

# KURDISTAN REVIEW

## Leading the way for 2020

### SPECIAL ISSUE — 2015

Diplomacy & Politics

Business

Energy

How to Start-up

Real Estate & Construction

ICT

Transport

Agriculture & Water

Higher Education

Human Capital

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The Guide





### Energy BAZIAN OIL REFINERY

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### Construction Qaiwan Towers

Qaiwan Towers' iconic twin tower designed is a breathtaking addition to the Sulaimanyah skyline. The 25-storey building is spread across 11,000 SQM and comprises an office tower, a five star hotel and a premium shopping mall. An important business and commercial hub, the capital expenditure on Qaiwan Towers is in excess of US \$100 million.

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### Real Estate Sulaimanyah Heights

Suleymanie Heights is Qaiwan Group's newest and the most ambitious projects till date. With outstanding projects under the belt like Qaiwan City, Suleymanie Mall and upcoming projects such as Qaiwan Towers, it only makes sense the next step is a project of this stature. Suleymanie Heights will be sprawled across 1,099 apartment units and 911 villas of various sizes that are all spread across a jaw-dropping 1,250,000 square meters. It is destined to become the city's most prestigious and desirable commercial and residential development. The capital expenditure on the project is over US \$500 million.



### Real Estate Qaiwan City

Qaiwan City is a dynamic, thriving community in Sulaimanyah. Designed to appeal to both home buyers and property investors, the development is a city within a city, offering residents everything they need for a fulfilling life. The city contain 850 villas and 14 apartments, the Qaiwan City covering an area of 400,000 SQM with the capital expenditure on the project is over US \$160 million.



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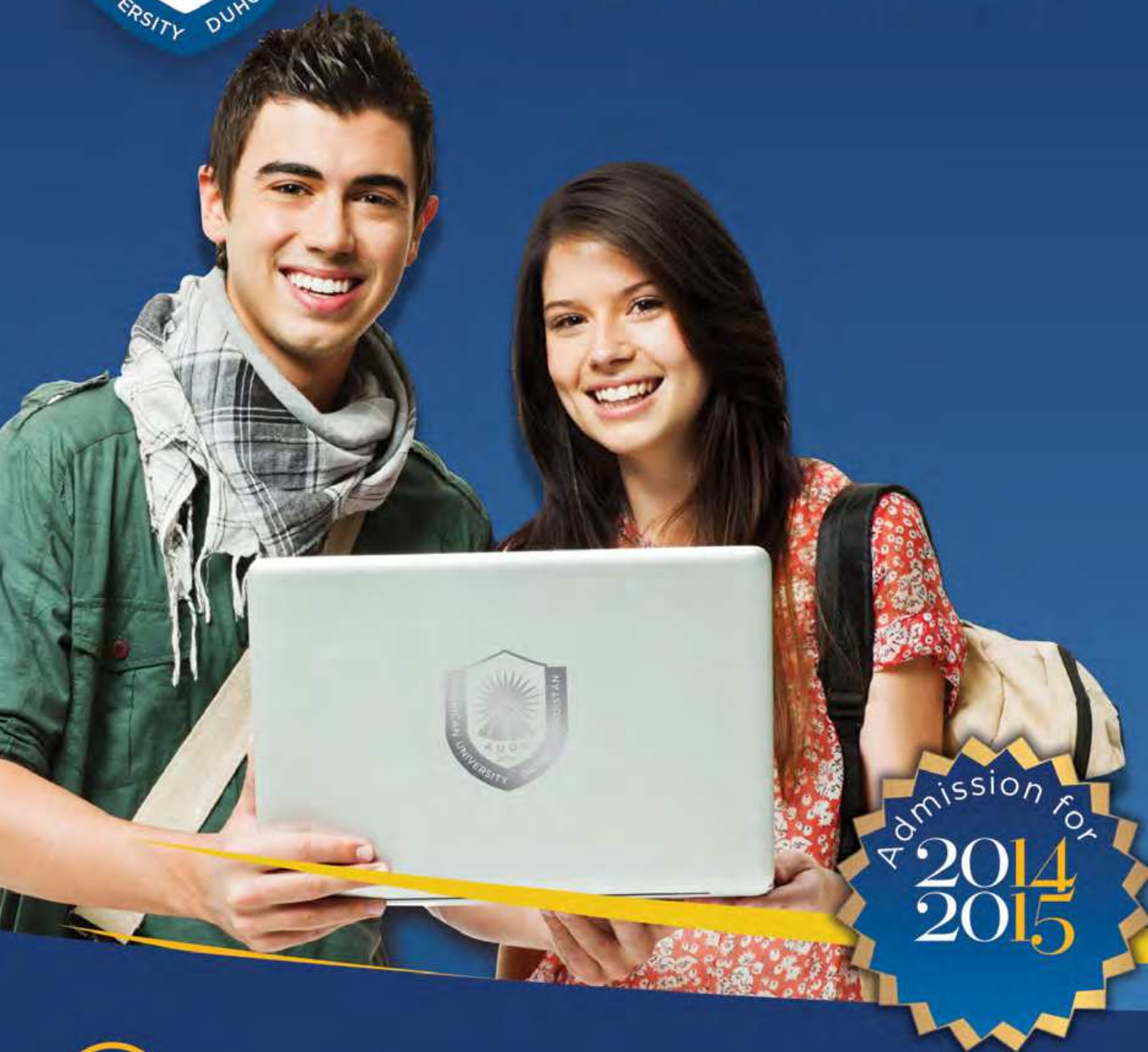


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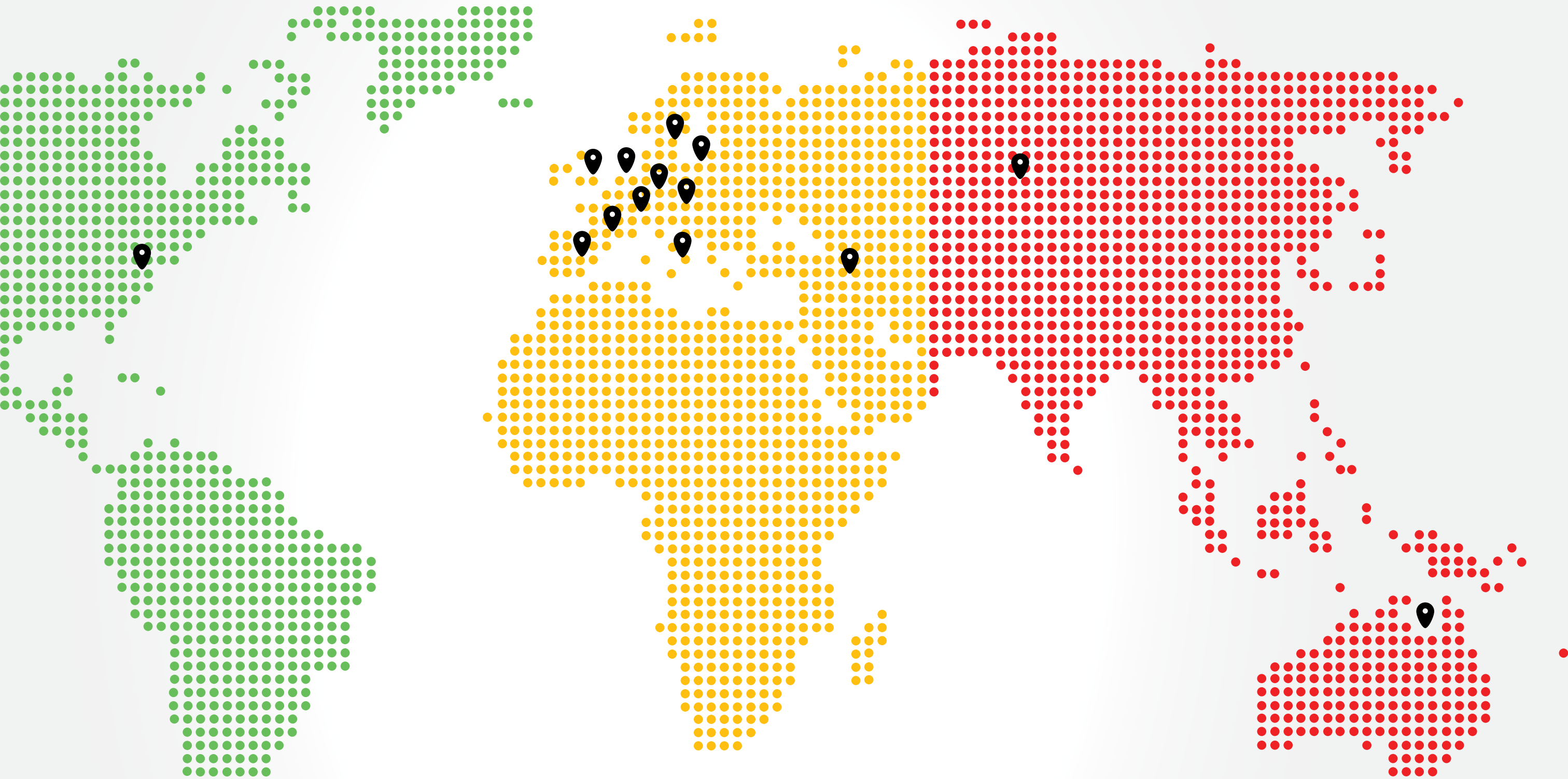


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Kurdistan Regional Government

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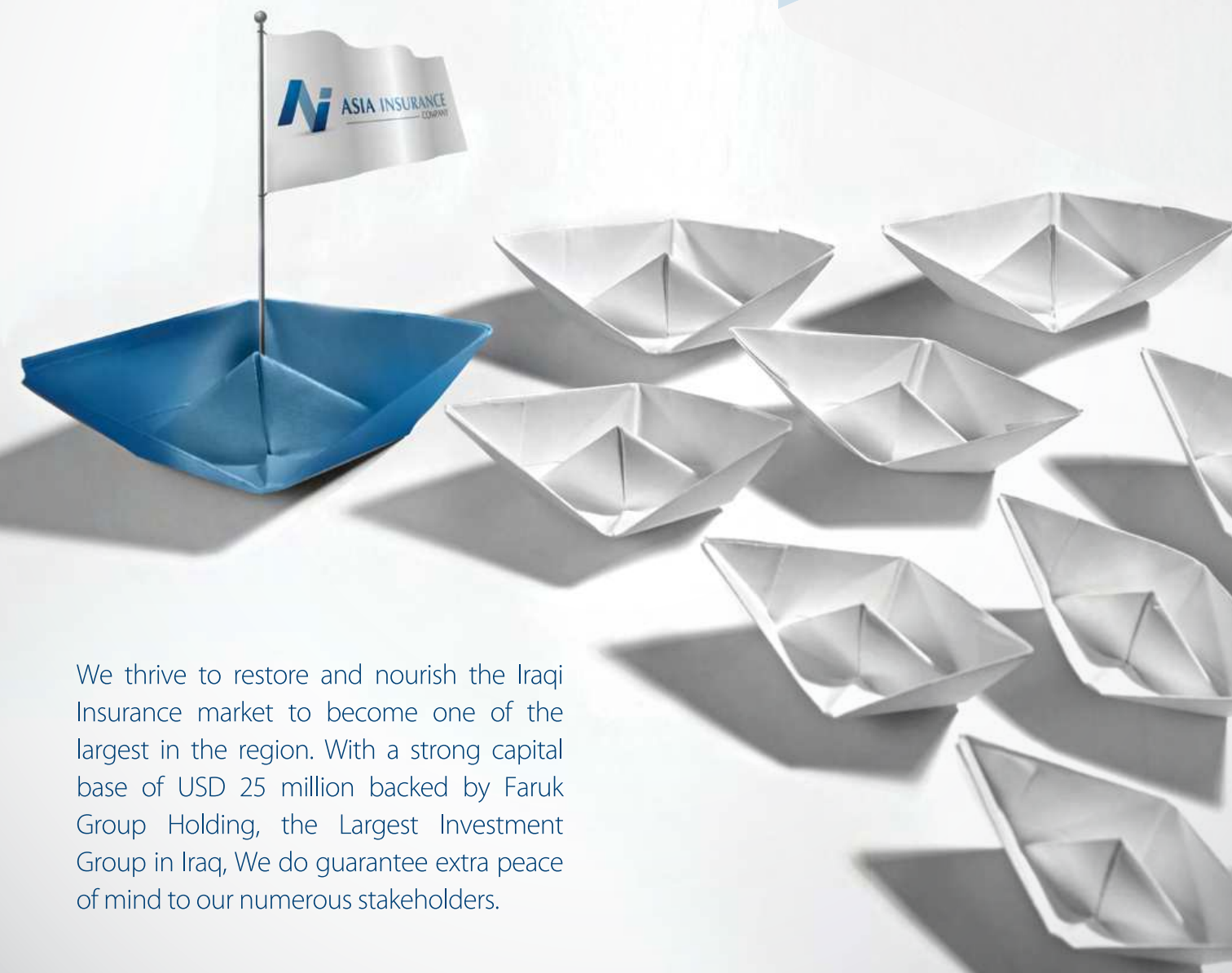


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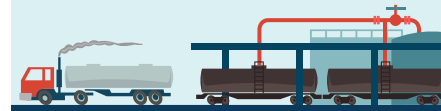
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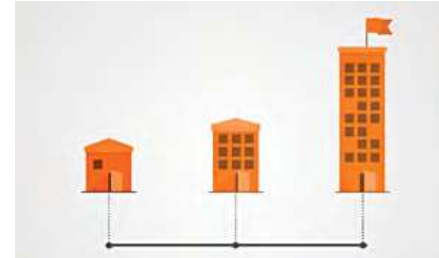
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"The Guide" helps you to experience social and cultural life in the Kurdistan Region in order to better realize its dynamics. It details the premium hotels, restaurants, health clubs, luxury brands, and shopping centers of the Kurdistan Region.



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

## Co-Publisher



Department of Foreign Relations (DFR)  
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Invest in Group (IIG) is pleased to announce the release of the eight issue of "Kurdistan Review," which provides fresh business perspectives and features the alluring leaders, emerging sectors, leading companies, rising trends shaping the future of the Kurdistan Region of Iraq.

The Kurdistan Region, as a rising frontier market, has remained safe, stable, and open for business in spite of the recent political turmoil in Iraq. The outstanding support of the international community for the Region in its fight against terrorism reflects an investment in the future of Kurdistan and the Kurdish people.

The Kurdistan Regional Government is committed to creating the best possible business environment for foreign companies operating in Kurdistan. A favorable Investment Law and stable business environment have enabled Kurdistan to achieve economic progress across a wide variety of sectors. We truly believe the Kurdistan Region can serve as a beacon of economic and social progress.

The IIG team has met with government officials and key players from the private sector to examine recent trends and developments in the Kurdistan Region. Kurdistan Review – Special Issue provides key updates relating to recent developments in a variety of sectors, including Diplomacy, Business, Energy, Real Estate, ICT, Transport, Higher Education, Health, Agriculture, and Tourism. Notably, "Kurdistan Review" includes IIG's exclusive interview and analysis pieces with leading players from various sectors, who discuss the business environment in Kurdistan, their success stories, and key projects that are helping to promote further growth in the Kurdistan Region.

We would like to express our gratitude to Minister Falah Mustafa Bakir and the DFR team for their support of our project in the Kurdistan Region of Iraq. Enjoy!



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# THE KURDISTAN REGION

## Facts & Figures



The Kurdistan Region, which borders Syria to the west, Turkey to the north, and Iran to the east, comprises a total area of 40,643 km<sup>2</sup>.



**Area**  
40,643 sq km  
(KRG-Administered Areas)

**Capital**  
Erbil

**Established**  
1991

**Status**  
Federal Region

**Government**  
Parliamentary Democracy

**Legislative Power**  
111-seat Kurdistan Parliament

**Population**  
5.3 Million  
Growth Rate %3  
Median Age: 20

**Age Structure**  
0-14 years: 36%  
Over 63: 3%

**Life Expectancy**  
70

**Official Languages**  
Kurdish, Arabic

**Ethnic Groups**  
Kurds, Assyrians, Chaldeans, Turkmen, Armenians, Arabs

**Neighbors**  
Turkey, Syria, Iran

**Currency**  
Iraqi Dinar

**Traffic Flow**  
Right

**Religion**  
Muslims, Christians, Yazidi

**Time Zone**  
GMT +3

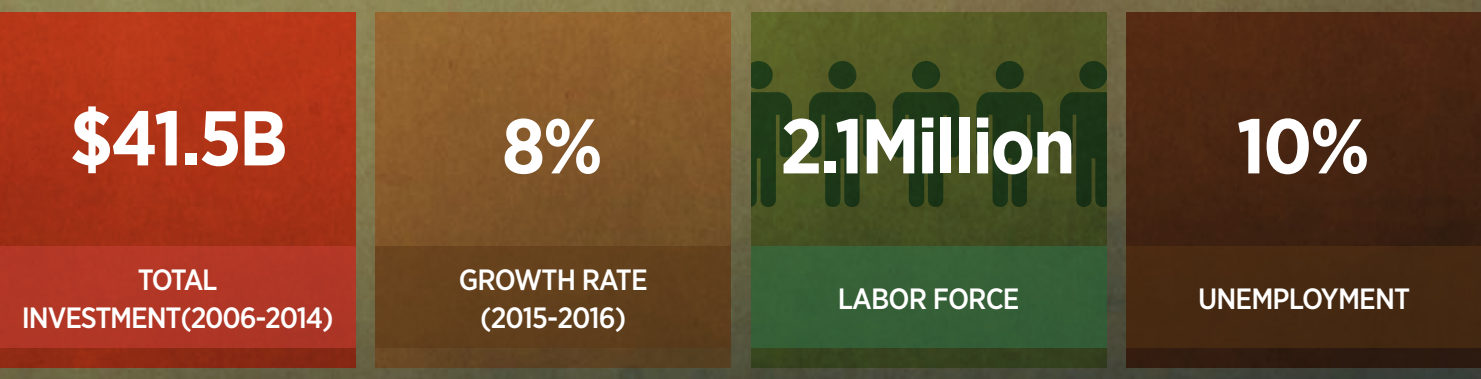
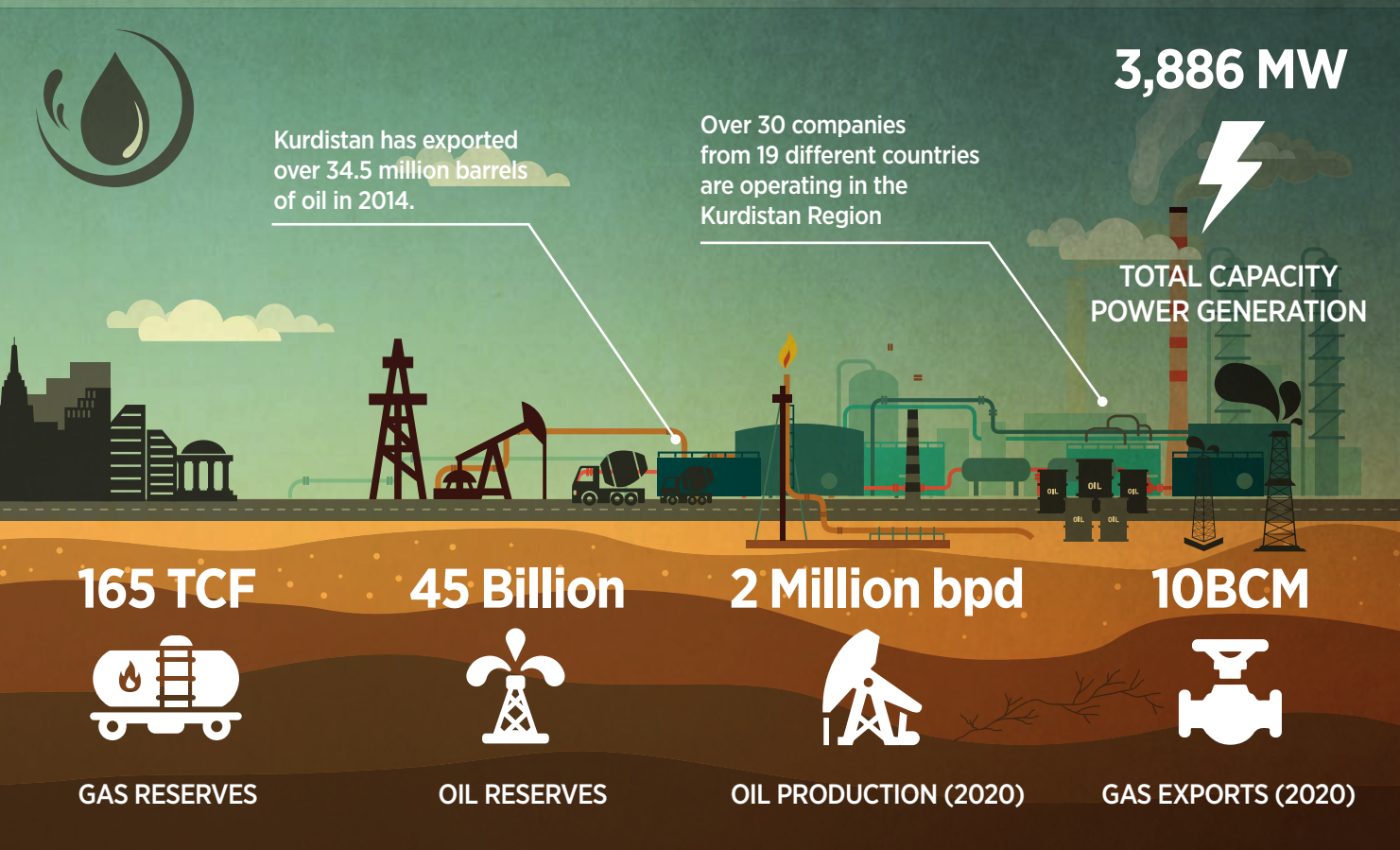
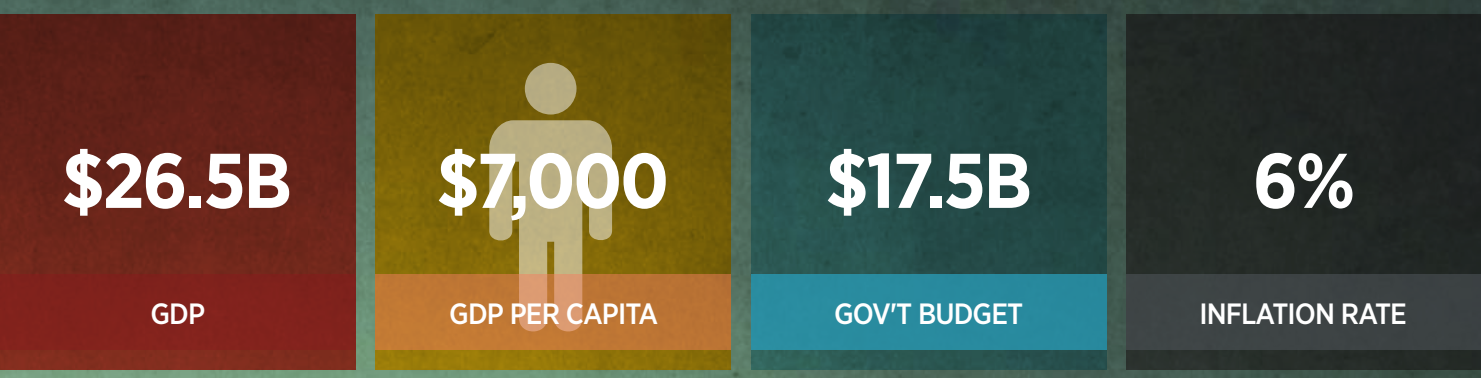
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**Literacy**  
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## THE REVIEW *Diplomacy & Politics*

### KURDISTAN AT A GLANCE

-  Established 1991
-  First Elections 1992
-  4 Year Electoral Term
-  Next Elections 2017
- 14** Representations Worldwide
- 28** Diplomatic Representations in Kurdistan
- Status:** Federal Region
- Political Structure:** Parliamentary Democracy
- Capital:** Erbil
-  **President:** Masoud Barzani
-  **Prime Minister:** Nechirvan Barzani



### Forging Ties Globally

**Despite the challenges the Kurdistan Region faced in 2014, the KRG has not retreated from its main goals—improving security in the Region and forging strong diplomatic and economic ties globally.**

The Kurdistan Region has made remarkable economic and diplomatic progress since 2007, achieving average yearly economic growth of 8% and negotiating the establishment of 28 new diplomatic representations in the Region. Such rapid growth has provided an important foundation for the international business community, which has successfully established itself in Kurdistan. Over the course of 2014, however, the KRG encountered two unexpected problems that proved to be extremely serious. Disagreements with Baghdad over the allocation of federal

budgetary resources and ISIS terrorism dominated the political, diplomatic, and economic agenda of 2014. The question of how and when the KRG would be able to overcome those challenges loomed large, yet Kurdistan's political stability, security, democratic institutions, and confident foreign policy ended up paving the way for huge support to surmount these issues from its regional and global partners. Kurdistan also employed its vast hydrocarbon wealth for both economic and diplomatic ends in 2014, establishing itself as a major economic actor in its region and beyond.

