep the green areas green, turn the yellow areas green, and turn the red areas yellow

and, eventually, green. With this structure in place, we effectively and efficiently established our priority areas.

So, with the vision and the road map in place, what remained was the truly difficult part: developing the workforce to deliver these objectives. Once again, we prioritized our needs to develop a staff fit for purpose.

The immediate priority we identified was preparing and training the staff. We are currently writing job descriptions in an attempt to define where someone's work starts and where it ends: we need accountability. We are also reviewing the overall structure of the Ministry in order to streamline our process because the Ministry of Agriculture and Water Resources is massive! Some of our reviews have revealed that certain employees have two or three managers. This means that this employee is receiving different sets of instructions that are often in conflict with each other. As a result, he or she doesn't know what the proper course of action may be. So, we're currently in the process of rectifying these types of problems. To do this, we've brought in some international partners. However, the vision is ours and the instruction is ours.

Then there are also issues of policy. The building blocks of this ministry are farmers. When I first received this appointment, everyone said, "Let's support the farmers! Let's support the farmers!" So, we supported them. However, when we looked

at the production numbers, things didn't add up. So, then we had to ask different questions. We had to analyze who exactly was a farmer.

There was a study done by JICA [Japanese International Cooperation Agency]. They surveyed the farmers in the Erbil Province and determined that 55% of them were government employees. In my book, government employees aren't farmers. So, we limited our work to those farmers that were productive and independent. The budget here is very limited and is spread very thin. So, it is a waste if 55% of the people receiving support aren't doing anything with it. It makes far more sense to put all the money into that 45% of farmers that are producing food.

In addition, the Ministry provides 14 or 16 different forms of assistance for farmers. However, when we consulted with different groups of farmers from around the Kurdistan Region, we came to the realization that it would be more efficient and more productive to focus support on two or three areas that are directly linked to production. So, we now have an advisory team working on identifying the most critical areas of need. All of this work is currently ongoing and should have significant impacts on the agricultural sector here in the Kurdistan Region. ①

Q&A

Innovation Replacing Tradition

Justin Carney —
General Manager of Agrisoya

Justin Carney explains the necessity of diversifying the agriculture sector, the challenges of promoting new ideas and technologies, and the benefits of long-term planning and development in the Kurdistan Region.



IIG: Agrisoya is presently involved in the production and processing of soybeans. Why did the company decide to pursue soybeans instead of other agricultural needs?

JC: Soybeans are the cheapest form of protein, and developing new sources of protein is obviously incredibly important for a developing region. Every society needs protein: it's the one thing that we need even more than we need carbohydrates. It's how we feed ourselves and it's how we feed our animals.

IIG: Why do you think soybean production wasn't here already?

JC: In the 1990s, there was local production of soybeans on a small scale. However, Saddam Hussein destroyed a large amount of the agricultural infrastructure here, particularly the irrigation systems. Soybeans obviously need water, so that curbed production considerably. As a result, there has been zero soybean production in the Kurdistan Region in the last 20 years. The knowledge has been lost.

IIG: So what have you done to change that?

JC: We've done four years of trials here, and we have ongoing ones as well. This last summer, we established that soybeans could be successful here on a larger scale. Our hope is that the KRG will target soybeans as a strategic crop because, as I said,

protein is vital to food security. People can't be sustained simply on corn or wheat, but they can on soybeans.

IIG: So you've been here off and on since 2005. How have things changed in that time?

JC: The focus on agriculture has changed. For a long time, people said agriculture was not something they were concerned about. Essentially, it wasn't a priority in Kurdistan. Other investments offered a much faster return on investment. With agriculture, it's typically a seven-year investment. Before you can even begin to plant you have to invest in infrastructure like water, wells, and equipment. Over time, there have been some key individuals, such as Dr. Talib Murad, who have pushed for the idea that agriculture is just as important as oil or housing. Some of the estimates we've seen indicate that, if the borders were to close down for even two days, it would have a catastrophic effect on the poultry and cattle industries. So, self-sufficiency is a necessity.

IIG: What other obstacles has Agrisoya had to deal in terms of establishing itself here?