Thanks to the help of the international coalition against ISIS terror that has formed over past year, Kurdistan's military forces, the Peshmerga, have been able to defeat the enemy and restore security along the borders of the Kurdistan Region.

Relations between Erbil and Baghdad have markedly improved under new Iraqi Prime Minister Haider al-Abadi's conciliatory tenure. The warming of relations was most evident in the announcement at the end of 2014 of a landmark agreement between Baghdad and Erbil to restore the Kurdistan Region's budget and begin collaborating in the field of oil exports. World leaders responded enthusiastically to the temporary settlement, which also committed Iraq's federal government to \$1 billion in funding for Peshmerga forces. Kurdish leaders have expressed their hope to reach a long-term agreement on budget and oil export issues in 2015.

In a year marked by the terrible human consequences of ISIS brutality, the Region also demonstrated its tolerant and maturing democratic culture to the international community by opening its doors to 1.5 million IDPs.

**Structure**

The Kurdistan Regional Government is the autonomous governing body of the Kurdistan Region, and holds constitutionally recognized authority over the governorates of Erbil, Duhok, and Slemani. Article 117 of the Iraqi Constitution recognizes Kurdistan as a federal region of Iraq, while Article 120 vests the Kurdistan Region with the power to draft its own constitution and establish accompanying authorities for governance. Kurdistan's central legislative body is the Kurdistan Parliament, a 111-member, unicameral body of lawmakers. Iraq's Constitution identifies the Peshmerga as the Kurdistan Region's military force. The Constitution also gives the KRG authority to exercise legislative and executive authority in



**“ The main goals of the 8th cabinet are diversifying Kurdistan’s economy to avoid an overreliance on natural resource exports, tackling corruption, investing in improved infrastructure in areas of transport, health, and education, ensuring equal opportunity for all citizens of Kurdistan, and advancing women’s rights. Prime Minister Nechirvan Barzani**

certain areas, including allocating the regional budget, security, education, and health policies, natural resources management, and infrastructure development.

The President of the Kurdistan Region is elected directly by the people of Kurdistan. The President is the Commander-in-Chief of the Peshmerga. The President, as established by the KP in 2005, is elected every four years and is legally restricted to serving two terms. The President appoints the Prime Minister from the largest bloc in Parliament to form a government. The cabinet is then approved by the Kurdistan Parliament. The President's responsibilities include ratifying all laws approved by the Kurdistan Parliament and approving

political appointments made by the Kurdistan Region's Prime Minister. The KRG President has the authority to veto legislation only once, and, even then, legislation is merely sent back for continued debate and possible amendment.

Masoud Barzani is the current president of the Kurdistan Region. His term in office was extended by an act of the Kurdistan Parliament in 2013.

Additionally, the Kurdistan Region has an independent judicial system. It is headed by a Supreme Court of Cassation, which decides cases of the highest importance, as well as cases that have been appealed through lower courts. The system also has a number of lower courts that decide on commercial and criminal disputes.

**Kurdistan Parliament**

The Kurdistan Region is governed by a unicameral legislature, the Kurdistan Parliament, which considers new legislation, scrutinizes government activities and policy, and debates major issues before the Region. The Kurdistan Parliament was established in 1992 and has demonstrated its enduring commitment to the democratic tradition. A democratic and transparent legislative process, as carried out by the Kurdistan Parliament, provides a foundation for regional political stability and national cohesion.

Under regional electoral law, elections for the Kurdistan Parliament must be held every four years. The Kurdistan Parliament shares legislative authority with the Iraqi Council of Representatives in the areas of education, health policy, historic preservation, policing and internal security, transport, natural resource management, environmental policy, and tourism. The laws of the Kurdistan Region take precedent over federal legislation in issues involving customs, the distribution of electricity, internal water resources, and general planning. In addition, as per Article 115 of the Iraqi Constitution, all powers not explicitly reserved to the Iraqi federal government belong to Iraq's regional authorities, including the Kurdistan Parliament. When regional laws contradict federal legislation outside areas specifically reserved for federal authorities in the Iraqi Constitution, the Kurdistan Parliament has the authority to amend the application of federal laws within the Kurdistan Region.

Members of the Kurdistan Parliament are elected through a system of proportional electoral representation. The Parliament houses 11 functional committees that oversee legislative issues within their purview. In addition to legislating Kurdistan's laws and budget, the Parliament is also responsible for ratifying agreements with foreign entities and working with the federal government.

To encourage diversity, 11 seats in the Kurdistan Parliament are automatically assigned to parties representing minority groups in Kurdistan. Five seats are allocated to Turkoman representatives, five to Chaldean, Assyrian, and Syriac representatives, and one to the Armenian community. In addition, a legal minimum quota is in place to ensure that women hold at least 30% of the seats in Parliament.

**Political Parties**

- Kurdistan Democratic Party
- Gorran Movement
- Patriotic Union of Kurdistan
- Kurdistan Islamic Union
- Kurdistan Islamic Movement of Kurdistan
- Socialist Democratic Party
- Kurdistan Communist Party
- Toilers Party
- Turkoman Development List
- Erbil Turkoman List
- Turkoman Change and Reform List
- Turkoman Movement List
- Rafidain List
- Chaldean, Assyrian, & Syriac Alliance
- Abna Rafidain List
- Barwan Isan Mergoz Batros



**FOCUS: THE PARLIAMENT**

May 19, 1992  
The first Parliamentary and Presidential elections

77 MEN 34 WOMEN → 25 MINIMUM AGE

11 committees oversee legislative issues within their purview

11 seats are assigned to parties representing minority groups in Kurdistan.

**TOTAL 111 MPs**

30% QUOTA Minimum seats in Parliament held by women

# Kurdistan Regional Government

The eighth cabinet of the KRG was sworn into office on 18 June 2014 at the Kurdistan Parliament.



1. Nechirvan Barzani, Prime Minister
2. Qubad Talabani, Deputy Prime Minister

## MINISTRIES & DEPARTMENTS —

- |  |   |
|--|---|
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| 4. Khalid Doski, Culture & Youth               | 10. Yousif Mohammad, Higher Education             |
| 5. Pishtiwani Sadiq, Education                 | 11. Darbaz Kosrat Rasul, Housing & Reconstruction |
| 6. Salahaddin Babakir, Electricity             | 12. Sinan Chalabi, Justice                        |
| 7. Kamal Muslim, Endowment & Religious Affairs | 13. Karim Sinjari, Interior                       |
| 8. Rebaz Mohammad, Finance & Economy           | 14. Mohammad Qadir, Labour & Social Affairs       |

15. Mahmood Salih Hama Karim, Martyrs & Anfal Affairs
16. Newroz Mawlood Amin, Municipalities & Tourism
17. Dr. Ashti Hawrami, Natural Resources
18. Mustafa Sayid Qadir, Peshmerga Affairs
19. Ali Sindi, Planning
20. Samal Sardar, Trade & Industry
21. Jonson Siyawash, Transport & Communications
22. Mawlood Mohyeldin, Parliamentary Affairs

23. Abdulrahim Hama Reza, Environmental Affairs
24. Fuad Hussein, Chief of Staff, Kurdistan Region Presidency
25. Falah Mustafa Bakir, Department of Foreign Relations
26. Safeen Muhsin Dizayee, Department of Media & Information
27. Dr. Noori O. Abdulrahman, Department of Coordination and Follow-up (acting)

### Foreign Relations

The KRG's dynamic foreign relations are crucial and integral components of the Kurdistan Region's economic and social development. Political stability and a rapidly developing economy have given the KRG the opportunity to pursue an energetic and broad foreign policy. The KRG's primary body for directing its foreign affairs is the Department of Foreign Relations (DFR). The DFR's foremost objectives are to raise the global profile of the Kurdistan Region, improve the Region's international ties with various governments and international organizations, and present the emerging opportunities in the Kurdistan Region to regional and international actors.

The KRG's foreign policy vision has paved the way for the establishment of various diplomatic representations in Kurdistan. A total of 28 countries have a diplomatic presence in Erbil. Multinational bodies, including the EU, UN, ICRC, Japan International Cooperation Agency, and the Korea International Cooperation Agency, also have offices in Kurdistan. This significant diplomatic presence demonstrates the confidence that foreign governments place in the Kurdistan Region.

Kurdistan is determined to work closely with its regional and international partners in order to contribute stability, security, and prosperity to the region. The head of the DFR, Minister Falah Mustafa

Bakir, sees two main foreign policy priorities for Kurdistan in 2015. "First, we will make concerted efforts to ensure further and continued engagement by the international community in the fight against ISIS in order to restore peace and stability and dismantle extremists in the region," he says. "Second, in line with the Iraqi constitution, we will continue with our open door foreign policy and will try to broaden our ties with countries across the globe through establishing bilateral relations." In accordance with its policy of open door diplomacy, the KRG has been able to forge strong ties with its neighbors in recent years. Moving into the future, the KRG intends to maintain a dynamic foreign policy based on developing good relations with its neighbors and resolving issues through dialogue. This will allow Kurdistan to strengthen its ability to develop prosperous relationships with foreign capitals throughout the world.

The outpouring of support from the international community, increasing cooperation between Erbil and Baghdad on oil exports, budgetary issues, and military strategy, and a growing sense of momentum behind Peshmerga forces on the battlefield against ISIS are stoking hopes that 2015 will be a year when the Kurdistan Region consolidates its reputation for growth and stability while reaching out to new partners in the international community.

### Diplomatic Missions

#### Consulate Generals

China, France, Germany, Iran, Jordan, Palestine, Russia, Turkey, UK, US

#### Consulates

Egypt, Hungary, UAE

#### Embassy Offices

Korea, Netherlands, Romania, Sweden

#### Embassy Consular Offices

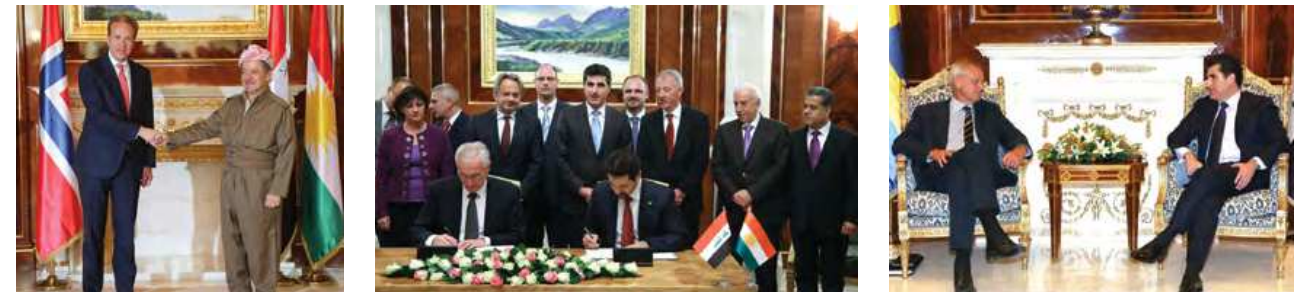
Italy, Poland

#### Honorary Consulates

Belarus, Brazil, Denmark, Japan, Slovakia, Spain

#### Commercial Offices

Austria, Czech Republic, Greece



THE  
KURDISTAN  
REGION  
Through  
the eyes  
of  
WORLD  
LEADERS

The Kurdistan Region has demonstrated its tolerant and maturing democratic culture to the international community by opening its doors to 1.5 million refugees. During their visits to the Kurdistan Region, various world leaders have reiterated their support for the KRG.



*French President  
François Hollande*

**“Kurdistan is at the forefront of the fight against ISIS terrorists.**

France will continue to provide humanitarian and military aid to Kurdistan in its fight against ISIS terrorists.”



*Matteo Renzi,  
Italian Prime Minister*

“The Italian Parliament has decided to provide the Kurdistan Region with humanitarian support as well as military support in the fight against the terrorists. European Union countries share determination and a solid consensus to back the KRG with both humanitarian and military assistance.”



*John Kerry,  
US Secretary of State*

**“The Kurdistan Region has achieved remarkable progress in the past ten years.”**



*Canadian Foreign  
Minister John Baird*

**“Canada will continue to support the Kurdistan Region in its fight against terrorism.**

We cannot allow this terrorist organization to continue to threaten regional and global security.”



*Philip Hammond,  
UK Foreign Secretary*

**“I would like to assure you that you will not be alone in your fight against ISIS. The role of the Peshmerga forces in confronting ISIS is heroic.**

The United Kingdom will continue to work closely with its allies to ensure the delivery of aid, military support, and training for the Peshmerga forces so that they are better equipped to tackle and defeat the terrorists.”



*Bert Koenders, Foreign  
Minister, Netherlands*

“We will continue our support to the Kurdistan Region, particularly in the field of energy and agriculture.”



*Lubomír Zaorálek, Foreign  
Minister, Czech Republic*

**“The Kurdistan Region is safe and stable. We will support and assist the Kurdistan Region in confronting terrorist activities. The Czech Republic is ready to help either militarily, through training and other military assistance, or offering humanitarian aid.”**



*Michael Fallon,  
UK Defence Secretary*

“The UK will continue provision of military and humanitarian assistance to the Kurdistan Region.”



*Ursula von der Leyen,  
Defence Minister, Germany*

**“Germany has decided to support Kurdistan because it recognizes that Kurdistan is fighting the terrorists on behalf of the world. We will continue to help the KRG by providing weapons, military equipment, and training as well as the provision of more humanitarian aid. We also praise the culture of tolerance and peaceful coexistence in the Kurdistan Region.”**



*Vladimir Makei, Foreign  
Minister, Belarus*

“Belarus is ready to cooperate with the KRG in industry, agriculture, energy, information technology, and higher education.”



*Norwegian Foreign  
Minister Borge Brende*

**“My visit is meant to clearly illustrate Norway’s support for the people of the Kurdistan Region in their fight against terrorism.”**



*Paolo Gentiloni,  
Foreign Minister, Italy*

“Italian military advisors, currently training Peshmerga forces, will be increased in the near future. **Italy will continue to support the Kurdistan Region both directly and within the international coalition.**”



*Swedish Foreign Minister  
Margot Wallström*

**“Peshmerga forces have proven that they are a reliable force. They have been an important element in the fight against ISIS.**

There is an urgent need to address the problem of ISIS and to support the Peshmerga forces.”



*German Foreign Minister  
Frank-Walter Steinmeier*

**“Germany will continue to provide humanitarian aid to the IDPs. Germany will do whatever it can to help the KRG cope with the refugees.”**



## Confidence in the Future



**Masoud Barzani** —  
*President of the Kurdistan Region*

IIG talks to President Masoud Barzani about the Kurdistan Region's cooperation with the international community, new regional challenges, and Kurdistan's most significant achievements in recent years.

**IIG: How would you characterize the Kurdistan Region's diplomatic and security cooperation with the international community against the ISIS threat?**

**MB:** The ISIS terrorist group possesses the armaments and capabilities of two states, and it has a large number of foreign fighters from across the world. It stands against all human values, principles, and coexistence. This terror group is a threat not only to us, but to the whole world. It is therefore incumbent on all sides to cooperate and collectively stand against this terrorist group. We greatly appreciate international coalition support and airstrikes, which have tipped the balance in favor of Kurdistan Peshmerga forces. We are also grateful for the military aid that we have received from international coalition countries. However, these arms and munitions are not sufficient to counter the threat posed by ISIS, which owns the advanced weapons of two states. As a result of the military sanctions by Baghdad in the past, the Peshmerga have had to fight with outdated and light weapons.

**“ I believe Kurdistan has all the ingredients necessary to attract foreign investment. I would like to reassure everyone that there will be no place for terrorists to operate in Kurdistan. ”**

**About**

- 1946** — Born in Mahabad, Iran
- 1979** — Elected as the leader of the Kurdistan Democratic Party
- 2005** — Elected as the President of the Kurdistan Region
- 2009** — Re-elected as President with 70% of the vote
- 2011** — Received Atlantic Award for his role in promoting peace, stability, and religious tolerance in the region. Speaks Kurdish, Arabic, Persian, and English

The international coalition decided to support Kurdistan because it is the only place in the region that upholds freedom, peaceful coexistence, and plurality. They also recognized the grave threat posed by ISIS terror to themselves and to world peace in general.

**IIG: Domestic stability and security are key demands for foreign investors. Against a backdrop of new regional challenges, how do you respond to this sensitivity?**

**MB:** Kurdistan is a rich country, and its people desire peace, stability, and peaceful co-existence. These are key requisites for development and for creating a favorable environment for foreign investment. It is true that the aggression by ISIS terrorists against Kurdistan initially led to concerns and uncertainty, but thanks to the brave Peshmerga – and with the help of international coalition friends – ISIS no longer poses a serious or direct threat to Kurdistan. ISIS has no future, and it will be completely defeated. The Peshmerga have demonstrated that it can be defeated.

Business and investment are long-term processes, and I believe Kurdistan has all the ingredients necessary to attract foreign investment. I would like to reassure everyone that there will be no place for terrorists to operate in Kurdistan.

Kurdistan is hosting and protecting close to two million IDPs and refugees from Syria. Kurdistan has hosted numerous world leaders and senior foreign diplomats in recent weeks and months. Kurdistan has hosted a number of international conferences and exhibitions recently. Kurdistan's security services are doing an excellent job and working day and night to provide security. These are all indications that security and stability will prevail in Kurdistan.

**IIG: Do you expect to have more stable relations with the federal government in 2015 and beyond?**

**MB:** I believe that the recent agreement is a good start and a good first step towards resolving the disputes between Erbil and Baghdad. The mistakes of the previous government must be redressed. Iraq is experiencing serious security and economic challenges, including the threat by terrorism. Corruption and declining oil prices have led to major economic problems. Iraq needs to work with the Kurdistan Region and take into consideration Kurdistan's demands.



**IIG: What is your outlook on Kurdistan's regional position, both economically and diplomatically, in the upcoming years?**

**MB:** Economic development and the building of diplomatic relations of Kurdistan will continue unabated. For this, Kurdistan must continue with its attractive investment policy, and it must also work to strengthen its industries.

Kurdistan has demonstrated that it is a force for stability in the region, as attested by many world political and economic leaders. It has also espoused a successful foreign policy. In addition, Kurdistan has been able to put a stop to the advances of the ISIS terrorist group. Kurdistan is confronting this terror group on the ground, on behalf of the whole world. While doing this on the one hand, and grappling with budget cuts by Baghdad on the other, Kurdistan welcomed hundreds

of thousands of IDPs and refugees fleeing violence and terrorism in other parts of Iraq and Syria. Kurdistan has a message of peace, coexistence, and cooperation for the world. It respects the values of democracy, human rights, and openness. It is also a rich source of oil and gas. These are major achievements that have helped, and will continue to help, Kurdistan's rising political and diplomatic standing in the world.

**IIG: Looking back over the years you have served as the President, what developments are you most proud of? What might be regarded as Kurdistan's most significant achievement since you took office?**

**MB:** I will leave to others to judge my presidency. Our achievements are the result of the struggle of the people of Kurdistan and the constant efforts of all the institutions of the Region. There

are many achievements. Despite many challenges, Kurdistan has succeeded in defending its values and has developed its new democracy. Kurdistan has significantly enhanced its diplomatic standing. The economic boom, rising per capita income, a sound oil policy, and the creation of an attractive investment environment are all impressive successes. I believe that one of the major achievements has been that the people of Kurdistan have developed a sense of self-belief and a spirit of confronting challenges. Our people have also shown that not only they are not a threat, but they are a force for stability in the region. We are all witnessing how Kurdistan has hosted hundreds of thousands of IDPs and refugees, and how it is at the forefront of the fight against the terrorists. The free world is looking to Kurdistan and the brave Peshmerga now; we are proud of this achievement.

## Leading the Way



**Nechirvan Barzani** —  
Prime Minister of the Kurdistan Region

Prime Minister Nechirvan Barzani explains the KRG's economic performance, why investors should choose Kurdistan as a business destination, and the key sectors the KRG will emphasize for economic development in 2015.

**IIG: What is your evaluation of the performance of the Kurdish economy under your direction?**

**NB:** The people and the government of Kurdistan have created unprecedented growth over the last several years, and the stability of our achievements has been severely tested in 2014. In some cases, progress is most clearly visible in times of crisis. As Prime Minister, I am humbled by the resilience, the cohesion, and the dedication of our people. I would also like to point to the key role of both domestic and foreign companies, as they have maintained their belief in the success of Kurdistan and continued to serve as the engine of our economy through these challenging times. I believe our future is indeed bright, and this is due to the character and the daily contributions of the citizens of the Kurdistan Region.

The trajectory of our economy remains healthy. Certainly the security threat from ISIS terrorists, the disastrous policies of the previous Iraqi administration, and the humanitarian crisis facing the Kurdistan Region have prompted the KRG to divert attention and funding from some projects and long-term goals, and this has had a negative effect on our growth. But this is a temporary setback, and already we see signs of recovery. I have no doubt that our markets are regaining their momentum, and the Kurdistan Region will remain among the most attractive emerging markets in the Middle East.

The revenue sharing agreement within the budgetary law of 2015 that we have reached with the federal government is a key step forward. For the first time in years, we have reasonable partners in Baghdad with the will to truly move forward on the political and economic issues that have hampered development for all Iraqi citizens.

In addition, the global response to the ISIS threat may have come late, but it is clear that the world has forcefully rejected this ideology of hatred, violence, and destruction. The KRG is willing and

able to stand at the forefront of efforts to roll back and defeat these terrorists. With shared goals of regional stability and security, our people and our government are confident in the recovery and continued growth of our economy.

**IIG: Why should investors around the world choose the Kurdistan Region as a business destination?**

**NB:** A cornerstone of KRG policy has been the assurance of individual economic freedom and an open market where entrepreneurs, investors, and businesses of various capacities and specializations can drive growth and development. This is true for domestic businessmen and foreign companies and investors as well.

Prior to the security challenges posed by ISIS terrorists, foreign investment in the Kurdistan Region had increased dramatically year on year, and our GDP had grown at a very healthy rate. The security challenges have certainly affected our economy, as have the actions of the previous administration in Baghdad. However, I am very pleased to see that both international companies and investors have not only continued their activities in Kurdistan but have understood that these challenges will pass and our market has a vibrant future. We see business resuming with the pace and enthusiasm that has come to characterize the Kurdistan Region.

Foreign companies are operating in the Region like before, flights in and out of Erbil and Slemani have resumed at the usual pace, and last week's Erbil International Fair hosted 250 companies from 16 countries, all eager to find their place in our market. The Kurdistan Region's position as a global energy hub and an important player in the Middle East remains intact, and the short-term and long-term business climate continues to attract investment. Most importantly, leading international companies have demonstrated, through their actions, that this is the case.

“

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**IIG: On which key sectors would you like to see Kurdistan place more emphasis in order to develop the economy and provide jobs in 2015 and beyond?**

**NB:** Despite the setbacks suffered by the Kurdistan Region and many parts of the Middle East in 2014, our strategic long-term goals remain intact. It is true that we have had to pause some larger projects and investments due to the emergency situation this year, but our plans to develop key sectors throughout the Region will continue to guide our policy.

It is clear that the oil and gas industry drives our economy and the economy of Iraq. I applaud the efforts by the KRG Ministry of Natural Resources to ensure that our citizens and our young students can find a future in this sector. Part of developing our oil and gas infrastructure is investing in our young people and ensuring that we, as a people, master every aspect of this industry.

Like other oil-rich economies, the Kurdistan Region must attach importance to economic diversity and

the development of diverse sectors. Agriculture, agro-industry, and water resource management present great opportunities but also challenges to be overcome. Technology is a key factor in this regard, and I hope companies and investors will pay due attention to this exciting sector.

As Kurdistan finds its place on the map as a global energy hub, key cities such as Erbil, Slemani, and Duhok will be blessed with new and exciting economic opportunities. The tourism industry requires wise investment and a vision for the near future but also the next ten and twenty years.

Day after day, private companies are answering the demands of the market in a way that the government never can. There is no question that our dynamic free market economy has been the key factor in our growth, in fields as varied as healthcare, education, oil and gas, construction, agriculture, tourism, and technology. All of these sectors require careful analysis and investment, and the

KRG is committed to serve as a stable, helpful regulator, ensuring that foreign and local companies are able to operate in a responsible and successful manner.

The KRG has allocated time and energy to ensure a fair and transparent employment atmosphere, particularly in the private sector. We are working to better tailor our educational system to the current labor market so that our young people are properly equipped to join the work force. Of all investments and all priorities, I do not see anything more essential to our economy than education. The availability of jobs and the growth of various sectors of our economy only help us to the extent that our young men and women are provided with the tools they need. Investment in education is the most sustainable of all investments, and I believe our schools, universities, and technical training institutions deserve as much emphasis and funding as we can provide. In the final analysis, the ability and the skills of our citizens will ensure the welfare of our Region. ☞

## Secure & Stable



**Karim Sinjari** —  
Minister of Interior

Minister Karim Sinjari provides IIG with exclusive analysis of the current security situation in the Kurdistan Region, as well as the KRG's security cooperation with the international community against the ISIS threat.

**IIG: Can you give our readers some insight into the current security situation in the Kurdistan Region?**

**KS:** In general, the Kurdistan Region has been secure despite continuous attempts by the terrorists to harm and destabilize the Region. Kurdistan has always been targeted by terrorists, as they despise our peace, freedom, democracy, and autonomy. They have tried to take advantage of any perceived weakness to sneak into the Region. Occasionally, they have been able to infiltrate Kurdistan by taking advantage of our hospitality and openness to welcome those who are threatened. This is one of our challenges, as we are hosting more than 1.5 million internally displaced and refugees who have fled from the violence and unrest in other parts of Iraq and Syria to find refuge in Kurdistan. It is naturally quite difficult to give so many people access while at the same time trying to know who they are and monitor their movements. But we have given this task our strongest efforts.

Our security forces are deployed extensively throughout the Kurdistan Region and are actively using all of their skills and resources to keep threats out of the Region. This is another challenge, as we are controlling a border of more than 1,000 km opposite the most evil terrorist organization we have seen in recent history. In spite of these challenges, our security forces have been able to thwart many attempts to damage the security of Kurdistan. We can proudly say that Kurdistan is a secure area, as it has in fact become a safe haven for a variety of people regardless of their ethnicity, religion, or political affiliation.

I would also like to commend the people of Kurdistan for the very positive cooperation they share with our security forces. This cooperation is part of the foundation of our security across Kurdistan, as it is the people who see and know things in many instances before the security forces. Because our people also do not tolerate terrorism and efforts to destabilize our Region, they cooperate very well with our security forces.

In spite of these challenges, we have done all that we can to guarantee the security of Kurdistan. This has not been an easy task, as we have seen the Middle East over the last decade become a sort of hub for a variety of international terrorists. We can see the results of our efforts, though, as witnessed by the many foreign companies and people who find it safe and stable enough to work here and assist in the development and progress of Kurdistan. So even with the evolution of the ISIS terrorist organization and their seizure of Mosul and other large areas of Iraq, and even with their having many supporters, advanced weapons, and financial support, our security forces have still been able to maintain the security of Kurdistan so that it is a safe haven for those in need as well as its citizens and guests.

Because we are aware of the threats that are out there, security does remain our top priority. We are determined to ensure that our citizens and all of our guests are able to live, work, and enjoy the blessings of peace and freedom in a safe environment. We are equally determined to ensure that Kurdistan remains a place where democracy, peace, diversity, and tolerance are well understood and accepted.

**IIG: How would you characterize the Kurdistan Region's security cooperation with the international community against the ISIS threat?**

**KS:** It is important to recognize that ISIS is not just a threat to the Kurdistan Region. It is, in fact, a threat to all of the international community. It is well known that thousands have come from around the world to fight on behalf of ISIS. They have supporters and recruiters around the world who are spreading their message of hate and intolerance. They are effectively using social media to promote their evil actions. Because of this, all of the international community must work together to stamp out their desires for regional domination through their self-described caliphate. There is no other choice. We



must cooperate, or accept their brutal domination and killing.

For these reasons, it is critical that the international community and all of the regional countries take very serious measures toward destroying ISIS both at the places where it is recruiting, as well as in Iraq and Syria on the battlefield. Toward this end, we are very supportive

and welcoming of the airstrikes that the Americans and other coalition partners have conducted in Iraq and Syria, as they have helped our Peshmerga forces who are at the forefront on the ground in this fight to achieve success in pushing ISIS back. In fact, our security cooperation with the international community is very good. We are receiving assistance in the humanitarian sector, as well as the

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In spite of this assistance, there is much more that is needed. ISIS has been fighting with advanced weapons that were captured from the Syrian and Iraqi Armies. Some of these items were the latest arms that came originally from Russia or the United States. On the other hand, we have been fighting with obsolete Soviet-era equipment that was captured from Saddam's regime over the last

ten to thirty years. The coalition's efforts in keeping the ammunition flowing for these weapons and providing some newer models have been appreciated. However, if we are to more effectively take the fight to ISIS to ensure their destruction, we must have more modern equipment, such as tanks, armored vehicles, heavy artillery, anti-tank missiles, and attack helicopters. All of these things will better ensure our mutual success on the battlefield against this evil threat, which must be destroyed now before it becomes too powerful.

**IIG: How is Kurdistan working with its neighbors to fight against the ISIS threat? How would you assess the role of Kurdistan as a contributor to regional security and stability?**

**KS:** Kurdistan has long adopted a policy to live in peace with our neighbors. We strongly believe in non-interference, mutual respect, trust, and understanding. Because of this, we have always sought to maintain direct communications with all of our neighbors so that we can ensure there is a good understanding of all things between us. This open communication has allowed us to have positive relations with our neighbors that have led to benefits in terms of stability, economic development, and security integration.

Part of the reason for these positive results in security is because our neighbors know that Kurdistan is a force for stability within the region. Kurdistan has had good contributions toward regional stability and understanding. This mutual cooperation has been beneficial since Kurdistan has been at the forefront in confronting ISIS, and our neighbors well know this fact. Because of this, we have established good military exchanges and intelligence sharing to more effectively combat ISIS. Although this cooperation is a good step for regional security, it is only one step. This fight really does need an expanded regional and international effort in cooperation to develop a joint, comprehensive strategy so that we may eliminate this threat now in a final and conclusive manner. ☺

## The KRG's Foreign Policy Perspective



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

Minister Falah Mustafa Bakir details the Kurdistan Region's foreign policy goals and priorities in 2015 and the Region's strengthening ties with the EU and the US.

“ Since the beginning of the Islamic State of Iraq and al-Sham (ISIS) onslaught on Iraq and Kurdistan, we have been warning our friends in the international community that ISIS does not only pose a threat to the Kurdistan Region, Iraq, and the Middle East, but also it poses a direct threat to international peace and security.

### About

Falah Mustafa Bakir was born in Erbil in 1964. He holds a B.A. in English Language and Literature from the University of Mosul, and an M.A. in Development Studies from the University of Bath in the UK. He also completed the executive program for senior managers in government at Harvard University's Kennedy School of Government.

**IIG:** Considering recent regional developments, what would you say the main pillars of the Kurdistan Region's foreign policy are? And what are your priorities for 2015?

**FMB:** Under current circumstances, our main objective is to effectively communicate the message of the Kurdistan Region to the international community in regards to the ongoing political, security, and humanitarian challenges that we are facing here in Kurdistan. Since the beginning of the Islamic State of Iraq and al-Sham (ISIS) onslaught on Iraq and Kurdistan, we have been warning our friends in the international community that ISIS does not only pose a threat to the Kurdistan Region, Iraq, and the Middle East, but also it poses a direct threat to international peace and security. We believe that the United Nations Security Council has a moral and legal respon-

sibility, under chapter seven of the UN charter, to maintain international peace and security through confronting ISIS.

Our foreign policy priority for 2015 is twofold. First, we will make concerted efforts to ensure further and continued engagement by the international community in the fight against ISIS in order to restore peace and stability and dismantle extremists in the region. This can be achieved through closer cooperation with NATO and the

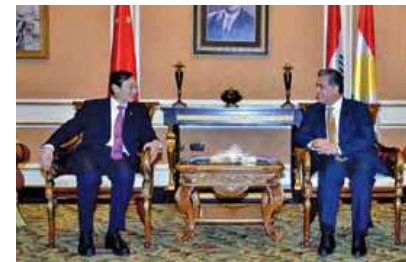
international coalition against ISIS. The KRG will work closely with UN agencies and the international community to assist refugees and internally displaced persons who have taken shelter in the Kurdistan Region and to rebuild their areas. Another important task within the context of the fight against ISIS is to gain international recognition for the crimes committed by ISIS against different ethnic and religious minorities as acts of genocide.

Second, in line with the Iraqi constitution, we will continue with our open door foreign policy and will try to broaden our ties with countries across the globe through establishing bilateral relations. We are focused on encouraging more countries to establish a diplomatic presence in Kurdistan as well as expanding the international presence of the KRG through opening new representative offices abroad.

The KRG seeks to strengthen ties with the European Union. We are also interested to build institutional ties with the Arab League. We are determined to build more bridges with the international community in order to further enhance the economic and political achievements of the Kurdistan Region.

**IIG:** The KRG received huge support from the US and EU countries in its fight against terrorism. What does this mean from a foreign policy perspective?

**FMB:** We welcome the US-led coalition against ISIS and we are proud to be a leading force in the coalition. We are being supported by the international community for the values that we stand for, for our respect for human rights and the rights of religious minorities. We are proud to have developed a culture of democracy, peaceful coexistence, and religious and ethnic tolerance here in Kurdistan. These values are deeply rooted in our culture and we are determined to preserve and defend such values.



The support is a clear indication that members of the international community need to cooperate with one another to secure a safer and more stable world. It shows that the Kurdistan Region is not abandoned and that we have reliable partners in the international community.

The support has hugely boosted the international reputation of the Kurdistan Region and its Peshmerga forces. Our Peshmerga forces are fighting an international terrorist organization, with members across the globe, on behalf of the free and civilized world. They have proven to be a reliable partner on the ground and to have the capability of fighting and defeating ISIS. Kurdistan is now an essential part of the international coalition against ISIS.

**IIG:** How is the DFR working to expand cooperation with the EU?

**FMB:** We have placed huge importance on expanding and improving relations with the EU. The KRG Mission to the EU was established in Brussels in 2000. The Mission's main objective is to maintain and strengthen political, economic, and cultural relations between the Kurdistan Region and European Union institutions. Our ties with the EU are steadily improving. Following the attacks of ISIS in Iraq, the EU has been giving special attention to the security and humanitarian situation of the Kurdistan Region. In June, the EU DG for Humanitarian Aid (ECHO) opened an office in Erbil. In August, the EU Ministers of Foreign Affairs, within the EU Council, decided to send humanitarian aid to the Kurdistan Region and also decided that Member States were free to send arms to Kurdish Peshmerga forces. In the same meeting, EU Ministers asked the European External Action Service (EU Foreign Ministry) to strengthen the EU's presence in Erbil.

**IIG:** As the diversification of Kurdistan's economy gathers speed, what can the DFR do to help foster FDI and support the Region's economic development?

**FMB:** While the rest of Iraq has seen a high level of violence and terrorism in the past few years, particularly since the beginning of the ISIS onslaught against Iraq, the Kurdistan Region has remained peaceful and stable. Kurdish Peshmerga forces have been able to repel ISIS attacks on the Kurdistan Region. The Kurdistan Region's strong economic potential and stable security situation make it a safe haven for international investors.

The Department of Foreign Relations continues to work hard to support international businesses by assisting them in communicating with the various institutions of the Regional Government, directing them to resources related to their endeavors, and promoting regional and international conferences and events designed to encourage business and investment in the Kurdistan Region. ☞

# KRG Worldwide

The KRG's dynamic foreign relations are crucial and integral components of the Kurdistan Region's economic and social development. The DFR's foremost objectives are to raise the global profile of the Kurdistan Region, improve the Region's international ties with various governments and international organizations, and present the emerging opportunities in the Kurdistan Region to regional and international actors. IIG talks with the KRG's representatives about their missions' activities and future plans.



**KRG in Germany**  
Dilshad Barzani —  
KRG Representative in Germany

**What is your key message to the German business community?**

The lack of trained staff in Kurdistan is a negative factor. However, the process of democratization, the business boom, the ethnic and religious tolerance, the social progress, and especially the stable security situation are our foundation, and offer major opportunities to German business in all areas.

Germany can only benefit from closer collaboration— from our dynamic economy, energy resources, stability, and good relationships with our neighbors, and, of course, as a gateway to the rest of Iraq.

We can see many positive developments, yet we still have an enormous amount of work to do. Companies need legal security, prospects, and infrastructure. But even under good conditions, the first steps in a far-away country are always bold steps. Therefore, it is crucial that companies can be certain of having a solid,

reliable partner in Kurdistan and being able to rely on local conditions. Germany and German workmanship have an excellent reputation, and it is time to utilize it.

**Which of Kurdistan's economic sectors have German businesses found the most success in? Which offer most future potential?**

Several large German industrial firms are active in various areas of electricity supply, while others are active in water supply. Kurdistan presents tremendous opportunities to German businesses, especially in areas such as construction, infrastructure, transportation, logistics, services, environmental technology, agricultural technology, healthcare, water management, waste disposal, and many others. We are highly interested in German companies that would enrich the Region with high quality and innovative products and services.



**KRG in Austria**  
Dr. Mustafa Ramazan Goran —  
KRG Representative in Austria

**How would you characterize the commercial ties between both sides?**

A number of Austrian companies are already making use of the vast commercial opportunities the Kurdistan Region has to offer. Austrian Airlines was the first international carrier to offer direct flights to Erbil in 2006, contributing immensely in connecting Kurdistan with the rest of the world. Other prominent examples of Austrian commercial activity are the energy company OMV, and Doppelmayr, who built cable cars on Korek Mountain and in Slemani, and is currently working on another project in Duhok. Aside from these projects, our office meets daily with smaller Austrian companies who are showing an increasing interest in the Kurdistan Region's business opportunities. Although at the beginning there was naturally a bit of reluctance due to the unstable security situation in some parts of Iraq, these

reservations have largely been overcome thanks to information exchange and first-hand visits to the Kurdistan Region. Our goal now is to promote B2B opportunities between Austria and the Kurdistan Region.

**Do you work with the Austrian commercial office in Erbil or other business groups with an interest in Kurdistan?**

The existence of an Austrian commercial office in Erbil as well as the active participation of Austrian companies in the numerous trade fairs, too, underline the great interest Austrian companies are showing in the Kurdistan Region. We plan to organize sector-focused events in the coming months, as we firmly believe that the Kurdistan Region's agriculture and tourism sectors, which are defined as priority sectors by our government, could benefit greatly from extensive Austrian expertise and experience in these fields.



**KRG in Italy**  
Rezan Kader —  
KRG Representative in Italy

**In which sectors in Kurdistan have Italian businesses found the most success?**

Italy has the highest number of commercial exchanges with Iraq of any European country and is third in terms of export volume to the Region. Italian exports to Iraq and the Kurdistan Region have followed a trend of growth that is continuing to increase. Italian entrepreneurs are increasingly interested in investing in Kurdistan, largely thanks to the 2006 Investment Law. The main areas of interest and active participation of Italian businesses are construction, infrastructure, and energy. For example, FG Tecnopolo, an Italian engineering firm, designed the city of Erbil's underground network, and Italian architects and engineers will be designing the new KRG Ministry of Education in Erbil. The areas on which we must focus increasingly are engineering, infrastructure, agribusiness, pharmaceuticals, energy, and tourism.

**What is your key message to the Italian business community?**

Kurdistan can provide a springboard for a new cycle of growth for the Italian business community. There are currently 50 Italian companies with a presence in the Kurdistan Region, a number that represents a trend of significant growth over the last few years. Our key message to the Italian business community is to exploit the huge investment opportunities in Kurdistan. Italian businesses that enter Kurdistan will receive extensive support from our Representation, as well as the Italian National Construction Association, which organizes regular missions to the Region, and the Italian Consulate in Erbil, which provides Italian businesses with trade and insurance services.



**KRG in Spain**  
**Daban Shadala** —  
*KRG Representative in Spain*

**Which of Kurdistan's economic sectors offer the most potential for Spanish entrepreneurs?**

Having built a close relationship with Spain's Ministry of Economy & Competitiveness and the ICEX, we determined that the four primary sectors that offer the most potential to Spanish investors and entrepreneurs are construction, agriculture, education, and tourism.

**What targets do you have for future economic cooperation between Spain and the Kurdistan Region?**

We aim to hold a conference related specifically to the targeted economic sectors in which we feel Spain has a lot to offer and invite leading businessmen, experts, and government officials from the Region to participate. Moreover, we will be approaching various chambers of commerce all over Spain in order to present the economic situation of the Region along with the potential areas of opportunity for their members.

**How would you characterize commercial relations between Sweden and Kurdistan?**

The commercial relations between Kurdistan and Sweden are emerging. Swedish companies invest in the reconstruction process in Kurdistan. Swedish enterprises like Scania, Ericsson, and Volvo are all established in Kurdistan. For us, Sweden's contribution to the development of Kurdistan can be even more successful if the vast human resources available in Sweden are used.

**Where do you see relations between the KRG and the Swedish government headed in the medium term?**

Since February 2014, the KRG in Sweden

We will be leading trade delegations to visit Kurdistan. An objective of ours is to strengthen economic cooperation by matchmaking potential partners to begin joint ventures. We will be encouraging companies to attend trade fairs in Erbil where they can meet their Kurdish counterparts and network amongst decision makers of the Region.

**Where do you see Kurdish-Spanish relations in the medium term, in terms of opportunities?**

We will work to develop even stronger bonds with Spain. We will touch upon areas where there is potential for cooperation to ensure a closer relationship. Once Spain emerges from the economic crisis, I am sure we will see a consulate opened in Erbil, as there is a high level of interest from senior officials in the government to do so. Opening a Spanish consulate would facilitate a drastic increase in the Spanish presence in Erbil.

has welcomed two high delegations from the KRG, the first one headed by the Minister of Agriculture and the other led by the Minister of Labor. We focused on future cooperation in the agricultural and industrial sectors, but we would also like to improve existing agreements between Swedish and Kurdish authorities.

Today, the international community understands that Kurdistan is an indispensable region for peace and stability in the Middle East. For the KRG in Sweden, it is important to promote what makes Kurdistan indispensable. We will continue to promote the intrinsic bond that joins Kurdistan and Sweden and work to develop these relations even further.



**KRG in the EU**  
**Delavar Ajgeiy** —  
*Head of the KRG Mission to the EU*

**What kind of year was 2014 in terms of EU-Kurdistan relations?**

2014 was a productive year for KRG-EU relations. The European Commission opened its Humanitarian Aid and Civil Protection (ECHO) office in Erbil to assist IDPs in Kurdistan. In terms of political relations, several high-level bilateral visits from both sides occurred. Several resolutions were adopted by the European Parliament on the Kurdistan Region, and the large majority of MPs expressed their support for and solidarity with the Kurdistan Region. In 2014, we also established European Friends of Kurdistan in the European Parliament. The main mission of this group is to increase awareness about Kurdistan in the EU and to enhance KRG-EU relations.

**What are your Mission's plans for 2015?**

Our focus is to establish a stronger relationship with the European Commission and to convince the EU to open its diplomatic office in Erbil in 2015. In cooperation with European Friends of Kurdistan, we will organize study trips to the Kurdistan Region to establish a better dialogue with the Kurdistan Parliament and the KRG. The KRG Mission to the EU will continue to promote Kurdistan's culture and diversity in the EU. To that end, our Mission will organize several cultural events such as a Kurdish New Year (Newroz) celebration in cooperation with our friends in the European Parliament.

**French firms are among the most active foreign players in Kurdistan. How has your office helped to facilitate this investment?**

French companies are currently well represented in Kurdistan, but a substantial margin for expansion remains. Numerous other profitable investments are available to our French partners. The flagship firms of French industry are currently highly visible in the economic landscape of Kurdistan: Lafarge in the cement works sector, Total in energy, Orange in telecom, Carrefour & Auchan in mass-scale food retailing, and so on, but we hope to see small and medium-sized French enterprises invest more heavily in Kurdistan. Kurdistan was at one point the fruit basket and granary of the entire region; it must become so once again. Our citizens should not settle for being consumers, but must also become producers. This is possible

through partnerships with French companies with the goal of acquiring their know-how and expertise, which are crucial in this phase of our economic development. For example, an agreement was signed to this effect with the French Region of Dordogne. We are also in contact with the Brittany region.

**Where do you believe French investment in the Region will head in the future?**

We believe that France – a pioneering and highly dynamic country in the food industry – should invest more in this sector. The same is true of tourism. Kurdistan, which has enormous potential in this sector, should take France as an example in this area also, by showcasing its rich past, straddling three major civilizations, and its historical heritage as a means of projecting itself into the future and the modern world.