JC: Working with the farmers has been great and their knowledge of the land is unbelievable. However, introducing a new crop to the region has been difficult. Coming from the western world, we have always looked for the next big thing and

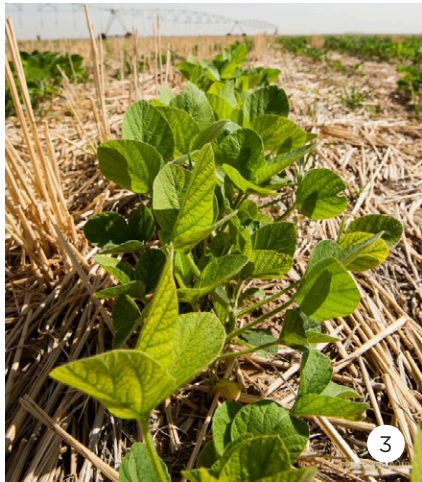
ABOUT

Justin Carney has served as the General Manager of Agrisoya since it was established in 2012. He has been involved in the planning and implementation of soybean production in the Kurdistan Region for the past seven years. Carney graduated with a degree in Soy Bean Processing from the University of Illinois.

we haven't really relied on what our grandfather's grandfather did. This is mainly because we don't have the history or culture that's present here. We have century farms in America and we get really excited about them. They have family farms here that go back thousands of years. So, breaking that cycle and introducing something that is new or innovative is a huge challenge. Getting them to try new crops, new ways of treating the land, or new ways of tilling has been hard for us. It's just something that we're not used to and we have to respect that.

IIG: It sounds like it is a positive and a negative. The farmers know their land really well so they know what may work, but they also know it so well that they will resist changing the traditions.

JC: We've had to learn how to introduce these new ideas and let the farmers take them, adjust them, and, hopefully, implement them. Our goal is not to control large



- 1 Justin Carney and daughter survey the field
- 2 Agrisoya Director of Agronomy Brent Micke
- 3 Agrisoya soybean plot of land
- 4 Calibrating factory machinery

“We have successfully built a factory in the region, which is using locally grown soybeans to produce soybean meal for the poultry industry. For the first time, there is locally grown protein being processed and fed to the local poultry industry with no outside imports. I think is huge step and big success, and I am proud to have been a part of it.”



areas of land; our goal is to have soybean production be controlled by local farmers. We want to assist in that however we can because we feel that the transfer of knowledge is the fundamental aim. As I said, we don't have a desire to control this sector: we want to be the processors. We want to take raw soybeans and turn them into something that is edible either for human consumption or for poultry or animal feed.

IIG: What is it exactly that these farmers are resistant to? Is it simply the method of planting?

JC: The planting technology is relatively new. It's called no-till planting. In Kurdistan right now, at the end of the wheat harvest, every farmer will deep plow his land, about two or three feet into the ground, and then turn the soil over. They do this because it's what they've always done. However, this process dries out the soil, especially during the summer months. This is precisely the reason why no-till planting was invented. It conserves the moisture in the soil. Water resources here can be scarce, especially during the summer. So, any practice, specifically no-till planting, that allows you to conserve resources is a beneficial practice.

IIG: It seems like implementing these new ideas will require a complete shift in the prevailing mentality. Do you think this is the case?

JC: I think it's the willingness to innovate that is the key. More than anything, what the agricultural sector needs is to embrace the idea of long-term thinking. For example, farmers that continuously

plant wheat will certainly make the most money in the short term. However, wheat and corn take nutrients from the soil. So, if you plant wheat or corn over and over again, your soil will become deficient and the land quality will suffer as a result. If, however, farmers embrace the idea of a three-crop rotation with soybeans, corn and wheat, the opposite is true. Each crop takes a certain type of nutrients and produces a certain type as well. So, if the farmers rotate properly, then the land remains balanced and fertile.

IIG: Overall, how successful has Agrisoya been in promoting soybean production in the Kurdistan Region?

JC: I believe, for the most part, we have succeeded in using our research to educate local farmers about the advantages of soybeans and about our methods of soybean production. We've had a lot of interest from the local farmers and have seen them successfully take the risk of planting a new crop. Many farmers have been receptive to our research and have come to understand that planting soybeans in addition to wheat is very positive. By doing this, they utilize their land more efficiently and obtain both additional income and healthier soil. We have also successfully built a factory in the region, which is using locally grown soybeans to produce soybean meal for the poultry industry. For the first time, there is locally grown protein being processed and fed to the local poultry industry with no outside imports. I think is huge step and big success, and I am proud to have been a part of it. ①

EDUCATION

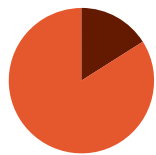
Establishing the System —

Education in the Kurdistan Region has been identified by the KRG as a priority sector for development. Although the Kurdistan Region boasts the highest primary school completion rates (65%) in all of Iraq, the education system requires standardization to ensure that schools across the region become productive and unified learning environments.