**KRG in Sweden**  
**Shorsh Kadir Rahem** —  
*KRG Representative in Sweden*



**KRG in France**  
**Khaman Zirar Asaad** —  
*KRG Representative in France*

## The Expert



**Cengiz Çandar** —  
Senior Columnist

Cengiz Candar explains Kurdistan's growing strategic significance in the fight against ISIS and outlines the implications of strengthening economic, political, and military ties with regional and international partners for the future of the Kurdistan Region.

### About

Cengiz Candar is a senior columnist for *Radikal Daily*. He is the author of several books, mainly on Middle East issues, including the best-seller *Mesopotamia Express: A Journey in History*. Candar was a special foreign policy adviser to Turkish President Turgut Ozal from 1991 to 1993.

**IIG: The KRG received huge support from the US and EU countries in its fight against ISIS. What does this mean from a foreign policy perspective?**

**CC:** The fight against ISIS has become the priority of the international system, i.e. the Western world that is mainly the US and the EU. The KRG is on the frontline of this international effort. It has the longest border with ISIS. It is simultaneously under the threat of ISIS and also the “boots on the ground” against the so-called “Caliphate,” the undoing of which has been the predicament for the international system. To degrade and ultimately destroy and defeat ISIS is the primary goal for the coalition. Thus, the KRG has, by itself, transformed into a main pillar for such an international undertaking. This is a crucial role from a pure foreign policy perspective. Alternately, such a role for the KRG and being at the receiving end of huge support from the US and EU countries reflect that the protection, survival, and wellbeing of the KRG are under solid and concrete international guarantees. This is a tremendous, historic achievement for the Kurds, who had been the underdogs of the regional order in the post-Sykes-Picot era.

**IIG: How would you assess the evolution of Turkey's stance towards the KRG? Could domestic political factors in Turkey and Turkey's policy towards Syrian Kurds affect the progress made in Turkish-KRG relations in the medium or long term?**

**CC:** The evolution of Turkey's stance vis-à-vis the KRG is another remarkable achievement on the part of the Kurds. Turkey evolved from being the most hostile player of the regional state system into being a close partner for the KRG economically, commercially, and, as a matter of fact, politically. The point that has been reached, while remembering the past, should be regarded as unbelievable despite its ups and downs. It is huge progress for both parties. Of course, domestic political factors in Turkey and Turkey's

**Alternately, such a role for the KRG and being at the receiving end of huge support from the US and EU countries reflect that the protection, survival, and wellbeing of the KRG are under solid and concrete international guarantees.**

policy towards Syrian Kurds do have the potential to affect its relations with the KRG. However, regional dynamics are as strong and even more important in shaping national policies. Therefore, we cannot deduce that domestic factors would have an adverse effect. They could render the complete opposite result. Taking the progress achieved in Turkish-KRG relations into consideration, we have to be optimistic and positive that a similar evolution can take place in Turkey's attitude towards its own Kurds and their kinsmen in Syria. Moreover, the KRG can also influence Turkey's attitude interactively.

**IIG: How would you assess the political stability and rapid economic development of the Kurdistan Region in recent years?**

**CC:** It deserves a very simple and brief response: it is an impressive success story, particularly since the Kurdistan Region has achieved this in an Iraq plagued by devastating and bloody civil wars. Under such circumstances, the Kurdistan Region flourished as an oasis of stability, peace, and economic progress. It goes without saying that this is a fabulous achievement for the Kurds and serves as evidence that the Kurds in the 21st century are as entitled to run their affairs as any other civilized nation. ☞

## A New Era



**Professor Dlawer Ala'Aldeen** —  
President, Middle East Research  
Institute (MERI)

IIG talks to Dlawer Ala'Aldeen about Baghdad-Erbil relations, the MERI Forum, and MERI's future plans.

**“The West now sees the Kurdistan Region, in contrast with the rest of Iraq, as an island of stability, fledgling democracy, and economic prosperity; a region that deserves to be protected.**

**IIG: How do you see relations between the KRG and the federal government evolving in 2015?**

**DA:** I am cautiously optimistic about future relations between the KRG and the federal government in Baghdad. I believe the worst is now behind us. After a series of political, security, and financial crises over the past couple of years, the two sides have finally realized that, for stability and prosperity, they inevitably need each other. Now, the dynamics of politics in Baghdad have changed radically. Mutual trust remains weak between the KRG and Baghdad. Where there is a will there is a way, however. The new PM Haider Al-Abadi was slow in showing good-will gestures in practical terms, but he has begun to rebuild confidence. The KRG leaders on the other hand have acknowledged that Baghdad shall remain of primary importance for the KRG, irrespective of the Region's destiny. Furthermore, regional and international powers, which are now increasingly engaged in Iraq due to the anti-ISIS war, have put pressure on both sides to mend fences.

**IIG: The KRG received huge support from the US and EU countries in its fight against terrorism. What does this mean from a foreign policy perspective?**

**DA:** This increasing international military and humanitarian support for the KRG has far-reaching significance. It is a clear recognition of the Region's achievements. The West now sees the Kurdistan Region, in contrast with the rest of Iraq, as an island of stability, fledgling democracy, and economic prosperity; a region that deserves to be protected. As a result, political and diplomatic ties with many countries have been strengthened. The people and political leaders in Kurdistan are more confident about their future than ever before. That said, the leaders must not become complacent. They must capitalize on this support by investing further in nation-building and their young democracy.

### About

Dlawer Ala'Aldeen served as the KRG's Minister of Higher Education and Scientific Research from 2009-2012 and co-founded the Kurdish Scientific and Medical Association, an advocacy organization that seeks to safeguard Kurdish human rights and shape American and British policies towards Kurds. He completed his postgraduate studies in the UK, where he also served as Professor of Medicine at the University Nottingham.

**IIG: MERI held its inaugural Forum. Can you tell us about its outcome?**

**DA:** MERI Forum 2014 was an exciting event. The primary purpose was to create a platform for dialogue and constructive debate for the Middle East. This event brought together decision-makers, academics, and members of the public to debate current political events with an impact on both Iraq and the wider region. Fostering a culture of debate and dialogue is of utmost importance to the Institute's objectives. Events of this nature are not common in the Middle East. We encourage a culture of dialogue that can contribute to stability and growth in the region, now and in the future.

**IIG: As MERI aspires to be a “global leader in strategic research,” what plans do you have to partner with your international peers in think tanks, academia, or government?**

**DA:** From the outset, MERI established strong links with many of the world's top think-tanks and centers of excellence within renowned universities, particularly in Europe, the USA, and Turkey. We have joint programs for accommodating fellows, training staff, and supervising master's and PhD students. The aim is for MERI to act as a credible partner to international research institutions and a good home for international researchers. Our objective is to jointly publish high quality reports that have impact on a local, regional, and international level. ☞

## The UK: A Friend to the Kurdistan Region



**Angus Mckee —**  
*British Consul General to the Kurdistan Region*

British Consul General Angus Mckee discusses the growing commercial ties between the Kurdistan Region and the United Kingdom and shares his government's support for the KRG's reform efforts.

**IIG: Considering recent regional developments, do you think the Kurdistan Region remains attractive to the British business community?**

**AM:** Absolutely. The long-term prospects for the Kurdistan Region and, indeed, wider Iraq remain good – a prosperous, oil-rich country, a large market, and a neighborhood promising long-term growth. The ambition of the Kurdistan Region's leaders is admirable. The new government in Baghdad provides the opportunity to build a new national consensus. For UK companies, the Consulate's UK Trade & Investment (UKTI) office and existing British businesses here are willing to make introductions and share expertise. Our Embassy in Baghdad, with its own UKTI office, is equally active. Working together, we can help companies identify opportunities across Iraq.

leaders. Companies back home continue to maintain an active interest in the Region, assisted by UKTI, British Expertise, the Middle East Association, the KRG Delegation in London, and others. If any British companies remain hesitant, I encourage them to speak to local experts in the Erbil and Baghdad UKTI teams.

**IIG: What are your medium-term expectations regarding the political and economic progress of the Region?**

**AM:** What the KRG and the people have achieved in the last decade is impressive. I am confident there is more to come. Certainly the UK – both government and private sector – is actively working toward that goal as part of our efforts in wider Iraq. As to what is required to achieve that, it is certainly in the KRG's best interests to be on good terms with Baghdad and cooperating closely in the fight against terrorism.

In the longer term, there needs to be greater opportunity for the private sector. We encourage reforms that strengthen the Kurdistan Region's institutions and laws, including pro-business legislation. Certainly there is a lot of debate here on the necessary next steps, including opening up the financial sector. It is heartening that the KRG continues to invest in education, and we play a lead role through the British Council, UK private sector, and FCO Chevening Scholarships. Indeed, we intend in 2015 that more Chevening Scholarships will be awarded to candidates from the Kurdistan Region than ever before. We are doing similar elsewhere in Iraq. The coming months will be challenging, but our commitment is strong. It means that the Consulate team has its work cut out, but recent events failed to diminish our commitment, ambition, or energy – if anything they have been doubled. In this, we work with the Kurdistan Region's decision-makers and people not only as partners, but also as friends. 



**“ What the KRG and the people have achieved in the last decade is impressive. I am confident there is more to come. ”**

It is inevitable that the current uncertainty has generated some hesitancy on the part of international businesses, but UK corporate leaders I speak to recognize the opportunities and potential here. Our trade delegations continue to visit – even when others haven't – and are well received by the Kurdistan Region's government and business

## INSIGHT— Notes from Westminster

**The report of the pioneering and year – long inquiry by the Foreign Affairs Select Committee into UK Government policy on the Kurdistan Region will be one of the main and last foreign policy issues aired in detail in this parliament.**



**Gary Kent —**  
*Director, All Party Parliamentary Group on the Kurdistan Region of Iraq (APPG)*

**T**he report will almost certainly be released within weeks and a formal government reply should follow within two months, probably just before parliament is dissolved at the end of March.

Its importance to British foreign policy formulation need not fade along with this parliament. If MPs cannot debate the report and the reply before the election, supporters of the all-party parliamentary group on the Kurdistan Region could seek to highlight them in the new parliament.

The contents of the report are not yet finalized. It will, however, draw on the committee's discussions in Erbil, Slemani, and Baghdad last year. It will also examine oral and written evidence from senior Kurdish and British figures including the former KRG High Representative to the UK, Bayan Sami Abdul Rahman, and the current Middle East Minister, Tobias Ellwood.

When the inquiry was initiated, it seemed probable that it would probe the practicalities of the Anglo-Kurdish relationship: Britain's diplomatic presence and priorities, visas, and business opportunities, for instance.

Judging by the committee's grilling of the Middle East minister last year, the Committee will probably push the Foreign Office on establishing a consulate-general

building fit for purpose. Ever since I began visiting the Kurdistan Region in 2006, there has been talk of moving the diplomatic post from its aerie in a hotel north of the capital to a more central location. A prime spot was gazumped by the Russians and a proposed pitch has been abandoned as the security crisis requires a rethink of the profile of the post.

The Committee could also add its weight to calls for direct flights between Britain and Kurdistan and underscore

**The Committee could also add its weight to calls for direct flights between Britain and Kurdistan and underscore the need for British interests to be more proactive in seeking contracts. ”**


the need for British interests to be more proactive in seeking contracts. Britain has a good toehold and should build on widespread Kurdish respect for UK goods and services. The interim funding settlement between Baghdad and Erbil could revive the KRG's multi-billion dollar infrastructure wish list and present opportunities for British organizations. And that is made more urgent by China and India deciding to locate diplomats in Kurdistan and compete for contracts.

My hope is that the report will also

emphasize the urgency of tackling the humanitarian crisis caused by the massive influx of refugees and internally displaced people. I would be surprised if the report omitted clear Kurdish requests for heavy weapons.

A year ago, the issue of independence seemed distant and has ebbed and flowed in the past few months. The recent deal with Baghdad has taken the heat out of the debate but many wonder if it can become a durable federal and revenue sharing settlement.

The committee's public evidence sessions certainly saw some robust challenges, if only to test their intellectual strength, to the British government's One Iraq policy. More British MPs, including some on the committee, are clearly more sympathetic to Kurdistan, which is seen as a beacon of progress and a bulwark against extremism.

Kurdistan has captured a place in the hearts and minds of parliamentarians and others in Britain and elsewhere. Whether this sympathy is translated into questioning British policy, supporting self-determination in some circumstances, or a more neutral formulation are open questions. Either way, the fact of the inquiry and the report from a respected parliamentary body could do much to advance the quality and quantity of Anglo-Kurdish links. 



# HELP HAS NO BOUNDARIES FOR RWANGA FOUNDATION

*Sofia Barbarani —*

Rwanga Foundation was the first to deliver urgently needed aid to Yazidis trapped on Mount Sinjar. This young foundation, envisioned and founded by Idris Nechirvan Barzani, has tackled a myriad of obstacles in 2014 and helped over 400,000 vulnerable people, internally displaced persons being amongst the greatest beneficiaries.

A recent addition to Rwanga's team, Taban Shoresh, has a deep understanding of the plight of the millions of displaced Iraqis. At the age of four her family was forcefully displaced for months on end in an attempt to escape Saddam Hussein's ruthless soldiers who were intent on killing her father, Sami Shoresh – a poet and Kurdish veteran. After two weeks in a regime prison and a year of travelling around Kurdistan, the Shoresh family crossed into Iran on horseback and finally relocated to London in 1988.

In July 2014 Taban left her job with a global asset management firm in London and relocated to Kurdistan, taking up a position with Rwanga Foundation. In August 2014, only 48 hours into her job, the young mother-of-one was tasked with providing aid for the thousands of people trapped on Mount Sinjar – a dangerous operation that involved flying over areas controlled by the so-called Islamic State. Reliving her childhood, Taban explained how, "this wasn't 1986, this was 2014...it was heartbreaking to see people scrambling onto the helicopter". Taban's bravery was brought to light when she was named Bravest Woman at the 2014 Best



Bravest Woman Awards for risking her life to deliver aid to families trapped on the mountain.

With Mount Sinjar liberated and people still remaining on the mountain, team members from Rwanga, including Taban, returned by road to distribute aid in early December. The families on the mountain – under siege since August – were in dire need of the most basic items. At night, temperatures on the mountain plummet below zero and the tents the families call home are simply not enough to shelter them from the cold. Seven trailers of winterization items including shoes, jackets, and blankets, reached those who desperately needed it.

Support for the internally displaced continues as Rwanga Foundation works to complete the construction of a camp

in Duhok governorate in the New Year where 3,000 prefabricated housing units will shelter 24,000 displaced people. Rwanga Foundation hopes to equip the camp units for families and build a school for children. The team at Rwanga will continue its efforts to provide assistance to the most vulnerable.

Being recognized as a trusted partner on the ground, the international foundation has received large donations from governments such as Germany and the Netherlands (50 tonnes of food, beverages and blankets) and from charity organizations such as Samaritan Purse (25 tonnes of winterization items) and LOG Wings of Help (40 tonnes of shoes, jackets, blankets, tents and other winterization items). These international efforts have been fundamental in furthering Rwanga's difficult task.



With winter settling in and temperatures plummeting, aid organizations have begun mobilizing to make the freezing months as bearable as possible, and Rwanga Foundation is at the forefront of this struggle.


But winter has only just begun and the temperatures will continue to drop, falling below zero in some parts of the Region where snowfall is not uncommon. This will undoubtedly be Rwanga's busiest time of year and donations will provide the support needed to continue aiding displaced persons. Donations can be made through their website or by contacting Rwanga directly.

In order to provide more help, the mission of the foundation needs further support from donors. Having worked in the City of London, Taban reflects on the need for businesses to help the local community in Kurdistan through their corporate social responsibility programmes and hopes that many businesses come forward to help Rwanga Foundation, with particular projects aimed at internally displaced persons and the importance of education.

In November, a night of music, art, and festivities shed light on just how important youth and education are to the organization. In the team's ongoing commitment to inspire youths around the world, the



Rwanga Awards served as a culmination of the foundation's efforts to create a platform for young men and women to showcase their talents. The head of UNAMI's regional office in Erbil, Sokol Kondi, praised the youths' talents and efforts on the night.

2014 saw millions of lives turned upside down, entire cities abandoned, and family members lost. Most of the displaced have found refuge in Kurdistan with an ever-present helping hand from committed aid workers like those of Rwanga, who continue to operate under the foundation's motto: "Decide. Commit. Succeed." in a bid to assist Kurdistan's most vulnerable men, women, and children. 

Your kind donations will  
help those in need

#HelpKurdistansDisplaced

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## ECONOMY AT A GLANCE

**GDP**  
\$26.5 billion (2012)

**Per Capita  
Income**  
\$7,000 (2012)

**Gov't Budget**  
\$17.5 billion  
(2015)

**8%** **Growth Target**  
(2015-16)

**6%** **Inflation**  
(2013)

**10%** **Unemployment**  
(2013)

**\$ 41.9 Billion**  
**Total Investment**  
(2006-2014)

**FDI**  
**\$3 billion** (2014)

**41** **Total Banks**

**\$ 2.3 billion**  
**Investment**  
**projects banking**



### 📍 Searching for Sustainable Growth

**The Kurdistan Region is targeting 8% economic growth for 2015-2016 as it looks to bounce back from last year's sluggish economic performance.**

The last year has been a time of both landmark achievements and unprecedented challenges for the economy of the Kurdistan Region. Groundbreaking advances in the Region's energy sector and an expanding customer base for its oil and gas exports have marked the beginning of a new chapter in Kurdistan's economic growth. While these developments promise exciting new opportunities for the Region's economy, ISIS-led violence and budget disputes with the federal government serve as reminders that the Kurdistan Region must continue a trend of fortitude and pragmatism to maintain the economic progress that has so far distinguished it from its regional peers.

## Did you know?

A total of 2955 foreign companies are registered to operate in the Kurdistan Region, including 1329 Turkish, 335 Iranian, 157 Lebanese, 155 Emirati, 125 British, 117 American, and 81 German companies.

## Striving to Grow

The KRG Ministry of Planning predicts annual economic growth at a rate of 8% for the 2015-2016 period. This year's growth figures may be negatively impacted by recent ISIS-led violence in the region, however. The IMF predicts that the Iraqi economy as a whole will shrink by around 0.5% in 2014, a downward revision from original projections of growth somewhere in the region of 5.9%. The extent to which this broader regional downturn will affect the Kurdistan Region's economy in the near term is unknown. Looking at past GDP data, though, gives a picture of the Region's long-term growth potential. In 2012, the Region's GDP grew at a rate of 12%. In 2013, GDP growth decreased slightly but remained a robust 8%. Figures from 2012, the most recent numbers available, estimate the Region's total GDP to be in the area of \$26.5 billion.

Another testament to the Kurdistan Region's upward economic trajectory is the progress that has been made in raising standards of living amongst the Kurdish populace. Annual per capita income in

the Kurdistan Region is \$7,000 in 2012, while in 2002 it stood at just \$800.

Despite these improvements, unemployment figures indicate that more work is needed to close the skills gap in the Kurdistan Region's changing economy and reflect the strain that prolonged tensions with Baghdad have placed on the regional business climate. By September 2014, the unemployment rate in the Kurdistan Region stood at 10%, having increased from 7% at the end of 2013. Specifically, a lack of available credit, sanctions levied by Baghdad against the KRG, and a shortage of jobs that match the skillset of new entrants into the workforce have been identified as factors hindering reductions in unemployment levels. When contrasted with Iraq's overall unemployment rate of nearly 46%, however, the relative success of the Kurdistan Region's economy despite the obstacles it currently faces stands out.

Going forward, the Kurdistan Regional Government has set its sights on increasing private sector employment, which stands at just 48.9% of the active

labor market at the moment.

The Kurdistan Regional Government also aims to close the gender gap in the Region's labor market participation rates and unemployment levels. While 67% of men in Kurdistan are active in the local economy, just 14% of women in the Region participate in its labor force. The disparity also extends to unemployment rates. In 2011, for instance, women who were active in the labor market faced unemployment levels that were over twice as high as their male counterparts.

The KRG aims to capitalize on a young population (over 50% of the Kurdistan Region's population is under the age of 20) and build an economy characterized by innovation and equal opportunity for men and women. To do so, the government has focused on legal reforms, skills-building programs, pension and benefits reforms, the development of an unemployment insurance system to make employment in the private sector seem more secure, and initiatives aimed at helping women participate and get ahead in Kurdistan's labor market.

## Fertile Ground for Investment

Kurdistan continues to set itself apart in Iraq as an investment destination. In the past few years, annual capital investment in licensed projects in the Region grew by nearly 400%, rising from \$3.1 billion in 2011 to \$12.4 billion over the course of 2013. There are currently around 80 ongoing licensed investment projects in Kurdistan, and the total value of licensed investments in the Region over the 2006-2014 period was \$41.9 billion. Despite growing investor interest and an expanding portfolio of projects, recent regional turmoil has touched the Kurdistan Region and shaken investor sentiment. Over the first eight months of 2014, for instance, investment in the Region had reached just \$3 billion.

Despite these setbacks, progress has been made in diversifying the regional economy. While the housing sector had previously dominated projects licensed by the Board of Investment (BOI), 2014 saw a continuing trend towards projects in the industrial sector, which has emerged as the primary destination for investment. The BOI froze licenses for projects in the housing sector after around 160 projects had been approved. This was done to focus more on sectors such as industry, tourism, and agriculture. Over the course of the last year, that shift in emphasis has borne fruit. Industrial investment licenses have finally surpassed those in the housing sector and represent around 184 projects valued at a total of \$12.8 billion.

That number is approaching but still short of the \$13.6 billion in capital investments that have gone towards the housing sector in Kurdistan since 2006. The KRG's figures reveal that industry and housing together represent nearly two-thirds of capital investments and half of all capital investment licenses in the Kurdistan Region to date.

Over the same period, the tourism sector has seen \$6.6 billion (15.7% of total investment) invested in a total of 128 projects, while \$5.1 billion (12.1% of total investment) has flowed towards 114 projects in the trading sector. Agriculture and other sectors lag behind, attracting less than \$4 billion in combined investment.

## Did you know?

The Economist's Intelligence Unit ranked the Kurdistan Region 55th in the world on its "quality of life" index, while Iraq as a whole placed 134th out of 159 countries for which data was available.

## Budgetary Pressures

In January 2014, disputes over oil revenues and control of natural resources between Erbil and Baghdad led Iraqi authorities to suspend payment of the entirety of the Kurdistan Region's share of Iraq's national budget. This was especially problematic, as over 1.4 million are employed in the public sector. Many public sector workers went without pay for months on end, further straining the overall economy and denting consumer confidence. A measure of budgetary relief was provided by revenues gained from growing sales of oil exported independently by the Region.

The budget of the KRG for 2015 is \$17.5 billion. In 2013, the KRG's regional budget stood at \$13.1 billion. Even before Iraqi authorities cut off federal funds at the beginning of 2014, budgetary disputes marred relations between Erbil and Baghdad. The KRG is entitled to a 17% share of Iraq's overall budget. That money is first distributed across federal agencies in Iraq before it is dispersed to the KRG, so Kurdistan's actual share of the federal budget has tended to settle more in the

area of 11-13%. This system of budget allocation has been characterized by frequent disagreement. In 2013, tensions over revenues and resource rights that would set off the current budget impasse in Iraq were already brewing. A federal budgetary allocation of \$646 million to pay oil and gas companies operating in the Kurdistan Region that year greatly undershot a KRG request of \$3.5 billion, which Kurdish leaders claimed was needed to cover funds already owed by the federal government.