The Ministry of Education, working in coordination with UNICEF representatives, recently developed a set of comprehensive standards to improve both the quality of and access to education across the Kurdistan Region.

Additionally, the KRG has allocated 16% of this year's budget to improving education opportunities across the region via

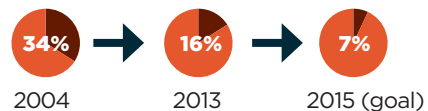
the hiring of additional teachers, the building of new schools, and the purchasing of new materials and technology. Numerous private schools have also been established throughout the Kurdistan Region, but further investment and development is necessary to bring the region in line with European standards.



Budget
16%

of 2013 budget allocated for the education and higher education sectors

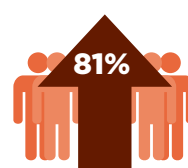
Illiteracy Rate



Students

843,000 (2003)

1.669 million (2012)



Schools

1,459 (2003)

2,641 (2012)



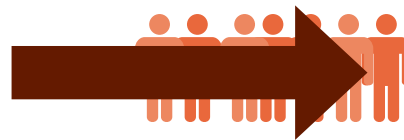
2002 to 2012

Teachers hired

2002-2007: 18,288

2007-2012 : 36,000

(kindergarten to high school)



Total

54,288

Total number of teachers in Kurdistan is approximately 100,000

Higher Education

Opportunities for higher education have increased significantly in the Kurdistan Region, with the expansion of both public and private universities. At the moment, there are a total of approximately 94,700 students enrolled in the Kurdistan Region's 19 higher education institutions. Some of the more well-known establishments include :

American University of Iraq

Slemani/Private, Since 2007

850 undergraduate and postgraduate students

Undergraduate and postgraduate programs in 7 different disciplines

Salahaddin University

Erbil/Public, Since 1968

Undergraduate and postgraduate programs in 12 different disciplines

University of Kurdistan – Hawler

Erbil/Public, Since 2006

Undergraduate and postgraduate programs 8 different disciplines

Cihan University

Erbil/Private, Since 2006

Undergraduate programs in 10 different disciplines

Nawroz University

Duhok/Private, Since 2004

Four different faculties

Ishik University

Erbil/Private, Since 2008

9 undergraduate programs at 6 different colleges

University of Duhok

Duhok/Public

9 different faculties and 18 different schools

Student Body: 9100 undergraduate students and 660 graduate students

University of Sulaimani

Slemani/Public, Since 1992

8 different faculties & 2 different schools
Student Body: 24,488 undergraduate students and 924 postgraduate students



INSIGHT

Evaluating the Sector: Education

Rebaz Zedbagi —
Partner at Senk Group

Rebaz Zedbagi details the vulnerabilities of the current education sector in the Kurdistan Region and provides possible solutions for the major issues.

ABOUT

Rebaz Zedbagi's company established the Senk Care Foundation, as a form of corporate social responsibility. The foundation aims to return 15% of Senk Group's profits to sectors in need, primarily education and health.

Last year, Mr. Zedbagi participated in "A New Beginning" (ANB), an initiative created by President Obama and implemented by the U.S. State Department that aims to promote leadership in 120 different countries.

Zedbagi serves as an Ambassador for One Young World (OYW), a not-for-profit organization that brings young minds together to create positive change and find effective solutions to local, national, and international issues. Zedbagi was one of four ambassadors from Iraq. Currently, he is working with a team to bring the 2014 OYW Summit to Erbil.

Vulnerabilities

School System Development: In the past, most of the institutions and companies in Iraq belonged to the government. The same was true of education. There were no private schools or universities; just public schools. So, education was free, but the quality was poor. Our current system came from that outdated model. As a result, there has been only limited emphasis placed on competition. This has limited development and allowed things to remain somewhat stagnant.

Teachers: Educators are not encouraged to continuously develop their teaching skills. The system itself often doesn't allow for competition or supplemental training. As a result, some teachers lack sufficient training.

Infrastructure: As a result of previous conflicts in the region, there is a lack of educational infrastructure. In many cities and villages, the educational facilities were destroyed. Today, some classrooms are overcrowded and make learning challenging.

Rotating Shifts: Due to these infrastructure problems, most school sessions do not last from early morning until the mid-afternoon like in the US or Europe. Generally, students go to school in shifts, with schools having two or three per day. The students' experience is therefore compacted into only a few hours of learning.

After School Programs: Students do not have regular access to ideal study areas such as dormitories or libraries. Additionally, there are only limited programs for after school activities or tutoring, which can make studying more challenging than it should be.

Students Themselves: Kurdistan is in a boom period, so it's easier for people to make money than ever before. Students associated with newfound wealth may not always see the importance of schooling or see the role that education plays in success. However, when the economic development slows, these same students will find themselves in a much more challenging position. We need to teach these young people about the role of education in creating rewarding, long-term careers.

Solutions

Transparency: The government and the private sector should be very transparent in their hiring processes. If the process is transparent and is based on merit and experience, it will lead to a dramatic improvement. Transparency will encourage individuals to study and become qualified for specific professional positions, as there will be established, defined qualifications.

Public-Private Partnership: The private sector should be involved in specialized management of public schools. Kurdistan needs specialized school-management companies to oversee specific blocks of schools. In this system, the government will still create the curriculum and allocate funds for salaries and supplies, but private companies will handle the hiring of faculty and the management of daily activities. This would create more organization and basic regulation.

Localization: Foreign education systems do not reflect the frame of mind or overall culture of Kurdistan. So, although we need to reflect trends in globalization and other foreign education styles, our school system must demonstrate the values and beliefs of our society.

English: Many of today's resources are rooted in English, but not all schools in Kurdistan teach in English or even have good English-language programs. Implementing more English classes would allow students to have increased familiarity with new technology and gain access to more information.

Government Funding: The government should provide funding for basic computers for use in primary schools. This equipment would allow students to learn how to use basic applications and how to navigate the internet to improve their knowledge. ④



- 1 Notable attendees of the VIP Opening of the British Film Festival in Erbil included (from left to right) Nawzad Hadi, Governor of Erbil, Gwynne Roberts, director of the documentary "Saddam's Road to Hell", and Sidad Barzani.
- 2 Opening night at the British Film Festival in Erbil
- 3 VIP invitees awaiting the Erbil premier of "Kulajo: My Heart is Darkened"
- 4 Gwynne Roberts, director of the documentary film "Saddam's Road to Hell", introduces his new film, "Kulajo: My Heart is Darkened". The film received a standing ovation upon completion and depicts the devastation of the Kurdish Genocide as seen through the eyes of a small, remote village.

British Film Festival Opening Event

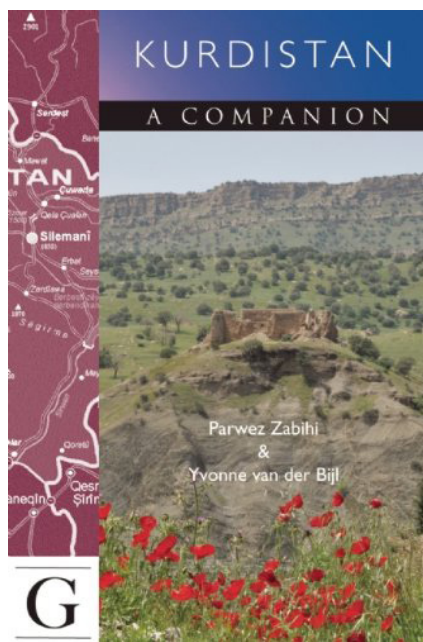
The 2nd Annual British Film Festival in Erbil took place at Royal Mall with a VIP event and premier screening of the new documentary, "Kulajo: My Heart is Darkened". The event began with opening remarks and a ribbon cutting ceremony by British Consul General Hugh Evans and KRG Minister of Martyrs and Anfal Affairs Mamosta Aram. Director Gwynne Roberts introduced his new film to an assembled crowd that included Professor Serwan Baban, the KRG Minister of Agriculture, Nawzad Hadi, Governor of Erbil, and Sidad Barzani, brother of KRG President Massoud Barzani. The film festival runs through February 25th, and includes comedies, dramas, shorts, and award-winning documentaries.