In December 2014, leaders from the KRG and the Iraqi federal government announced an interim agreement to work collaboratively on oil exports and finally normalize the budgetary situation of the Kurdistan Region. The KRG has promised to supply 550,000 bpd of oil for sale by Baghdad authorities, with revenues to be divided between both sides. In return, Iraqi PM Haider al-Abadi's government has pledged to restore budget payments to the Kurdistan Region that will, for the first time, include funds to pay and outfit the Region's Peshmerga forces.

## Future Prosperity

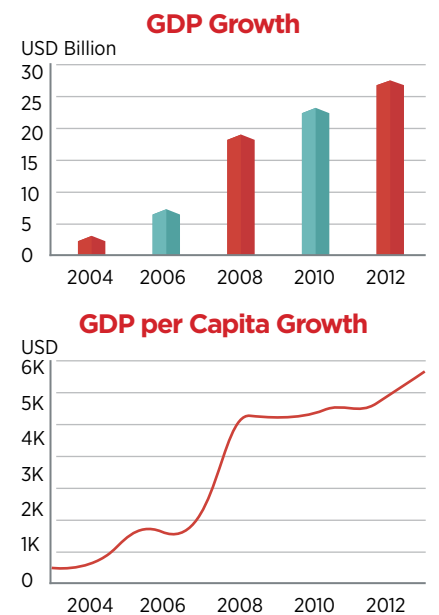
The KRG has outlined bold goals for the Region in its Regional Development Strategy. The Strategy calls for diversification of the Region's market, a streamlined investment process, and a drive towards exports in order to make the regional economy more competitive and raise standards of living. Its targets include raising tourism expenditure in the Region to \$1.5 billion by 2017 and developing the mining sector. The plan also aims to reduce construction costs and shorten timelines for project execution to levels that undercut neighboring countries by 2017. It also envisions increasing investment rates to 20% of GDP, in addition to raising the number of licensed businesses across all sectors of the economy by 15% per annum over the same period.

## Oil & Gas: The Engine of Economic Growth

The oil and gas industry continues to form the bedrock of the Kurdistan Region's economy, and the past year has been one of groundbreaking accomplishments for the Region's energy sector. Independent exports of the Kurdistan Region's oil resources commenced through a newly completed pipeline to Turkey. The pipeline currently has the capacity to transport 300,000 bpd of oil to Turkey, with a potential capacity of 700,000 bpd in the near future. The coming year will also likely see new records set in oil production in Kurdistan. Aggregate production capacity has risen to 400,000 bpd in 2015, and is projected to increase further to 500,000 bpd by the first quarter of 2015.

The Kurdistan Regional Government has set a production goal of 1 million bpd in 2017, and 2 million bpd by 2020.

The Kurdistan Region exported over 34 million barrels of oil in 2014. In total, more than \$2.87 billion-worth of oil has been sold to customers around the world. One factor that may complicate matters is the recent slide in world oil prices. Experts point to an oversupply of oil stemming from sluggish economic growth and lagging demand around the world, along with the glut of new supplies coming online in places like the United States, as sources of the recent slide in prices.



**Did you know?**

*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.*

**Building Trust**

**The KRG continues to strive for a modern, dynamic banking sector to complement Kurdistan’s growing economy. Despite this, the Kurdistan Region continues to struggle under cumbersome red tape from banking authorities in the federal government, a lack of integration into international financial networks, and a legacy of distrust among the people of Kurdistan.**

**Opportunities & Obstacles**

The Kurdistan Region’s economy remains largely cash based and its banking sector is relatively underdeveloped compared to other countries in the region. While the standard international ratio of bank branches to customers is around 1:10,000, in Iraq that ratio stands at 1:30,000. In addition to three large state-owned banks, there are around 25 local private banks and over 14 foreign private banks operating in the Kurdistan Region. The majority of private international banks working in Kurdistan are from Lebanon and Turkey.

International banks have an increasing presence in Kurdistan, but they tend to cater to businesses from their home countries and are prevented from competing in the same market segments as domestic banks. The

**“I believe the time has come for us to seriously examine international financial practices and carefully consider how modern banking can help businesses to manage their wealth.”**

*PM Nechirvan Barzani*

four local firms that will be going public. Kurdistan is also home to a burgeoning Islamic banking industry. There are currently six local Islamic banks in operation, along with foreign banks such as Abu Dhabi Islamic Bank and Al Baraka. Among the most successful local Islamic banks is Kurdistan International Bank, which is the only Islamic financial institution among Iraq’s five largest banks. The industry is awaiting a regulatory

structure from Baghdad authorities that is specifically designed for Islamic banking.

During the reign of Saddam Hussein, banks in Iraqi Kurdistan were frequently looted and depositors often found that their savings had simply vanished, creating what North Bank’s chairman Nawzad Jaff describes as a

“deep-seated mistrust in banks.” For residents of Kurdistan today, trust in the regional banking infrastructure continues to be undermined by recurring liquidity crises. Lingering doubts about the safety of their money with local banks have led the Kurdish people to turn to practices such as hiding savings in their homes or investing in gold as a store of value.

**Focus: Fransabank**

In April 2014, Fransabank opened its first branch in Erbil. The bank currently operates in ten countries across three continents. Globally, Fransabank held \$17 billion in assets, \$14.1 billion in deposits, \$5.3 billion in loans, and had \$160 million in net profits in 2013.

Lebanese banks have a very strong presence in Kurdistan, and Fransabank’s nascent business there is reflective of a more general trend of Lebanese banks making some of their first forays into the Iraqi market in the security and stability of Kurdistan.

Fransabank’s operations in Kurdistan focus primarily on the corporate banking sector. Nevertheless, officials from the bank hope their presence in the Region can contribute to a broader revitalization of the banking industry in Kurdistan by re-establishing trust among local customers. Khalil Zeidan, Country Manager for Fransabank in Iraq, referenced the group’s efforts to restore public confidence in Kurdistan’s banking sector, explaining, “We are really new here. We are going to reach the personal market. It is our mission to educate people and have them put their trust in banks.”

**Did you know?**

*Fransabank and Blom Bank, Lebanese banks with an increasingly international footprint, inaugurated their first branches in the Kurdistan Region in 2014.*

**Calls for Reform**

The task of creating a truly modern banking sector will require substantial reform in Baghdad. While the KRG has used its political autonomy to fashion a largely business and investment-friendly environment, the banking sector falls entirely under the purview of the Central Bank of Iraq in Baghdad, which has the sole authority to regulate the banking sector and issue licenses for banks to operate in Iraq.

Many experts point to regulations that seem to be biased in favor of large, state-run Iraqi banks as key impediments to a modern, competitive banking sector in Kurdistan. State-controlled Rafidain Bank and Rasheed Bank, for instance, control nearly 90% of banking business in Iraq.

Aside from assured business stemming from federal regulations prohibiting government agencies, government employees, and state-run corporations from dealing with private sector banks, Iraq’s state banks gain an advantage in the minds of customers from the implied guarantee that state funds will back up deposits.

Kurdistan’s regulatory and physical infrastructure for industries that could support a healthy banking sector should also be improved. The Region’s insurance sector remains very limited, mortgages are virtually non-existent, and a web of confusing regulations and out-of-date technology contribute to inefficiency.

Iraqi authorities have acknowledged the need for reform, yet little in the way

of reform legislation has actually been passed. Political turmoil surrounding the rise of ISIS has only contributed to doubts about the Iraqi government’s ability to implement changes in the near-term that will foster a more competitive, modern, and capable banking sector. For its part, the KRG has repeatedly expressed its desire for reform in the banking and finance sectors. PM Nechirvan Barzani recently added his voice to the chorus of Kurdish leaders calling for change, saying, “I believe the time has come for us to seriously examine international financial practices and carefully consider how modern banking can help families and businesses to manage their wealth.”



**Banks in the Kurdistan Region**

**Private Banks in the Region**

- Ashur International Bank for Investment Bank of Baghdad
- Bank of Sulaimanyia
- Credit Bank of Iraq
- Dar Es Salaam Investment Bank
- Economy Bank for Investment and Finance
- Emerald Bank
- Erbil Bank for Investment and Finance
- Gulf Commercial Bank
- Iraqi Middle East Investment Bank
- Investment Bank of Iraq
- Mansour Bank for Investment
- Mosul Bank for Development and Investment
- National Bank of Iraq
- North Bank
- Sumer Commercial Bank
- Union Bank of Iraq
- United Bank for Investment
- Warka Bank for Investment and Finance

**Islamic Banks in the Region**

- Al-Baraka Bank
- Al Bilad Islamic Bank for Investment and Finance
- Cihan Bank for Islamic Investment and Finance
- Dijlah and Furat Bank for Development and Investment
- International Development Bank for Investment and Islamic Finance
- Iraqi Islamic Bank for Investment and Development
- Kurdistan International Bank for Investment and Development

**State Banks in the Region**

- Rasheed Bank
- Rafidain Bank
- Trade Bank of Iraq

**Foreign Banks in the Region**

Bank name	Origin
BankMed BBAC	
Byblos Bank Credit Libanias IBL Bank Fransabank Blom Bank	Lebanon
Al-Baraka Bank Bank Asya Is Bank Vakifbank Ziraat Bank	Turkey
Standard Chartered	United Kingdom

## Boosting Trade for Growth



**Samal Sardar** —  
Minister of Trade and Industry

Samal Sardar explains why he believes the Kurdistan Region remains an attractive destination for foreign investment and discusses the Ministry of Trade and Industry's plans for economic reform and growth in 2015.

**IIG: How would you characterize the environment for trade and industry in Kurdistan? What are your key projects in 2015?**

**SS:** While negative effects on regional trade because of recent regional developments have been perceived in many economies, we believe that Kurdistan has been able to successfully manage these fluctuations. Also, problems between Erbil and Bagdad because of disagreements over the budget affected our economy. We are happy, however, to be solving the budgetary and oil export issues with the central government.

In 2015, we have four priorities: regulating the market, amending laws and regulations, setting up four industrial zones, and boosting our trade ties with our neighbors. Our main objective, however, is to set up four industrial zones in the Kurdistan Region in 2015. We strongly believe that building those industrial zones is critically important for the Region's economic development.

“ **In 2015, we have four priorities: regulating the market, amending laws and regulations, setting up four industrial zones, and boosting our trade ties with our neighbors.** ”

**IIG: How would you characterize the FDI environment in Kurdistan?**

**SS:** First of all, Kurdistan has a favorable legal framework for foreign investment. We have one of the most friendly investment laws in the region. Secondly, Kurdistan enjoys political and social stability. Thirdly, the KRG strongly supports FDI to increase the economic growth of Kurdistan. Fourthly, the Region has enormous natural resources. With all those

factors on the ground, the Kurdistan Region has attracted over \$39 billion of investment over the last decade.


We believe that FDI will provide new employment opportunities, bring us know-how, and improve local production. Despite the recent regional turmoil on our borders, we expect FDI to continue over the coming years since Kurdistan presents many advantages as a destination for foreign investment.

**IIG: What are the Ministry's plans to further increase the economy's attractiveness for FDI?**

**SS:** Over the last few years, Kurdistan has undertaken institutional reforms to improve the environment for doing business. We have simplified procedures to reduce the time needed to obtain licenses and revised the forms related to the payment of taxes and fees. Our focus is to amend laws and regulations to invite more companies.

We have prioritized three sectors—industry, agriculture, and tourism—which are playing a critical role in our FDI policy. We will continue to invite foreign companies to invest in those sectors. We are planning to organize visits abroad in order to promote investment opportunities in Kurdistan, especially in those crucial sectors.

**IIG: What would you say to those in the foreign business community who are concerned about recent regional events?**

**SS:** Kurdistan is a safe, stable region with functioning democratic institutions. We believe that the current situation will be short-lived. It is important to remember that we have managed to establish a free market economy and democratic institutions. We understand the concerns that come from recent events. We want peace and stability, which are the only ways to guarantee that we can achieve our aspirations for social and economic development. 

## Focus: Attracting Investors



**Raad Zahid** —  
CEO, Erbil Stock Exchange (ESX)

Raad Zahid discusses the ESX's initial market capitalization and plans to attract foreign investors.

**IIG: Can you provide us with some specifics on the ESX?**

**RZ:** We are working under the mandate of the Iraq Securities Commission, which has the same listing procedures as the Iraq Stock Exchange. We are expecting an initial capitalization of \$300-400 million. We have a consultant contract with the Louis Berger Group. As a consultant, they are doing work in terms of listing, infrastructure, procedures, and training brokerage firms here on how to be licensed. We expect to take four companies in the insurance and construction sectors public on the ESX. We have licensed two brokers. There are another two that are fulfilling the requirements for ESX to trade as a licensed broker.

**IIG: How confident are you that the ESX will have enough liquidity to be attractive to investors?**

**RZ:** Liquidity will come with the market. Once the market opens, a lot of businesses will see that there are openings for foreign investors and that they can enter this market easily. The prospects for growth and capitalization in Kurdistan are better than in the rest of Iraq. Security-wise, communication and transportation are easy here. These are all factors that will add to liquidity once the market opens.

**IIG: How can the ESX ensure accurate disclosure to investors of quarterly financial statements?**

**RZ:** Apart from the Iraqi standard of producing balance sheets and evaluations for the companies, we are trying to impose the international accounting standard for that reporting so that all the material things, like balance sheets, cash flow, profits, and losses, will be transparent to investors. On a quarterly basis, we are trying to let companies disclose all the information related to the stocks they are listing in the market.

### About

Raad Zahid holds a B.A. in Economics from Basra University and M.A.'s in Econometrics from Essex University and Finance from Strathclyde University. Prior his current post, he worked for over 30 years at the Abu Dhabi Investment Authority (ADIA), where he led several strategic initiatives for the firm's alternative investments and fixed income and treasury departments.

**IIG: Do you look primarily for foreign institutions to underwrite IPOs?**

**RZ:** The first stage of an IPO is difficult for foreign investors because they have to comply with Iraqi law and the Iraq Securities Commission's procedures. But all locally incorporated companies, even private LLCs, can convert to a public joint stock and then do their listing on the stock exchange. We are negotiating two settlements with them on the types of trade that will take place on the exchange.

**IIG: What is your medium-term target?**

**RZ:** When the market gains momentum and starts to work in the medium term, we are targeting almost 40 qualified companies from Kurdistan to be listed on the stock exchange. Some of them are doing evaluation, and we are helping them by looking at a financial advisor to evaluate their balance sheet and assets until they comply with all the procedures that we require as a stock exchange. With four companies in the first six months, I expect that we might double that in one year of business.

**IIG: Turkish, Lebanese, and Emirati companies have strong economic ties with the Kurdistan Region. Do you expect their involvement?**

**RZ:** We have many Turkish and Lebanese banks that are working in Kurdistan now. There are a lot of foreign companies from Lebanon, the UAE, and Turkey in joint ventures with locally incorporated companies. Actually, if you look at companies that are now listed on other stock exchanges, like Dana Gas, Abu Dhabi Islamic Bank, and TAQA, they might do a dual listing of up to 20-30% of the stocks they listed in their original market according to the rules and regulations there. In the future, it depends on their needs and how they look at Kurdistan's market. If they do a dual listing after the first year, that will be a positive sign for us. 

## INSIGHT —

## Iraq-Britain Business Council

Baroness Nicholson provides insight into the activities of the IBBC and discusses the many opportunities in Iraq and the Kurdistan Region for UK business and investment.



**Baroness Nicholson of Winterbourne** —  
Executive Chairman, Iraq Britain Business Council (IBBC)

According to recent figures, Iraq's economy has expanded dramatically in recent years. Its GDP has doubled since 2003, and the World Bank now says that over each of the past two years, the economy grew by more than 8%. Iraq's own Central Bank predicts even higher growth. It is a story repeated in very few other markets around the world. Despite its troubles, Iraq is becoming a nation that cannot be ignored, and for all the right reasons this time around.

The IBBC's expansion into Erbil has proved hugely successful and most beneficial to the Kurdistan Region. We enjoy the highest-level of government support from the UK and the EU. We are also fully supported in our goals by the Iraqi Government, KRG, and the Iraq National Investment Commission. But the IBBC is more than a business initiator. It promotes best practices and international standards, along with transferring technology and know-how. As well as holding major trade conferences in London and Iraq, the IBBC also

arranges frequent trade delegation visits, varying in location between Baghdad, Basra, and Erbil, where we also have permanent offices.

For the first time, the most recent visit to Iraq included representatives from our Education and Training Sector Table. The committee meets regularly to discuss ways in which British companies working in Iraq can help educational provision there. Thirteen senior representatives of British higher education, some from



**The IBBC's expansion into Erbil has proved hugely successful and most beneficial to the Kurdistan Region. We enjoy the highest-level of government support from the UK and the EU.**

ancient and some from newer universities and institutions, were included in the delegation. All were keen to revive the historic academic linkage of the UK and Iraq. "Education is the start, middle, and finish of almost every aspect of reconstruction and development in Iraq," said a

Vice Chancellor during the trip.

Any IBBC member company can come to the sector meetings. We have now created a new category of membership geared towards universities, paralleling that which exists already for companies. Bath Spa University in the West of England is our first member in this category. The Table is also keen to encourage more provision in Iraq of English language teaching, since good knowledge of English is a gateway to higher levels of employment and to courses overseas.

IBBC members also hold regular sector tables on energy, financial services, construction, and infrastructure.

It is very clear that the UK is one of Iraq's most favoured nations, and our members must continue to take full advantage of the opportunities now presenting themselves in this particular part of the Middle East. Yes, there are serious obstacles for all. However, with knowledge, skill, and professionalism, these can all be dealt with and controlled. Iraq is a wonderful and astonishing nation. Despite its present, its future is very bright. We want to ensure that our members play a very big part in that. ☺

## Trust in Me



**Jamal Asfour** —  
CEO, Asia Insurance

Jamal Asfour speaks with IIG about Asia Insurance's growth since 2012 and outlines urgently needed reforms for Kurdistan's growing insurance sector.

**About**

Jamal Asfour holds an Accounting and Finance honors degree from the UK. He worked for a leading Jordanian insurance company for 6 years, where he was the business development, planning & research director. Munich-Re selected him as one of the most promising candidates in the MENA region. In 2013, MENA Insurance Review chose him as one of the most powerful 50 people in the insurance industry in the MENA region.

**IIG: How has your portfolio evolved since the creation of Asia Insurance?**

**JA:** Asia Insurance began operations in mid-2012, and it's now the leading insurer in Kurdistan and second in Iraq. Our portfolio has grown tremendously, from \$1.2 million to \$15 million in 2014. The critical factor for success is purely customer satisfaction and positioning ourselves as buyers of insurance. Therefore, we have tailor-made insurance solutions that fit the best interests of our business partners. In addition, teaming up with the world's best insurance players, such as Swiss Re, Munich Re, and Zurich Insurance Group, strongly elevated our reputation as the partner of choice.

**IIG: In which sectors of the economy are your services most required?**

**JA:** As risk carriers, our role is to protect the balance sheets of corporations as well as the personal wealth of individuals from sudden and unforeseen events. Thus, insurance is a necessity for everyone, but its scope and coverage varies from one sector to another. For instance, oil companies require very high liability insurance coverage, whereas a retailer's main concern is the protection of its goods and properties.

**IIG: What can be done to improve the attractiveness of the insurance sector in Kurdistan?**

**JA:** Massive efforts are needed to achieve the desired insurance sector and will require the collaboration of various stakeholders, starting with the KRG. Three decades ago, all countries in the MENA region had the same issues that Kurdistan is currently facing. They started with various risk management measures, which began with third party motor liability, and then extended to include other areas of risk mitigation such as workers' compensation coverage, earthquake insurance, contractors' insurance, liability for the hospitality industry, and others. So the key is to benchmark other countries by learning from their experiences and then adopt what's suitable for the current economic situation in Kurdistan. Thus,



**Our portfolio has grown tremendously, from \$1.2 million to \$15 million in 2014. Teaming up with the world's best insurance players, such as Swiss Re, Munich Re, and Zurich Insurance Group, strongly elevated our reputation as the partner of choice.**

the KRG will need to have a clear vision and dialogue with the insurance sector in order to tackle issues in an efficient manner. Then, we as insurers will be able to innovate and launch awareness campaigns to improve the attractiveness of our products and educate the public on risk management.

**IIG: What needs to be done to enhance the regulatory environment, and what challenges will the insurance sector face in 2015?**

**JA:** The market strongly needs an efficient insurance commission that will be able to control and audit the insurance sector, as well as act as a protector for the insurance industry by eliminating the leakage of premiums out of the Kurdistan Region.

The operational challenges insurance companies are currently facing are due to the political situation that affected the whole economy. Clients are cutting down costs due to the loss of revenue, and insurance premiums are regarded as the easiest costs to eliminate. As a domino effect, the reinsurers are either withdrawing or re-evaluating prices commensurate with the high levels of anticipated risk. ☹

## Long-Term Investment



**Paul Bailey** —  
Managing Director, Definitus

Paul Bailey provides IIG insight into the investments and opportunities that Definitus finds appealing in the Kurdistan Region, as well as the challenges that Definitus addresses in Kurdistan's private equity market.

**IIG: What are some of the challenges that firms expanding into the Kurdistan Region face?**

**PB:** Finance is the fundamental challenge. Particularly when smaller companies enter the market, banks tend to be hesitant to lend capital to investors coming to Iraq. There is very little understanding and empathy for ventures in Iraq. It is assumed, sometimes for good reason, that it is a high-risk investment environment. Even when the businesses themselves are quite capable, the perception is that the business landscape is difficult to navigate, that there is significant political risk, or that bureaucracy and red tape will increase costs. So, there are many challenges, some perhaps exaggerated, that make would-be lenders hesitant to lend capital.

**IIG: What role are local banks playing in the Region's financial development?**

**PB:** Attaining financing from local banks is possible, but also carries its challenges. Local banks are wedded to the idea of using land as collateral for the loans they extend. That is very problematic for foreign companies expanding here, because land ownership is quite difficult for foreigners. Some banks, in very limited circumstances have deviated from this, which is encouraging. For major projects, for example, there can be a degree of confidence that encourages banks to lend. For day-to-day business, however, loans are available but often challenging to acquire. Additionally, lending periods are short and interest rates tend to be very high.

**IIG: Are there any up-and-coming sectors that you might point investors in the Region to?**

**PB:** We think that much new growth will come from agriculture. Growth in the sector is not simple; there are issues with technology transfer and getting people interested in it. However, to address the challenges, we keep our investment simple, in corn and wheat. In addition

to its simplicity, there is major potential for expansion in the sector. There is a lot of flat plain land, especially south of Erbil, that is astonishingly empty. It does not require a new economy or new markets; people will always eat, regardless of oil exports or other economic factors. It will also underpin food security for the Iraqi population. Additionally, once demand is met within Iraq, there is significant potential for exports to Iraq's neighbors who do not have the arable land that Kurdistan has, such as Saudi Arabia, Qatar, and Kuwait. Gulf countries are buying large tracts of land in Eastern Europe and Africa to ensure their food security, but with Kurdistan as a much nearer neighbor, it could be a much more strategic source for imports or investment. An enormous amount of grain is shipped daily to the gulf countries from around the world. However, if it came from Kurdistan it would reduce shipping costs, and, at times of pinched supply, decrease the risk that shipments are diverted.