Erbil Autoshow – 2013

The 4th Erbil Autoshow was held from March 7th to the 10th in the Kurdistan Region's capital city. The event drew thousands of attendees from both the Kurdistan Region and abroad. Regional Car companies and Car manufacturers were on hand to promote their varying technologies, products, and services to both prospective clients and experts from the automotive industry.

Major automotive brands such as Land Rover, Jaguar, Cadillac, Toyota, Hyundai, Kia, and Chevrolet were on display, as were numerous commercial and construction manufacturers. The showcased vehicles covered the full range of need for a driver in the Kurdistan Region, including economy vehicles, luxury sports cars, and off-road SUVs. Over 500,000 people were expected to attend the four-day exhibition.



Book in Brief

Kurdistan: A Companion

Parwez Zabihi & Yvonne van der Bijl

The Northern Region of Iraq is home to the nation's Kurdish population - a minority which suffered horrendous oppression under Saddam Hussein's regime. Today it has emerged from its troubled history to become the most prosperous part of the country and indeed a beacon to the surrounding region. Its substantial oil reserves, coupled with stable and practical political management, have resulted in a safe working environment. Increasing numbers of business travellers and expatriates, augmented by a flow of adventure travellers who come to experience the dramatic mountain landscapes, will provide a strong market for this, the only, travel guide to Kurdistan.

ISBN: 978-1-908531-018

Price: £14.95

Publication: Gilgamesh Publishing



Q&A

Fashion in Erbil

Özden Güven —
Manager, Beymen Erbil

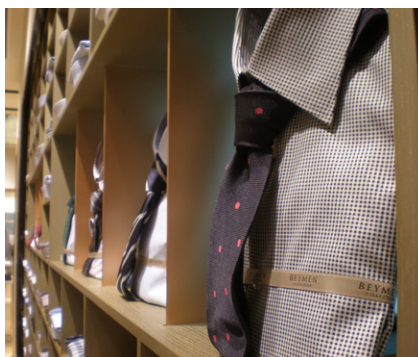
Beymen opened its first store in Iraqi Kurdistan nine months ago and has since blossomed in a region not typically known for cutting edge fashion.

IIG: Can you give our readers a breakdown of the clientele that frequent your store?

ÖG: 60% of our clients are locals, 20% are from Turkey, and the other 20% are from Europe or America. Actually, only about 20% of our customers are patrons of the Divan Hotel. Of course, the Divan attracts the highest-ranking executives and Beymen caters to an exclusive clientele, so there is an obvious connection there.

IIG: Turning to Beymen's current collection, what are some of the leading brands and items available?


ÖG: Beymen offers its own line of clothing, and then it offers top brands like Cornellianni, Gucci, Dolce & Gabbana, Ralph Lauren, and Armani; we have more than 80 brands for men and women. In terms of items, we offer everything a person could need. Jackets, pants, ties, cufflinks, socks, shoes, bags, jewelry... everything.



IIG: Is there a specific brand that you think executives need to know about?

ÖG: Kiton. It's an Italian brand from Napoli, and it's the best quality you can find in Kurdistan... and, to be honest, anywhere else in the world. Most of Kiton's products are hand made. You can feel how good the quality is as soon as you put it on; it makes you feel good just to touch it.

IIG: Do you think that the current global fashion trends are starting to take root here in Erbil?

ÖG: It's different depending on the area. For example, just because the color blue is fashionable in Istanbul doesn't mean that it's fashionable here. You can wear lots of different colors or patterns in Europe and look quite fashionable, but here, you will stand out. Most of our local customers prefer light brown or beige clothing. They start wearing those colors at an early age, and those colors become very ingrained in their fashion preferences. However, we want to expose them to lots of different options. 





Q&A

Practical Luxury

Clive Smith —
GM, Divan Erbil Hotel

Clive Smith gives IIG insight into the expanding hotel industry in the Kurdistan Region, the exclusive benefits the Divan Erbil offers to both its guests and the local community, and the steps taken by the hotel to adapt to a new environment.

IIG: What do you think motivated Divan to expand into Kurdistan?

CS: When the government decided to get serious about bringing in investors, there were a number of things that needed to be done. One of them was to build the sort of hotel facility that would make people go, “I didn’t know this existed here” So, there was definitely a goal of changing perceptions.