**IIG: How would you assess the liquidity of the Iraqi private equity market?**

**PB:** I would describe the market as surprisingly liquid. While most of the businesses operating here today are too small to employ major investment banks to value them, to raise capital for them, or to deal with mergers and acquisitions for them, there are investors out there to buy stakes in firms. We are quite comfortable with the investment environment here. We find that the discount on equity, caused by the lack of competition here, makes Kurdistan a very worthwhile place to invest. We anticipate continued growth in the next several years, but also, as success stories of recent growth in the past few years reach global investors, we anticipate that more capital will be drawn to the Region. In this regard, we believe that there is significant upside to investing here. ☞

### About

Paul Bailey has served as Definitus's Managing Director since the company's founding in 2012. Bailey previously practiced as a lawyer at a premier Wall Street law firm's project development and finance department in London and Abu Dhabi, and has worked in the Kurdistan Region and wider Iraq since 2007. Bailey holds an MA in Jurisprudence from Oxford University.

## Building Industrial Capacity



**Dilshad Shakir** —  
CEO, Azady Industries

Dilshad Shakir speaks to IIG about the role that Azady Industries is playing in the development of Slemani as a center for heavy industry in Iraq and the broader region.

**IIG: To what degree does Azady Industries benefit from local strength in industry?**

**DS:** The industrial strength of Slemani is very important for us. Most importantly, factories in Slemani produce the raw materials that we use, namely steel. Currently, the steel plants in Slemani use scrap to create their products. While this works on a small scale, most major steel producers use mined iron ore to make steel. Faruk Holding is working to establish such a system, and to begin mining iron ore outside of Slemani, which would increase the volume of local steel production massively. Azady Industries would benefit from such expansion, as steel would be easier and cheaper to source. Currently, when local producers cannot meet our needs, we must import steel from Turkey, which is costly. The challenge to developing these iron ore mines, currently, is regulatory. We are awaiting the development of a legal framework that will allow us to take advantage of these local resources and begin mining.

“ **We were the first company to have ISO quality certification for both quality management and oil and gas areas, and we are currently working on getting ISO certified for our testing laboratory.** ”

**IIG: How do you view the evolution of heavy industry in Kurdistan?**

**DS:** The foundation is already built for Slemani to become a major industrial center for the region. As we create galvanized steel for construction, transmission towers, and communications towers, we rely on steel, but also cement, as a complementary good for the structures we build. Once Slemani's steel factories can use raw iron rather than recycled scrap, this will only improve the efficiency and capacity

### About

Dilshad Shakir has served as CEO of Azady Industries for the past two years. Previous to his tenure at Azady Industries, he served for 31 years at the KRG Ministry of Electricity. He holds a degree in Electrical Engineering from the University of Slemani.

of Slemani's heavy industry sector. Azady Industries already has the largest galvanization pool in the country. This allows us to make power transmission towers for both federal Iraqi utilities, as well as the KRG Ministry of Electricity. Previous to this, these transmission towers had to be imported. Making structures such as these in Kurdistan only makes sense, and with growth in industrial capacity in Slemani, this is now happening.

**IIG: Which sectors provide your largest clients?**

**DS:** The Ministry of Electricity is a major client. They have plans to expand transmission lines to sufficiently cover all of Kurdistan. While they have, in the past, used foreign companies to supply these, we are now stepping into that role. We are also supplying towers for similar expansions of transmission lines throughout the rest of Iraq. In the telecom sector, Azady Industries has already established itself throughout the country as a partner of choice for the three major mobile operators, Asiacell, Korek, and Zain, and supplies their cell towers. We provide high-quality solutions for setting up GSM towers in areas with challenging geography and weather, cost effectively.

**IIG: What expansions have you been working to complete in 2015?**

**DS:** One of the major areas that we have been investing in recently has been our quality control laboratory. We were the first company to have ISO quality certification for both quality management and oil and gas areas, and we are currently working on getting ISO certified for our testing laboratory. We already have the equipment to assess the strength and integrity of all of our products in a number of ways. The certification processes, and more importantly the lab and quality control processes themselves, truly demonstrate our international standards of quality to our clients. ☞

## Focus: AmCham in Kurdistan

The US business community, increasingly finding its way into the growing sectors of the Kurdistan Region, will soon find additional support in the Region. The US Chamber of Commerce operates foreign affiliate offices around the world under its American Chambers of Commerce Abroad program, or 'AmCham'. Kurdistan's first AmCham office will open in Erbil in 2015. The project, executed by Kurdo Bebak Jaff, will support US companies when entering the Kurdish market, support Kurdish companies with interests in the US, and pair American and Kurdish companies for joint ventures and partnerships. With support from KRG officials, members of the US Government and private sector, and the local business community, the project was launched in November 2013 in a high-profile event in Erbil. The opening of AmCham, according to Jaff, "will start a new chapter in economic relations between the US and the Kurdistan Region."

According to Jaff, US investment in the Kurdistan Region, already noteworthy, is set to increase further in coming years. AmCham-Kurdistan will build upon the growing interest in US brands and products in Kurdistan, primarily targeting sectors where US companies are underrepresented in the market for its investment promotion programs. These sectors include banking, finance and insurance, agriculture, healthcare, education, environmental management, hospitality, and construction. Jaff stresses the importance of US investment into these sectors: "The innovative nature of American firms has the potential to greatly improve the dynamism and efficiency of many sectors in the Kurdish economy and improve economic growth throughout the Kurdistan Region."

Once open, AmCham-Kurdistan will support businesses in a number of ways. It will host events that bring the US and Kurdish business community together with US and Kurdish public figures, and

will serve as a center for information and advice on trade, investment, and commerce, as well as customs duties, tariffs, and regulations in the US and the Kurdistan Region.

The stated mission of AmCham, according to the US Chamber of Commerce, is to advance the interests of American business abroad and to serve as a bridge between nations to repre-



sent the concerns and interests of the business community at the highest levels of government and business. Kurdo Jaff has been building these bridges for some time now. He has a long history of organizing commercial and trade delegations between the US and Iraq, having served several years with the US Government, focusing on commercial affairs and business promotion at the US Embassy in Baghdad. In 2014, Jaff organized a delegation to visit commercial organizations including the US Chamber of Commerce in Washington. He intends to continue leading trade missions to the US, which will support Kurdistan's businesses through increased ties with US firms. One of AmCham-Kurdistan's major initial activities will be the facilitation of two delegations of US businesses to the Kurdistan Region in 2015.

AmCham-Kurdistan also has regional ambitions. Among its initial projects will be integration into the Middle East Commercial Center (MECC). The MECC is a regional commercial body composed of business communities, non-governmental organizations and inter-governmental organizations from around the Middle East. Jaff met in February 2014 with leaders across the

Middle East at one of the MECC's initial conventions in Jordan, and has taken steps for AmCham-Kurdistan to become an active member of the organization. The Center is working to improve the business and economic environment throughout the Middle East. Its initiatives include improving market access and the movement of goods through the Middle East by developing trade corridors, improving natural resource cooperation, and developing special economic zones to encourage investment. The MECC also seeks to serve as a platform for collective policy action to expand economic prosperity in the region. These regional goals, believes Jaff, will improve business and increase investment in the Kurdistan Region, benefitting both local and American businesses in the Region. ☞

### ANALYSIS—

## Turkey: The Kurdistan Region's Largest Trading Partner

Christina Bache Fidan —

Ankara-Erbil relations significantly deepened and widened to cover security, economic, political, and cultural dimensions over the last decade. In particular, economic relations expanded with more than 1,300 Turkish companies registered by the KRG. Strategic sectors such as banking and finance, infrastructure, oil and natural gas, exports, and education have a robust Turkish presence in the Kurdistan Region of Iraq (KRI). Extensive infrastructure projects strengthened the economy, created jobs and facilitated the delivery of public services. Since 2003, the construction sector experienced above-average employment growth and a substantial share of employment. According to a Finnish-Swiss report, approximately 75% to 80% of the construction business, including roads, tunnels, silos, dams, housing projects, and major airports, was undertaken by Turkish companies. By 2013, Turkey's trade with Iraq amounted to \$11.9 billion, making Iraq Turkey's second biggest export market and Turkey Iraq's, including the KRG's, largest external trading partner.

Over the first five months of 2014, exports to Iraq had already equaled \$5.4 billion, an increase of 11%. The economic tide changed in June 2014, when ISIS seized control of Mosul, Iraq's second largest city, and blocked major trade routes to the south. On July 2, 2014, the Turkish Exporters Assembly (TIM) reported that Iraq had dropped to Turkey's third largest trading partner, falling behind Britain. Within a short time period, trade with Iraq had decreased 21%. Trade between the KRI and Turkey remained relatively on track as Turkish business representatives utilized the secure environment of the KRI to launch trade with other regions of Iraq facing precarious security situations.

Turkey's dependence on foreign sources for 95% of its oil and natural gas needs served as a driving force for its deepening relations with the KRG. This strategy worked to prevent oil delivery disruptions from the Kurdistan Region that could inflict a debilitating blow on the Turkish economy. President Masoud Barzani's announcement that 150,000 barrels per day of crude oil from the

open a refugee camp in Duhok, with a total capacity of 35,000 people and continue providing additional humanitarian support for IDPs and Syrian Kurdish refugees who sought refuge in Turkey or the KRI. Turkey's support for the KRG is important as the Region hosts over 1.5 million IDPs from across Iraq and a few hundred thousand refugees from Syria. During the previous month, Ankara



Kirkuk oilfields would begin to flow to Turkey and the recent hydrocarbons agreement between Erbil and Baghdad provided opportunities to resume uninterrupted energy flows.

Prime Minister Ahmet Davutoglu and President Masoud Barzani discussed an array of issues regarding economic, energy, political, and military cooperation during Barzani's trip to Ankara in July 2014 and Davutoglu's trip to Erbil in November 2014. In Erbil, Davutoglu confirmed Ankara would send military advisers to train members of the Peshmerga. Turkey also announced it will

allowed the safe passage of Peshmerga forces to the besieged Syrian border town of Kobane to support YPG militia operating in the city as part of the international coalition to combat ISIS. Prime Minister Nechirvan Barzani's subsequent visit to Turkey in December reiterated the strength of Ankara-Erbil relations during a time of uncertainty in the region. Sustained cooperation on economic and security relations between Ankara and Erbil is necessary to manage the ISIS threat and address refugee flows, irregular internal migration, and the disruption of economic activity. ☞



**ANALYSIS—****The Success of Economic Regionalism in the Kurdistan Region**

**Dr. Anwar Anaid explains the success of the Kurdistan Region's economic regionalism, and why the Region's stability and prosperity are crucial for Iraq.**

**Dr. Anwar Anaid**

*Lecturer, Political Economy,  
University of Kurdistan-Hewler*

Regional economic policies implemented by the Kurdistan Regional Government (KRG) are an important factor in the economic success of the Kurdistan Region over the last decade. The KRG's regional economic strategy constitutes a radical departure from the status quo in Iraq, a country that has always emphasized centralized policymaking. On a broad-based level of analysis, the regionalization of economic management is supported by the following factors:

1. The global economy is undergoing two complementary structural changes:

a) Micro-regionalism, or the decentralization of economic management to regions within countries, where economic policymaking is devolved to sub-state regional governments. The decentralization of economic management to smaller regional economies increases the competitiveness of these markets by enhancing their ability to adjust to rapid changes in the global economy.

b) Macro-regionalism, or the pooling of national markets partially managed by suprastate entities (e.g. the European Union). Macro-regionalization enables national economies to become more competitive in the global economy by allowing them to access additional markets and affording them greater global market power.

2. Developmental economic policymaking does not occur in a social or political vacuum. When ethno-cultural composition and other local attributes are considered in the establishment of economic micro-regions, a stable base for economic development is created. Ethno-culturally homogenous sub-state regions have both the sense of purpose and the flexibility for competitive engagement in broader regional and global markets. The implementation of micro-regional economic policies explains the economic success of many sub-state entities, including Scotland and Catalonia in Europe or Quebec in North America.

Favorable conditions for the development of a regional economy in the Kurdistan Region gradually emerged after the de facto separation of Kurdistan from the rest of Iraq in 1991. Prior to this, the Kurdistan Region had been locked in a hostile geopolitical environment that aimed more for its destruction than its successful economic development. In the years since the Region achieved autonomous status, though, its unity of purpose and relative ethno-cultural homogeneity have contributed to a developmental trajectory very different from that of other parts of Iraq. The developmental divergence between Kurdistan and the rest of Iraq was initially limited in light of the influence of common economic constraints such as dependency on

the oil-for-food program. Nevertheless, divergent policies and a more democratic political context for development in Kurdistan gradually led to the establishment of unique regional economic conditions that would help lay the groundwork for ambitious economic regionalism.

In the wake of the 2003 Iraq War, the KRG was able to link Kurdistan's market to the global economy by encouraging an influx of foreign investment, promoting the private sector, and paving the way for the marketization of the local economy. The smaller size of the Kurdistan Region's economy and its relatively cohesive socio-political structure gave KRG decision-makers more flexibility. In the following years, Kurdistan's oil and construction sectors attracted a substantial amount of global capital to the Region.

The KRG is also aware of its comparative advantage in other areas such as agriculture, water resources, and tourism. However, the development of non-oil sectors requires regionally adjusted policies that address the negative consequence of a dependency on oil income that often defines resource-based economies. Such policies could include channeling oil revenues towards the education and infrastructure sectors, in addition to capital investments in modernization efforts and human capacity development needed to build a productive and competitive labor force.

**“ Kurdistan needs the Iraqi market, and Baghdad will benefit from an economically prosperous and politically stable Kurdistan. A misguided fear of Kurdistan's economic success and its political autonomy is the remnant of a discredited political culture inherited from decades of centralist and militaristic rule in Iraq.**

**Closer Economic Ties with Turkey**

After 2003, the Kurdistan Region became increasingly integrated with the rest of Iraq. Budgetary interdependence and political re-engagement encouraged the re-integration process. At the same time, the KRG actively consolidated the regionalization of its economy within the limits of the Iraqi constitution. It often faced fierce resistance in doing so from federal authorities in Baghdad who had a strong appetite for centralization, despite the socio-political restructuring that had occurred in post-Saddam Iraq. The Iraqi federal government failed to use the Kurdistan Region's economic success as a model for the rest of Iraq and was more inclined towards re-centralizing policies designed to contain the KRG's efforts to assert regional autonomy, particularly in the oil sector.

The global trend towards macro-regionalization required access to wider national and regional markets for the Kurdistan Region. The KRG promoted the Kurdistan Region as a largely independent economy with a distinctive ethno-historical character that was looking for greater recognition outside Iraq. In the meantime, the Iraqi government's outdated and alienating centralist policies combined with the Kurdistan Region's increasingly constructive economic ties with Turkey to produce a drift away from Baghdad on the part of Iraqi Kurdistan's leaders that occurred in parallel with the warming of

economic and political relations between the KRG and Ankara. Alongside the continuing marketization of Kurdistan's economy, these changes produced significantly higher levels of economic growth and a developmental trajectory in the Kurdistan Region that diverged substantially from the rest of Iraq.

Small regional economies like that of the Kurdistan Region are more competitive because of their flexibility in adjusting to the rapid structural economic changes that characterize the modern global economy. Incorporating ethno-religious, cultural, and historical factors into regional economic development plans for the rest of Iraq would form a stable socio-economic base for the micro-regionalization of the Iraqi economy. This, in turn, would contribute to the overall economic development of the country. It would also deliver a platform to pursue local political ambitions and create an environment of healthy economic competition among the regions of Iraq. Furthermore, these policies follow current global economic trends and will pave the way for the healthy and mutually beneficial reintegration of all Iraqi regions in the long run.

Kurdistan needs the Iraqi market, and Baghdad will benefit from an economically prosperous and politically stable Kurdistan. A misguided fear of Kurdistan's economic success and its

**About**

Dr. Anwar Anaid received his PhD in Government and International Relations from the University of Sydney in 2010 and his BA from the University of New South Wales in Politics & International Relations and Economics in 2003. Dr. Anaid taught at the University of Sydney before joining UKH. He often comments in international media as an expert on economic and political developments in the Kurdistan Region.

political autonomy is the remnant of a discredited political culture inherited from decades of centralist and militaristic rule in Iraq.

The economic and socio-political empowerment of Iraq's distinctive regions, not a policy of centralization designed for the purpose of domination and control, is the key to a successful and prosperous Iraq. Given the fundamental divisions reflected in the internal and external socio-political forces that are now pulling Iraq apart, any attempts at renewed centralization will be counterproductive. ☞

## Driving Growth



**Moh'd Fuad Anaswah** —  
CEO, Niva Car Trading

Fuad Anaswah provides IIG insight into the opportunities, as well as the challenges, in maintaining the skyrocketing growth of the Kurdistan Region's retail and fleet automobile sector and explains how Niva has become a central player in the market.

**IIG: Which demographics and segments of the market do you find most promising for the growth of car ownership in Kurdistan?**

**FA:** The country has displayed very fast growth in the past few years— it has been the fastest growing country in the region. As GDP per capita increases to approximately \$5,000 per year, we will begin to see more and more families and individuals buying cars with better quality— more than just a means of transportation. People begin to look at cars as a means of entertainment and seek smart, green, and luxurious automobiles. We broadly cover the market from the lower end up to the higher end. Ford suits this strategy very well. It is not cheap, but it is not expensive, and it offers very high value for the money. We start with small, entry-level cars and move up to higher-end luxury cars and trucks. In coming years, we expect overall increases in demand for luxury, safety, intelligence, and comfort, and we are well positioned to provide that.

**IIG: In what ways have you streamlined the process of getting cars into the country?**


**FA:** Logistics does present major challenges. For our cars coming to Kurdistan, we import cars through Turkish ports and truck them to our local showrooms. Because of regulatory differences between the KRG and Baghdad, these cars can only be sold in Kurdistan. Safety and quality standards in the KRG are very strict. While our cars all meet these standards, the compliance procedure is expensive and time consuming. This procedure has not yet been implemented for importing cars into the country. However, once it is, Ford's cars will comply with international standards, regardless of regulation or local policy. This becomes problematic if demand

shifts between the regions, because we cannot move vehicles between the Kurdistan Region and federal Iraq. I hope that eventually there will be some sort of a free zone between the two or between neighboring countries, so that we can import the vehicles directly into the free zone and then move cars to Kurdistan or federal Iraq as per actual demand. This would make our operations much more efficient, to the ultimate benefit of our end customer.

**IIG: To what extent does access to finance limit people's ability to buy cars in Kurdistan? Is this changing?**

**FA:** Access to finance is one of our major challenges, both as a company and for retail finance for our customers. Some local banks do offer retail financing for car loans. This is at high rates, with short repayment periods. However, it is inconsistent at this stage. Some loans are easy to acquire; some are very difficult. Financing through banks is still somewhat below our expectations and ambitions. Because retail financing is crucial to car sales, we believe that our sales numbers will also grow as financing improves.

**IIG: Car insurance is still not widely used in Kurdistan. What is your take on the future of the auto insurance sector?**

**FA:** When our customers purchase cars, we heavily encourage them to buy car insurance. The sector itself is growing, with Asia Insurance serving much of the market. However, the culture of using insurance has not yet been integrated into society. Of course, shifting risk to insurance companies is preferable to carrying it yourself, but, at this point, it is still relatively rare. There is a potential, I believe, for significant growth in this sector. Insurance is still a very young industry here. 

## Facilitating Investment



**Shwan Ibrahim Taha** —  
Chairman, Rabee Securities (RS)

Shwan Taha provides IIG with insight into the growth and evolution of the Iraq Stock Exchange (ISX) and the Erbil Stock Exchange (ESX), and discusses the opportunities and challenges of investing in stocks and private equity in the Kurdistan Region.

### About

Shwan Taha has been Chairman of Rabee Securities since 2008. Taha came to Rabee Securities with over ten years of experience managing money in the MENA region, first working in emerging markets at Franklin Templeton from 1997-2006, before managing a hedge fund sponsored by George Soros from 2006-2008. Taha holds a B.A. in Biomedical Engineering from Case Western Reserve University, and an MBA from George Washington University.

**IIG: How did RS come to be Iraq's premier brokerage firm for foreign investors?**

**ST:** For any firm to become premier in any industry requires hard work and team effort. We are in a service industry, and, according to our clients' testimony, we have managed to provide quality service not only by Iraqi standards, but also by global standards. When I first moved back to develop the firm in Iraq, I had to answer a simple question: if I were in my previous position, a fund manager working for the likes of Templeton and Soros, what type of intermediary would I want to assist me while investing in a very difficult and new market? RS was modeled as an answer to that question. There were no short cuts and the development did not happen overnight. This is now six years in the making. As our reputation grew and we were able to increase interest in the market, clients started to approach us, and we increased our market share, dominating the ISX.

**IIG: Does RS intend to get involved in the ESX? Is there interest regarding the ESX coming from the fund managers that you work with?**

**ST:** We certainly intend to be part of the ESX, and we are looking forward to being brokers and bankers taking advantage of the opportunities the ESX will provide. The interest from our clients in investing on the ESX is also there. However, markets are only as good as the companies listed on them. We are therefore optimistic that, in addition to directing funds to invest on the ESX, we will be instrumental in bringing new companies to the market as well. Having facilitated Asiaccell's IPO in 2013, we are well positioned to do so.

**IIG: What are the challenges of private equity investment in the Kurdistan Region or Iraq more broadly (as compared to stocks)?**

**ST:** Private equity is a different ball game. The challenges facing private equity are more significant in many respects than the challenges facing stock market investors. However, at this stage of Kurdistan's development, private equity funds will have increasing numbers of opportunities. The country and the KRG are like an open canvas, and they can draw whatever they want on it. Alas, while things are quickly changing, I believe that private equity funds would still encounter significant difficulties while investing here, as the Iraqi and Kurdish investment environment for private equity is still largely underdeveloped.

**IIG: How do you foresee the overall development of the ISX and Iraq's investment environment in the medium term?**

**ST:** Although the ISX's market cap has increased quickly, it has done so from a very low base. Thirty years of war and sanctions have taken their toll on the economy and the development of the market. Banks and telecom dominate the ISX in terms of market capitalization. However, this is normal at this stage of the ISX's development. We will start seeing other sectors coming to the market and increasing their presence in the future. Our clients are very aware of these shifts in other markets, and we are looking forward to seeing such shifts on the ISX. There is no reason why the ISX should not be as big as the markets in Saudi Arabia or Turkey. With the right economic policies, that development could be achieved quickly. Obviously that will also bring with it increased liquidity and the attention of the larger pension funds, and thus more investments into the country. It is a virtuous cycle, and it all starts with the government believing in, and encouraging the private sector with the right economic policies. 

## Financing Development



**Chawki Badr** —  
Assistant General Manager,  
International Expansion, BBAC

Chawki Badr provides IIG with exclusive insight into BBAC's decision to enter the Kurdistan Region, the bank's strategy for financing many of the Region's major infrastructure and development projects, and the significant potential for further growth in the Region's banking sector.



**Kurdistan's recent economic growth has resulted in large funding needs by the companies involved. BBAC has considerably contributed to many of the Region's major projects.**

**IIG: How would you describe BBAC's goals in the Kurdistan Region?**

**CB:** About ten years ago, our bank felt the need to begin operating in the Kurdistan Region following the promulgation of the 2006 Investment Law, which granted investors incentives, privileges, and administrative and fiscal facilities. We were also encouraged to enter the market by what we perceived was a gap in banking experience in the Region.

We entered the market with the intention to help finance investments in all sectors, but specifically targeted housing, services and infrastructure. Since initiating our operations in Kurdistan, our bank has focused on offering all of the banking services offered in our branches in Lebanon, in line with local laws and regulations. We are able to deliver products and services quickly and at high quality. Thus, our bank has been very well received by businesses and individuals in Kurdistan.

**IIG: What opportunities do you see, and how is BBAC capitalizing on them?**

**CB:** Kurdistan is witnessing an unprecedented economic boom, in line with our expectations we set upon coming here. This economic growth is largely due to the policies adopted by the KRG to encourage foreign and domestic investment, as well as the Region's remarkable security situation. These factors have produced important investment opportunities.

Sectors such as construction, services, and tourism have truly taken off as a result of these factors, and the construction of essential infrastructure in the Region is still in progress. Industry has also been booming in recent years. Kurdistan's recent economic growth has resulted in large funding needs by the companies involved. BBAC has considerably contributed to many of the Region's major projects, particularly by granting documentary credits for their financing.

**IIG: How would you describe the landscape of private banking? Is there significant room for further growth?**

**CB:** The last three years witnessed an outstanding development of the local banking sector. Indeed, more foreign banks have entered Kurdistan as well, particularly from Lebanon. Five Lebanese banks are currently operating in the Region, and five others are awaiting final licenses from the Central Bank of Iraq to enter the market. It is noteworthy that all of these banks are among the top banks in Lebanon, and all are members of Alpha Group, with deposits of at least \$2 billion apiece. Despite the increased competition, we believe that opportunities are still numerous and promising. There are many investment projects still under preparation, the Region's infrastructure is in need of further development, and the international standard ratio of bank branch per capital has not been reached yet. The international standard is 10,000 inhabitants for each bank branch, while in Iraq the number is 30,000 people per branch. Moreover, the ratio of cash credits granted by Iraqi banks to the GDP of Iraq does not exceed 8.5%, and the relative contribution of the banking sector to Iraq's GDP is still very modest. All of these factors indicate that potential growth in this sector is still significant.

**IIG: What demand have you seen from corporate clients?**

**CB:** Since we started our operations, most of our credits went to large institutions and projects. This is due to the lack of basic legal requirements and assurances for retail credits, and the absence of institutions to support the banking sector, such as insurance companies. The high number of major investment projects, which almost outnumber small and medium size projects, encouraged us even further to fund such projects. Currently, we are considering entering into an even larger funding operation in partnership with a number of other Lebanese banks. ☎

## Expanding Local Market Share



**Nawzad Jaff** —  
Chairman, North Bank

Nawzad Jaff provides exclusive insight into the opportunities present in the Region's fast-growing banking sector, as well as challenges faced by banks in the Kurdistan Region, including international financial integration.

### About

Nawzad Jaff has been Chairman of North Bank since 2005. Originally trained as an engineer, Jaff has focused on business and finance since 1991. In addition to his leadership of North Bank, he is involved in engineering, construction, and real estate development in the Kurdistan Region.

**IIG: How has North Bank's strategy evolved since 2004?**

**NJ:** Broadly, we have shifted from looking internationally for growth to seeking domestic market share. In 2008, we made this pivot towards focusing on the local market, which is a huge market. North Bank has now been a premier bank in Iraq for several years. To the extent that we can operate internationally, we have very good connections to neighboring countries, including Jordan, Lebanon, Saudi Arabia, the UAE, Bahrain, Kuwait, and Turkey. They have significant interests in businesses in Iraq and the Kurdistan Region. We work with their banks, and through them we are linked, to some degree, to the international markets.

**IIG: Within the local market, how would you characterize your strategy?**

**NJ:** We focus primarily on corporate banking, but we work in retail banking as well. For our corporate clients, we provide letters of guarantee for contractors, bid bonds, loans, lines of credit, bridge loans and other short-term loans, as well as long-term loans. On the retail banking side, North Bank is the largest creditor to the private market. We offer car loans and, to a smaller extent, construction loans and mortgages. This is challenging, as there is not currently a mortgage system in Iraq; we make our own individual loans to people for such purposes. The demand in this area is huge and far exceeds our capacity and abilities. This allows us to choose the most eligible clients. In this way, we have no problems regarding default with the loans we extend.

**IIG: There are many foreign banks entering the market. How do you perceive this increased competition?**

**NJ:** We very much welcome these banks. They open doors to international markets for us. Additionally, they typically have a different customer base than North Bank and tend not to compete

directly with us. Most of these banks target services to their home country businesses and citizens that invest here. Moreover, their terms and conditions do not allow them access to the Iraqi markets that we have access to. As such, many businesses and individuals in Iraq and the Region prefer to use local banks such as ourselves. Finally, given the size of the economy relative to the size and number of private banks in Iraq, we are not afraid of increased competition—there is room for everyone. Eventually there will be increased competition in the banking sector as Iraq's economy continues to take off, and the market will become increasingly populated. Even this is welcome, however, as the increasing number of international banks will continue to open doors to broader markets for North Bank and the Iraqi market in general.

**IIG: North Bank is known for offering very high interest rates on deposits—around 6% APY on fixed deposits in savings accounts. Are these rates sustainable?**

**NJ:** There is an old saying that “something is better than nothing,” which we employ in our business. Our goal is to grow in market share. Furthermore, interest rates in Iraq should be high; there is a lot of business to be done in rebuilding the country and economy, so there is high demand for financing. We lend at 11%, and we pay our depositors 6%. The 5% gap is more than enough to cover our operational expenses and provide us a profit. And of course, as interest rates drop, so will ours. We used to pay 9% and lend at 17%-18%, but as the country has developed, and will continue to develop, interest rates drop. If you look at our balance sheet, we loan up to 80% of fixed deposits, and the rest we use for small private loans and overdrafts. In this regard, the numbers demonstrate that our interest rates are well calibrated. ☎

## Bringing Global Standards



**Nejdet Polat** —  
Manager, Erbil Branch, İş Bank

Nejdet Polat provides insight into the Bank's strategy in the Kurdistan Region and Iraq, and discusses the ways in which the Region's banking sector is becoming increasingly competitive.

**IIG: How would you characterize the potential of the banking industry in the Kurdistan Region and how does İş Bank's long-term vision fit into the future of the sector?**

**NP:** Overall, Iraq's banking sector is still underdeveloped. Past and current perceived political instability has translated to the country's banks being relatively isolated from the international financial system. As such, banks within Iraq and the Kurdistan Region tend to operate on a limited, local level, and capital accumulation in the country and Region has been limited. However, this is changing with the entrance of foreign banks like ourselves, as well as the expansion of local banks in the Region. Capital is returning to the Region, and financial infrastructure is being developed. İş Bank has major advantages in entering the Region, in that we are based in Turkey and therefore nearby. We understand the business practices in Iraq, the Kurdistan Region, and the broader Middle East, and moreover, we bring expertise that will benefit the Iraqi and Kurdish banking sector. We predict that conditions in Iraq and the Region will continuously improve, and that growth will continue on track. As such, we are excited to become one of Iraq's most vital financial institutions.

**IIG: What strengths does İş Bank bring to the local banking sector?**

**NP:** As the Iraqi financial system is relatively isolated, İş Bank is unique in that it is able to bring an international network of services to multinational and domestic businesses and individuals. İş Bank provides a broad range of services, drawing on cutting edge financial technologies. We are constantly innovating, as well as increasing the breadth of services we offer.

**IIG: What specific services does İş Bank offer to its clients? What demands have you seen from corporate clients, and to what extent is İş Bank well suited to meet those demands?**

**NP:** We offer a broad range of services to our clients. Perhaps most in-demand in the Kurdistan Region is our personal debit card service, which is unique in the Region. Also in personal banking, we will offer online banking to clients in the Region soon. Underpinning all of our services is our efficient and high-quality customer service, which abides by worldwide standards. For our commercial clients, we offer foreign trade transactions, cash and non-cash loan transactions, as well as international financial transfer services, using our global financial network.

**IIG: How competitive is the banking industry in the Kurdistan Region, and what kind of trends have you been witnessing in banking sector?**

**NP:** At this point, the sector is not very competitive—there is still plenty of room for expansion and entrance of new banks. That said, we are certainly witnessing a rapid increase in the number of banks coming to the Kurdistan Region. Given its quick economic development, we are aware that the Region is garnering more and more interest from major international banks, and we are aware that competition will increase. However, more major international banks in the Region will lift the banking standards in the Region broadly—overall, the transition to a more competitive and globalized banking sector is good for the economy as a whole.

**IIG: What are İş Bank's goals in the Kurdistan Region for 2014 and beyond? Does İş Bank have any plans for expansion in the Kurdistan Region?**

**NP:** In March of 2014 we opened a branch in Baghdad, and we plan to open a branch in Dohuk by the end of the year. Beyond this expansion in capacity and reach, our strategy is to increase the volume and efficiency of our services in international transactions and intermediation, for both our local and multinational clients. ☞

## Retail Giant



**Bhupesh Malhotra** —  
Country Manager, Landmark, Iraq

Bhupesh Malhotra speaks to IIG regarding the opportunities and challenges of pioneering foreign investment in the Kurdistan Region's retail market.

**IIG: What initial challenges did you face in Kurdistan?**

**BM:** Finding suitable real estate has been a challenge, and, as such, our strategies have evolved with what works. When we first entered the market, we drove around the city to scout out potential real estate options. As we started calling landlords, we began to develop a broader network of building owners and managers. Once we had a broad set of options, we studied traffic patterns to get an idea of demand for our businesses in each location. This was clearly a very challenging way of going about selecting real estate, especially with language barriers, no unified building standards, and no access to drawn up floor plans. Oftentimes there is no power or other utilities working in the buildings. Title deeds are another challenge; it is unclear who actually owns much of available property. This initially provided challenges for us.

**IIG: What is your timeline for reaching full capacity in Kurdistan?**

**BM:** The major factor with this setback was delays in the malls. Malls did not activate on the schedule we had drawn out. Construction delays can range from six months to 1.5 years. The primary factor contributing to these delays is that owners use their own personal money to finance the malls' development, so if they have personal liquidity problems, the whole development comes to a standstill. We believe formal financing is a challenge currently, and this causes significant delays. Our perception is that this scenario will improve, as several international banks have entered the market.

**IIG: How would you characterize the way that Kurdistan fits into Landmark's portfolio?**

**BM:** We are in the medium market segment— we cater to the masses. Our prices are very competitive and offer the best possible value with design in mind. This strategy is well suited for the Kurdish market, because there seems to be a large

gap in those offerings. We have major strength in our home offerings— carpets, decor, cutlery, etc.— that are not widely available here. Then, of course, our fashion lines cover the entire family, from babies and children to adults.

**IIG: International retail is much newer to Kurdistan. How does this affect your operation and strategy?**

**BM:** To establish ourselves initially, we came with two value brands to test the market and broadly establish our presence. This is still our main strategy. We want to be in all of the key locations in the country where malls exist. In some cases, we would prefer to open independently on a stand-alone basis, but that poses its own set of challenges. Another key to our operations is to employ local staff whenever possible. This is really the only way that our business can operate. A final challenge for us is access to reliable data.. We are currently creating a database so that, once we have a few years of data behind us, we will have benchmarks with which to base future targets.

**IIG: How do you foresee the evolution of the sector over the next 5-10 years?**

**BM:** In the next 5-10 years, we will see major growth. Many brands are entering the market very quickly. I don't think it will even take five years. The country has to keep up with the entry of international business houses, particularly in regard to transportation, logistics, infrastructure, and improving rules pertaining to visas and housing. Visa processing is arguably the most important element right now if the country wants to activate foreign investment and develop its own competent workforce. Additionally, a free trade zone and open skies policy would be more than enough to establish Kurdistan on the map. However, this must all be done quickly. The government must now react to direct the market where the state wants it to go. The risks and concerns are based on what is happening around us; business is moving forward as planned. ☞

### About

İş Bank is a premier Turkish financial institution. The bank offers commercial and personal financial services to corporate and individual clients, and has been present in the Kurdistan Region since 2011.

## The Big Box Comes to Kurdistan




**Jean Marie Boixel** —  
Country Manager— Iraq, SI Retail

Jean Marie Boixel predicts a bright future for hypermarkets like Auchan in Kurdistan.

**IIG: Do you see room for other retail giants in both the food and nonfood sectors here in Kurdistan?**

**JMB:** For the food business, we believe that the current players will be the players in the future. A new entrant can come at any time, but the market is not mature for some types of brands. We are seeing more and more middle market brands. Being here and having opened our first hypermarket, with other hypermarkets in the pipeline, we are gaining market share. Kurdistan is an emerging market and, in time, other brands will come. We are here. Carrefour is here. A lot of Turkish retailers are here and have aggressive expansion plans. We are positive on what we are doing with hypermarkets, and we believe that new brands will come in the future.

**IIG: How do you assess the transformation of the market since you started your operations here?**

**JMB:** There are two main challenges. The first is that we are in a country where 90% of what we sell is imported, so you need to set up your operation with distributors and there can be importation issues. The second is that this is a new market, so we need to drive people into our hypermarkets. We need to bring them the right products at the right price. Other people in this business tend to sell some products at a loss— with either no margin or a negative margin— and compensate by selling other products. We want to try to sell all the products in the store at a low price — not just bakery items. We prefer to have ten clients spending \$10 each rather than one client spending \$100. 

## Rapid Expansion



**Christophe Durand** —  
Expansion and Business Development,  
SI Retail

Christophe Durand talks with IIG about SI Retail's expanding operations in Kurdistan and the opportunities he sees in the retail real estate sector.


**IIG: Where would you place the Kurdistan Region's retail market in comparison to other markets in the region?**

**CD:** When we studied some of the characteristics of the market in the Kurdistan Region, we saw that the penetration rate (the percentage of sales of food and non-food products made through the modern grocery format) was below 5%. If you look at the United Arab Emirates, for example, 60% of total sales are made through hypermarkets or supermarkets. In Saudi Arabia, it is 45%. In Turkey, it is 20%. We believe that there is the potential for a massive increase in hypermarket and supermarket sales in this country. Even though every country is different, there is a trend towards the development of hypermarkets everywhere in the world. We believe that what has been seen in the Middle East in general in the last 10-15 years is very close to what we see when we look at the Kurdistan Region. We believe that we have a very favorable environment for hypermarkets.

**IIG: What is your expansion strategy?**

**CD:** Our target is to open ten hypermarkets in the next five years. We are very positive on this region and we have put a lot of effort into it. We have set up a headquarters and a team of almost 50 people to run this operation. Now we have 200 people working for us in Kurdistan. Every time we open a hypermarket, we will add 150-250 people. We do not know exactly what the speed of expansion will be, but we are planning to have five hypermarkets in Erbil, three in Slemani, and two in Duhok.

**IIG: How would you assess the investment environment in Kurdistan?**

**CD:** This is a very interesting market in terms of investment. The investment laws and the environment are very encouraging in Kurdistan. Compared to other markets, it is easier to set up and start a business in Kurdistan. It is also very important for us that we are able to own 100% of the business. We also appreciate the support of the Board of Investment to access land. We do not need a partner like in other countries in the GCC. 

## FOCUS: ECOCEM

### Finding Synergy in Unlikely Places

**Faruk Holding, in partnership with Lafarge, has found an innovative method of using Slemani's waste to partially fuel the city's major cement plants—reducing industrial CO2 emissions, lowering operational expenses, cleaning up the city's water and soil, and improving urban safety in the process. As part of Lafarge and Faruk Holding's interest in improving Slemani and assisting the Regional Government, the two parties are jointly initiating a comprehensive service to sort municipal solid waste in order to produce refuse-derived fuel (RDF) and reduce landfill waste to less than 20% of its current volume.**


Already well known for solving problems through innovative and high-quality private sector investment, Faruk Holding is pushing the boundaries once again. The Slemani governorate produces hundreds of tons of garbage daily. As Slemani grows, this has begun to create environmental strains for the city. Landfills, scattered around the outskirts of the city, take up a massive amount of space. In some cases, such as in Tanjaro to the south of the city, urban expansion is nearing these dump sites, which release gases that pollute the city's air and pose major fire hazards. In a city that depends on its aquifers for fresh water, the dump sites also pollute local groundwater. Surprisingly, though, Lafarge and FH have found opportunity in this refuse.

Lafarge and Faruk Holding's major cement plants in Slemani— Bazian, Tasluja, and Gasin Cement Company— require tons of fuel for cement clinker production. The pre-calciner and kiln are operated at around 1,400 degrees Celsius. At this temperature, refuse-derived fuel (RDF)—dried, shredded garbage, essentially— can be used to efficiently fuel the chambers and is burned so hot that carbon emissions are diminished. The process produces less smoke and pollution than typical burning of trash, as well as less CO2 than the heavy oil that currently fuels the cement plants.

The RDF plant, operated by Ecocem/ Environmental Solutions Limited, a company established by Faruk Holding and Lafarge Industrial Ecology, will be based in Tanjaro, just south of Slemani. Municipal solid waste trucks will drop off roughly one thousand tons of waste per day to the plant. The waste is then sorted, and 3-5% of it, primarily scrap metal and plastic, is removed to be recycled. Water comprises roughly half of the waste. To dry the waste sufficiently to be used in the pre-calciner, Ecocem will employ bacteria in a process of bio-drying, which will heat and dry the trash. Unusable trash will be separated and sent to a landfill, and the dried, shredded RDF will be trucked to the cement plants. All in all, only 12-20% of the original trash delivered to Ecocem will be returned to a landfill. The rest will go on to productive uses— even the moisture removed will be purified for reuse.

Faruk Holding and Lafarge hope to have the whole operation running smoothly by the end of 2015 and have aspirations to eventually run their plants primarily on RDF. As Slemani grows economically, industrially, and demographically, its production of waste is predicted to grow in equal measure. A parallel expansion of RDF use is built into the Ecocem contract. Ecocem holds a 20-year renewable contract with the

Slemani municipality to consume 1,000 tons of garbage per day, increasing 3% annually. This represents over 40% of Slemani's total current waste production, and there is ample room for expansion. In the first year, Ecocem plans to produce 130,000 tons of RDF, which will cover roughly 25% of Lafarge/Faruk Holding's cement plants' fuel needs. As Faruk Holding and Lafarge push towards their goal of powering their plants entirely from RDF, much more RDF will be produced and much more waste recycled.

This project seems to benefit everyone involved. By producing their own fuel rather than depending on oil suppliers, Faruk Holding and Lafarge not only improve the predictability and independence of their cement plants, but they also lower operational costs through establishing a cheaper fuel supply. Much more important, however, is the impact the project will have on Slemani's environment and society. Groundwater will be cleaner, soil will be more productive for agricultural purposes, the air will be fresher, and the city will be more secure as landfill fires diminish. While heavy industry and environmental improvement often seem at odds with one another, Ecocem demonstrates that synergies between the two can be found— to the benefit of communities as well as balance sheets. 

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## THE REVIEW

### Energy

#### SECTOR AT A GLANCE

 Oil Reserves  
**45 Billion Barrels**

 Gas Reserves  
**165 TCF**


 Oil & Gas Investment  
**20 Billion**

Oil Production  
400,000 bpd (2014)

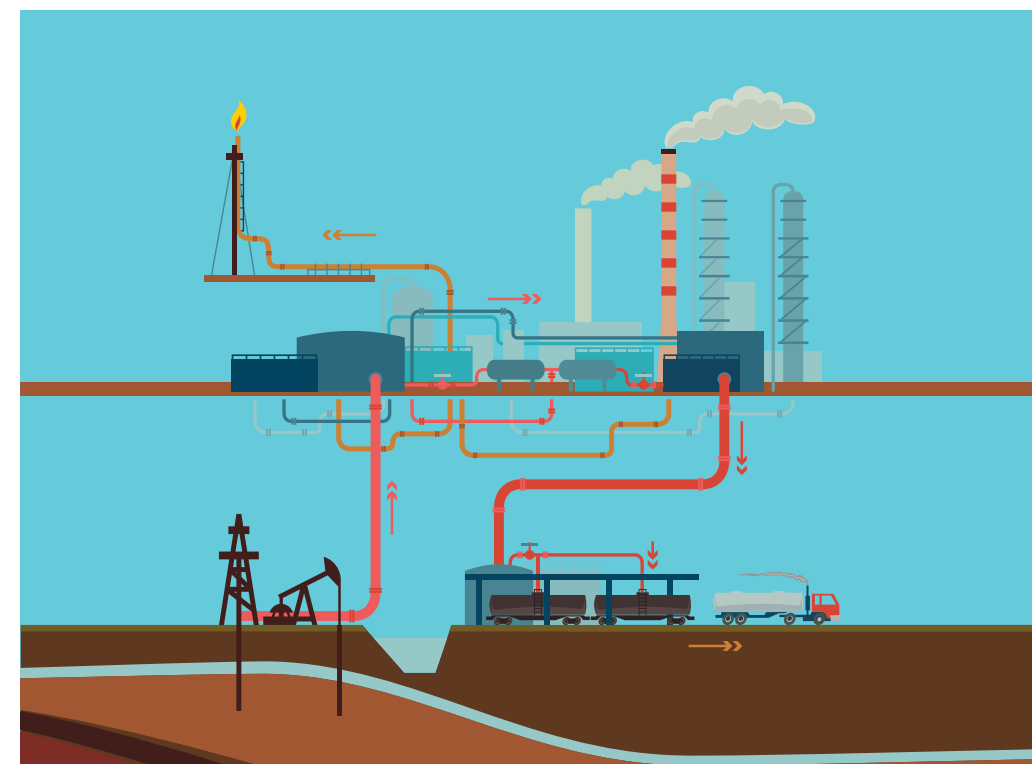
 **2 million bpd (2020)**

 Refineries  
Bazian, Kalak

 **\$7 Billion**  
Power Generation Investment by 2016

 **15%** Annual Growth (Electricity)

 **3,886 MW**  
Total Capacity Power Gen. (2014)



#### Forging Ahead

**While Kurdistan's vast hydrocarbon reserves are powering economic growth, the Region is boosting its role as a key energy provider to the world's markets.**

The past year was a time of growth for oil and gas production in the Kurdistan Region. Kurdistan is home to an estimated 45 billion barrels of oil reserves as well as 165 trillion cubic feet of gas resources. Oil production in the Region is expected to rise to a record high of 500,000 bpd at the beginning of 2015 from a level of around 250,000 bpd at the beginning of 2014.

The KRG's Ministry of Natural Resources (MNR) announced that the Kurdistan Region has exported over 34.5 million barrels of oil between January-December 2014. In total, around \$3 billion-worth of oil has been sold to

customers around the world. In addition to a recently completed pipeline that allows the Kurdistan Region to export oil independently through Turkey, the KRG plans to build a second, 1 million-bpd-capacity oil pipeline to transport heavy crude from Kurdistan's northern oil fields to international markets and raise oil production to 2 million bpd by 2020. The KRG is also planning to commence gas exports to Turkey in 2016. The KRG's agreement with Turkey foresees an initial export of 4 billion cubic meters in 2017, and envisions gas exports eventually climbing to 10 billion cubic meters per year by 2020.

## Did you know?

The Kurdistan Region has exported over 34.5 million barrels of oil in 2014. In total, around \$3 billion-worth of oil has been sold to customers around the world.