IIG: Divan focuses a lot on the small details when it comes both the interior and exterior decoration. Is that an area upon which the owners and yourself placed particular emphasis?

CS: There’s definitely been a lot of fine-tuning. With regard to design, a lot of that work came from the owners and their own team. We worked with them to create, as much as possible, a residential feel. However, we also wanted to create something that we could maintain in the future. So, yes, there was a lot of effort in trying to fine-tune even the tiniest details. We also knew that this would be a business hotel and that business people want what I like to call “practical luxury”.

IIG: Regarding dining, can you tell us about your services in that area at present and your plans going forward?




CS: We have two main restaurants. There’s an all-day dining restaurant that serves breakfast, lunch, and dinner. Rather than just have a buffet setup, we tried to have chefs available to cook different dishes for different tastes. Then we also have another main restaurant up on the 21st floor. It’s an Asian sushi and grill inspired restaurant and is very popular with both the expat and government communities. Then we have the Saray and Chopin areas. They are bar-type areas that serve burgers, salads, and pastas.

In the future, we are going to expand to two more options. One will be a bar next to one of our lagoon areas, and it will feature basically just drinks and music. There will also be another restaurant and nightclub coming in the next few months. It will be a steak restaurant and will hopefully provide something different than what we already offer. We want to give our guests and the local community clear choices about different types of food. Below that there will be a five-star level nightclub aimed at the clients that want a different sort of night-time experience.



IIG: What other plans does the Divan have for further expansion or development of existing facilities?

CS: Right now, we have a temporary gym facility. We ordered the latest equipment from Technogym and then installed a few pieces in a temporary location. As always, our goal was to provide the best quality so as to satisfy those individuals who wanted to work out. Our long-term plan features both a gym and a health club area. The gym will feature an indoor swimming pool and a cardiovascular area with machines and free weights. The spa will feature changing rooms, massage rooms, and top of the line services. Our aim is to create an area that caters to our patrons as well as the outside community. Hopefully, the new gym will be done in May or June, along with a ball-room and a large meeting facility. At the moment we are limited to 90 people and we want something that will hold two or three hundred. 



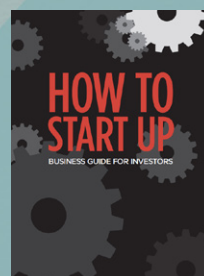
ANNUAL ISSUE KURDISTAN REVIEW 2013

Our special edition is published annually. Kurdistan Review will be the most comprehensive country report ever produced on Kurdistan Region of Iraq; it will have a particularly strong focus on all leaders, companies, sectors, and trends shaping the future of Kurdistan.

Kurdistan Review 2013 will offer two key supplements:

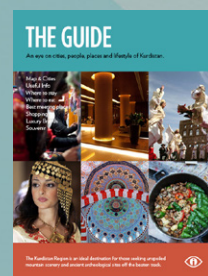
HOW TO START UP

The survey informs the potential investors on how to start up businesses in Kurdistan Region; its legal and bureaucratic procedures, investment laws, and institutional frameworks.



THE GUIDE

The Guide helps you to experience the social and cultural life in Kurdistan to better realize its dynamics.



THE REVIEW

Our "The Review" edition is published bi-monthly. "The Review" updates you on the recent developments in various sectors by highlighting the policies and projects of the leading actors and companies. It also puts a spotlight on investment opportunities and provides data about the rising sectors in the Kurdistan Region.

www.investinggroup.org

ABOUT INVEST IN GROUP

Invest in Group (IIG) is a premium publishing company that produces country reviews, sector specific reports, business start-up surveys and travel guides for prominent and engaged global business audience. IIG defines its mission as a core of smart journalism, which aims to create international awareness on alluring business opportunities, successful investment stories, and rising leaders and trends in today and tomorrow's key emerging countries.

NEXT ISSUE

May Edition of "The Review" will be online from May 15, 2013.

Our May edition will cover the recent developments and opportunities in Finance, Energy, Construction, IT, Industry, Transportation, Health, and Tourism sectors.

Explore the recommendations of the leading CEOs; the opportunities they benefit from, the challenges they face, and their inspiration for investing in Kurdistan's future.

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AN EYE ON THE EMERGING WORLD