## Production Rebounds

An ISIS charge towards the borders of the Kurdistan Region at the beginning of August 2014 prompted the evacuation of staff by major international energy firms in the area, yet production levels have remained largely unaffected. Oil production during the height of the crisis at the beginning of August averaged around 360,000 bpd, down just 5,000 bpd from levels before the ISIS offensive against Kurdish forces. Genel Energy exceeded its 2014 production target of 200,000 bpd. The company has interests in the Region's two largest oilfields at Taq Taq and Tawke, with estimated gross proven and probable reserves of 1.3 billion barrels. Both fields operated as usual despite the surge of ISIS forces in August, and the firm maintained combined production levels of nearly 250,000 bpd as of November 2014. DNO has achieved production levels of 130,000 bpd at its Tawke operations and aims to increase

production there to 200,000 bpd by the end of 2014. Oryx's operations at Demir Dag had a capacity of 5,000 bpd in 2014, with the company projecting capacity to rise to 40,000 bpd in 2015. Operations continued at Gulf Keystone's Shaikan field, although the company evacuated its staff and increased security at the site. Gulf Keystone aims to increase oil production at its Shaikan operations to 40,000 bpd and eventually reach production levels of 100,000 bpd once a field development plan has been agreed for the site with the KRG. Currently, production at Gulf Keystone's Shaikan operations is averaging around 23,000 bpd. Taqa, the state-owned oil exploration company from Abu Dhabi, saw its exploration operations at the Atrush site disrupted by ISIS activities, but the group maintains that the interruption of work will not affect its plans to begin oil production at the site in the area of 30,000

bpd at the beginning of 2015. Over the summer, Canada's WesternZagros formally declared a commercial discovery with KRG authorities for the Kurdamir block it operates jointly with Talisman Energy. WesternZagros estimates that the Kurdamir field holds around 1 billion barrels of contingent oil resources and nearly 1.6 billion barrels of prospective oil resources. WesternZagros also operates in the Garmian block, where its Sarqala well is expected to produce up to 10,000 bpd of oil through the second half of 2014. Pending KRG approval of its field development plan for the Garmian block, WesternZagros aims to raise oil production at the site to 35,000 bpd. Russia's Gazprom Neft has begun exploratory drilling at the Shakal block and commenced geological surveys at the Halabja block. The company is also set to become the main operator of a project in the Garmian block in 2015.

## Refineries

In March 2014, Qaiwan Group began a bidding process for the third phase of expansion at its Bazian refining facilities near Slemani. The company's facilities there make gasoline, diesel, and kerosene for sale to domestic consumers, as well as naphtha and fuel oil for industrial uses. Qaiwan expects to finish construction by the end of 2017 and will increase refining capacity from the current 34,000 bpd to 84,000 bpd, adding facilities for crude distillation and naphtha hydro-treating. The company is also designing a 110-km pipeline to link its expanded refining operations to nearby oilfields.

The Kurdistan Region is also home to the Kar Group's Kalak refinery near Erbil, which has a refining capacity of 100,000 bpd. Kar Group plans to expand capacity to 200,000 bpd in the years ahead with the assistance of American engineering firm Ventech.

## Natural Gas

The Kurdistan Region possesses approximately 165 trillion cubic feet of gas resources. At the end of 2013 the Turkish government and the KRG signed the KRG-Turkey Gas Sales Agreement, which included plans for the construction of a pipeline to export natural gas from the Kurdistan Region to Turkey. The Agreement foresees an initial export of 4 billion cubic meters in 2017 and envisions gas exports eventually climbing to 10 billion cubic meters per year by 2020. Turkey, which used nearly 40 billion cubic meters of gas in 2013, is set to become one of Europe's top three consumers of energy in the next decade, and the agreement holds out the option of increasing export capacity to 20 billion cubic meters per year in the future.

Genel Energy announced in November 2014 that it had purchased the entirety of Austrian energy firm OMV's



Over 30 companies from 19 different countries are operating in the Kurdistan Region

## Companies & Blocks

<b>Addax Petroleum</b> Taq Taq	<b>Exxon Mobil</b> Al Qush, Bashiqa, Pirmam, Betwata, Arbat East, Qara Hanjeer	<b>Hunt Oil Company</b> Ain Sifni	<b>OMV</b> Bina Bawi, Sarta, Rovi Chemchemical, Kor Mor
<b>Afren</b> Barda Rash, Ain Sifni	<b>Gazprom Neft</b> Garmian, Shakal	<b>KAR Group</b> Khurmala	<b>Petroceltic</b> Dinarta, Shakrok
<b>Chevron</b> Qara Dag, Sarta, Rovi	<b>Genel Energy</b> Taq Taq, Tawke, Duhok, Miran, Bina Bawi, Chia Surkh, Ber Behr	<b>KNOC</b> Bazian, Qush Tappa, Sangaw South, Hawler	<b>Repsol</b> Qala DZE, Piramagrun
<b>Crescent Petr.</b> Khor Mor, Chemchemical	<b>Gulf Keystone</b> Shaikan, Sheikh Adi, Ber Behr, Akri-Bijeel	<b>Marathon Oil</b> Harir, Safeen, Sarsang, Atrush	<b>Talisman Energy</b> Topkhana, Kurdamir
<b>Dana Gas</b> Khor Mor, Chemchemical	<b>Hess</b> Shakrok, Dinarta	<b>MOL</b> Akri-Bijeel, Shaikan, Chemchemical, Kor Mor	<b>Taqa</b> Atrush
<b>DNO</b> Tawke, Duhok, Erbil	<b>HKN Energy</b> Sarsang	<b>Murphy Oil</b> Central Duhok	<b>Total</b> Safeen, Harir, Taza
		<b>Oryx Petroleum</b> Hawler, Sindi Amedi	<b>WesternZagros</b> Garmian, Kurdamir

36% stake in the Bina Bawi gas field at a cost of \$150 million. This agreement gives Genel sole ownership of the Bina Bawi field, in addition to the Miran gas field it also controls. Genel further announced the conclusion of a combined production sharing agreement with the KRG for the Bina Bawi and Miran fields that promises to bolster revenues and decrease risks associated with operations. The large gas reserves at the two fields will likely be crucial to the KRG's efforts to meet export goals under the KRG-Turkey Gas Sales Agreement. The Bina Bawi and Miran fields hold an estimated 238 billion cubic meters of combined natural gas reserves and have the potential to export up to 20 billion cubic meters of gas to Turkey per year over the next two decades.

Genel is also in discussions with the KRG to arrive at a Gas Sales Offtake Agreement for its Miran field and has been

exploring supplying gas to the Kurdish market. The company recently joined with DNO to enter into a groundbreaking Gas Sales and Purchase Agreement with the KRG. Under the agreement, Genel and DNO have been supplying an average of 1.7 million cubic meters of natural gas per day to the Duhok power station from the Summail field they operate jointly nearby. Joint production for the companies' Summail operations in the Duhok license area averaged 2.35 million cubic meters per day through the summer of 2014.

Pearl Petroleum, a consortium formed by Dana Gas and Crescent Petroleum, has seen combined production levels at its Khor Mor and Chamchamal fields attain an average of 9.5 million cubic meters per day and continues to deliver gas via pipeline to power stations in the Slemani area, supplying nearly 4 million residents of the Kurdistan Region with electricity.

## Electricity

Demand for electricity in the Kurdistan Region has increased from 925 megawatts in 2004 to nearly 4,000 megawatts in 2014. The KRG Ministry of Electricity predicts demand for electricity to grow fifteen percent annually over the next three years, noting that it has grown by this amount for the previous three-year period. The KRG plans to fully meet the demand for electricity in Kurdistan by 2016 through the expansion of electricity generating capacity to 6,000 megawatts, and officials look to begin exporting electricity to other areas of Iraq and other countries once local needs are fulfilled. The Kurdistan Region already exports electricity to the neighboring Iraqi provinces of Diala, Kirkuk, and Mosul.

Electricity generating capacity in the Kurdistan Region has grown by leaps and bounds in recent years. While residents of the Kurdistan Region could only make use of two hours of electricity per day in 2007, power supply has now reached an average of 23.5 hours per day. Generating capacity has been expanded from 482 megawatts in 2007 to around 3,000 megawatts today, made possible by the KRG's decision to involve the private sector in power production in a bid to overcome the chronic

energy shortages that had previously plagued the Region. The KRG earmarked \$440 million in its 2013 budget for 112 projects with a combined value of nearly \$1.5 billion in support of its plans to expand the Region's electricity generating capacity by another 3,000 megawatts. This type of investment appears to be paying off— the Region, which experienced fif-

**The KRG plans to fully meet the demand for electricity in Kurdistan by 2016 through the expansion of electricity generating capacity to 6,000 megawatts, and officials look to begin exporting electricity to other areas of Iraq and other countries once local needs are fulfilled.**

teen blackouts in just one month in 2009, has not experienced a power cut since March 2010.

The Kurdistan Region's power generation capacity is primarily managed by the private sector, which provides the bulk of Kurdistan's electricity generating infrastructure. The electric power industry relies largely on gas-fired power stations that are supplied from fields at Khor Mor and Khurmala, among others. This network of local gas power stations

includes sites at Baadre, Chamchamal, Duhok, and Erbil. The KRG has indicated its preference for gas-fired plants due to their efficiency, ease of construction, and scalability.

Since 2003, the private sector has invested around \$5 billion in electricity generation in Kurdistan. One major private player, Mass Group, operates 1,000-megawatt gas power stations in Erbil, Slemani, and Duhok. Mass Group has enlisted Turkish construction firm Enka to increase capacity at its Erbil power plant, Kurdistan's largest, to 1,500 megawatts by early 2015. To do so, it will convert the Erbil Gas Power Station from simple-cycle to combined-cycle gas turbine technology. The revamped plant will meet nearly 25% of the Kurdistan

Region's energy needs. Similar conversions began at the Slemani and Dohuk Gas Power Stations in 2013 and will soon increase capacity at each plant to 1,500 megawatts as well.

In 2012, the KRG signed an agreement with Korean engineering firm Posco for the construction of a 300-megawatt steam-powered electricity generating facility near Erbil, the first government-controlled plant in the Kurdistan Region.

## Distribution

While the private sector handles electricity generation in the Kurdistan Region, the KRG controls electricity distribution and monitors energy consumption among the regional populace. The KRG's Ministry of Electricity provides technical and logistical support to companies that generate the Region's electricity, and producers underline the importance of the KRG's efforts to provide security both generally and for specific projects. The KRG has already spent \$1 billion on electricity transmission projects and will actively seek out private investors in the future if public funds cannot meet regional needs for electricity distribution. At present, all of the Kurdistan Region's cities and districts, as well as most villages, are connected to a national power supply network.

**While residents of the Kurdistan Region could only make use of two hours of electricity per day in 2007, power supply has now reached an average of 23.5 hours per day. Generating capacity has been expanded from 482 megawatts in 2007 to around 3,000 megawatts today.**



## Renewables

Installed capacity for renewable energy sources in the Kurdistan Region remains quite limited. KRG officials confirm that renewable energy plays a minor role in meeting the Kurdistan Region's power needs at the moment, but they point to the important role alternative sources of energy play in their strategic energy outlook. The Region's two hydroelectric power plants at Darbandikhan and Dukan provide 300 megawatts of electricity at peak capacity, and the KRG is currently carrying out a feasibility study for wind power. Private sector solar projects have so far been limited to a relatively small scale of around 50 megawatts. While the KRG does not believe that renewables are practical for meeting the entirety of the Region's energy needs, Kurdish leadership does emphasize a growing role for renewable energy in a holistic strategy to meet their ambitious electricity generation goals. ☞

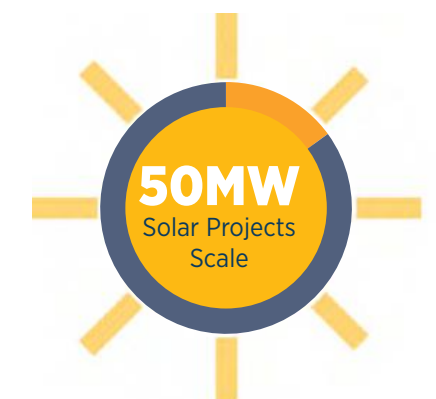
**8,000 MW**  
Installed Capacity (2016)

**\$1 billion**  
Budget for ongoing projects relating to the transmission sector

**\$7 billion**  
Power generation investment by 2016

**15%**  
Targeted Annual Growth Rate

**Since 2003, the private sector has invested around \$5 billion in electricity generation in Kurdistan.**



Carduchi provides intelligence and insight on the Kurdistan Region/Iraq. Our weekly reports contains local media content, politics, political risk, analysis and media round of the week & economic development relevant to industry and oil sector. The reports cover nuances of Kurdish politics which is otherwise not reported in English media.

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## POWER PLANTS IN REVIEW

The Kurdistan Region will have **8000MW** of installed capacity in 2016.

**3886 MW**

Power Plants - Total Installed Capacity (in operation)



**3000MW**  
Capacity in Summer (est.)



**3500MW**  
Capacity in Winter (est.)

**6400MW**

Average produced power (2016)

## Existing Power Plants

### HYDROPOWER STATIONS

#### Dukan

Designed Capacity: 400MW

Average Production: 150MW

#### Darbandikhan

Designed Capacity: 249MW

Average Production: 100MW

### GAS POWER PLANTS

Erbil (1500MW) and Slemani (1000MW) Gas Power Stations are supplied by natural gas through pipelines from the Kormor gas fields (170Km Pipeline to Erbil Power Station; 60Km to Slemani Power Station). 8 units in both Erbil and Slemani in operation.

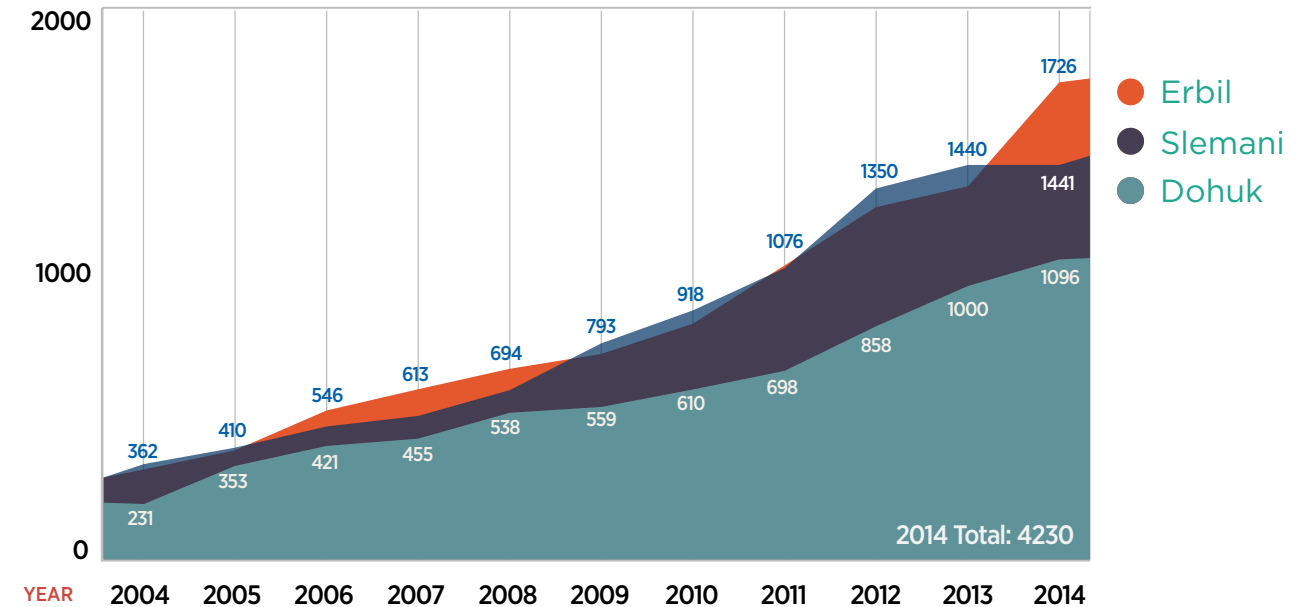
### DIESEL POWER STATIONS

Power Station	Installed Capacity
ERBIL	29MW
DUHOK	29MW
SLEMANI	29MW
ERBIL (SAQAR)	10MW
AKRA-DUHOK (SAQAR)	10MW
KIFRI-SLEMANI (SAQAR)	10MW
CHWARTA-SLEMANI (SAQAR)	10MW
SLEMANI (SAQAR)	15MW
KOYA-SLEMANI (SAQAR)	17.2MW
CHWARQURNA-SLEMANI (SAQAR)	20MW
CHAMCHAMAL-SLEMANI (SAQAR)	24MW

Power Plant	Implemented by	Used Fuel	Status
<b>PIRDAWD - ERBIL</b> <b>ERBIL 1500MW</b> COMBINED CYCLE POWER STATION	Mass Holding Company	Dual Fuel (Diesel Oil & Natural Gas)	The Power Station consists of 8 units Simple Cycle (GE Frame9) and 2 units Combined Cycle. 8 units of Simple Cycle (8 X 125MW) in operation. 2 units Combined Cycle (2X250MW) under construction. The first unit of combined cycle (250MW) became operational in September 2014.
<b>CHAMCHAMAL-SLEMANI</b> <b>SLEMANI 1500MW</b> COMBINED CYCLE POWER STATION	Mass Global Company	Dual Fuel (Diesel Oil & Natural Gas)	8 Units (GE Frame9) in operation. 2 Units (Combined Cycle) under construction.
<b>SUMEL - DOHUK</b> <b>DUHOK 1500MW</b> COMBINE CYCLE POWER STATION	Mass Holding Company	Dual Fuel (Diesel Oil & Natural Gas)	The Power Station consists of 8 Units Simple Cycle (G.E. Frame 9 - 125MW). All units (Simple Cycle) in operation. 2 units Combined Cycle under construction
<b>BAADRA - DOHUK</b> <b>BAADRA 150MW</b> INTERNAL COMBUSTION ENGINE	13 X 13.6MW Implemented by Poltex	Heavy Fuel Oil	All Units in operation since September 2011.

## Annual Growth in Max. Demand 2004 - 2014

DEMAND



## ONGOING POWER PLANT PROJECTS

Power Plant	Used Fuel	Status
<b>ERBIL</b> <b>KHURMALA 1000MW</b> COMBINED CYCLE POWER STATION	Dual Fuel (Diesel Oil & Natural Gas)	<b>KAR GROUP</b> 4 Units Simple Cycle will be operational in September 2014 2 Units Combined Cycle will be operational in 2016
<b>SLEMANI</b> <b>TASLUJA 51MW</b>	Heavy Fuel Oil	Number of Units: 30 x 1.7MW Completion Date: September 2014
<b>ERBIL / KHABAT</b> <b>ERBIL 300MW</b>	Thermal	<b>POSCO ENC</b> Number of Units: 2 x 150MW Completion Date: 2016
<b>SLEMANI</b> <b>BAZVAN 750MW</b>	Combined Cycle	<b>QAIWAN GROUP</b> Contract has been signed between Ministry of Electricity and Qaiwan Group. Project commenced in 2014.
<b>ERBIL</b> <b>HARIR 200MW</b>	Heavy Fuel Oil	<b>KAR GROUP</b> Contract has been signed between Ministry of Electricity and KAR Group. Project commenced in 2014.
<b>DOHUK</b> <b>ZAKHO 800MW</b>	Natural Gas (Back up Diesel fuel)	<b>POLTEX</b> Contract has been signed between Ministry of Electricity and Poltex. Project commenced in 2014.

## Source of Inspiration



**Donnie MacDonald** —  
President & Country Manager  
Chevron Iraq

IIG talks to Donnie MacDonald about recent developments at Chevron's Qara Dagh, Sarta, and Rovi blocks, and the trends in Kurdistan's oil and gas industry.

### About

Donnie MacDonald worked with Texaco from 1980 until its merger with Chevron in 2002. He was educated in the UK and has worked on projects around the world, including in Nigeria, Brazil, and the UK. Prior to his current position in the Kurdistan Region, MacDonald was in charge of Chevron's business development in the Middle East.

**IIG: Could you brief our readers regarding developments at the Qara Dagh, Sarta, and Rovi blocks in 2014? What are your plans for 2015?**

**DM:** Chevron's drilling program in Rovi and Sarta blocks has made good progress. Chevron has also acquired 2D seismic data for Rovi/ Sarta.

Drill Stem Tests (DSTs) were started in both Rovi and Sarta in June 2014. The DSTs would enable Chevron to gain a better understanding of the hydrocarbon potential and to make Declaration of Commerciality decisions. We have partially completed flow testing both wells and are encouraged by the initial tests. Chevron plans to continue the DSTs at Rovi and Sarta when it resumes operations. In Qara Dagh, Chevron plans to proceed with the 2D seismic data acquisition program when it resumes operations in the Kurdistan Region.

Chevron is pleased that in the last 12 months it has contributed a total of \$1.9 million towards supporting Kurdistan Oil and Gas Humanitarian Initiatives (KOGHI) in response to the huge influx of refugees and internally displaced persons (IDPs) who have taken refuge in the Kurdistan Region. Chevron contributions have funded Save the Children (STC) and International Rescue Committee (IRC) programs.

In 2013, Chevron built six computer labs and two football fields in the communities it operates in. Our 2015 social investment plans have a diverse range of projects focused on Chevron themes of health, education, and economic development.

**IIG: What kind of year was 2014 for the oil and gas industry here in Kurdistan?**

**DM:** Overall 2014 has been a good year for the Kurdistan Region's oil and gas industry with a substantial increase in activities. More companies were drilling, acquiring seismic data and working towards meeting their PSC commitments, and declaring commerciality.

The recent deal between Erbil and Baghdad is a very encouraging develop-

**“Chevron is pleased that in the last 12 months it has contributed a total of \$1.9 million towards supporting Kurdistan Oil and Gas Humanitarian Initiatives (KOGHI) in response to the huge influx of refugees and internally displaced persons (IDPs) who have taken refuge in the Kurdistan Region.**

ment that demonstrates the willingness of both sides to work out a resolution on the hydrocarbon and revenue sharing laws.

**IIG: The MNR set an export goal of 2 million bpd for Kurdistan by 2019. Do you think that is achievable? How would you define Chevron's role in this strategy?**

**DM:** The Kurdistan Region is still relatively under-explored and we believe the Region has potential to become a prominent player in the oil industry. There are more than 40 operators working in the Kurdistan Region at various stages of



development, so the target production mentioned by Minister Hawrami is possible. A lot of joint effort will be required from the industry and the government to achieve the projected production. Undoubtedly, the Kurdistan Region has the potential to emerge as a leading contributor to global oil supplies by the end of this decade.

Our vision is to build a legacy position for Chevron here in Kurdistan. While we are still in the early phase of our growth, it is for anyone to see that the Kurdistan Region has all it takes to become a major player in the global energy market.

**IIG: Which trends do you see affecting energy companies here in the medium term?**

**DM:** Entrepreneurs and small companies

entered Kurdistan around 2006 and took risks – geopolitical and geological. They discovered oil and put Kurdistan on the global exploration map. As the industry in the Region matures, we will witness consolidation and more experienced companies operating in the Region. It demonstrates confidence in the contract terms and business environment.

**IIG: What potential is there for Kurdistan to become a significant player in the regional energy industry?**

**DM:** The KRG considers the hydrocarbon sector a priority, and the MNR, under the guidance of Minister Hawrami, is being proactive in putting the required legislation, processes, and procedures in place to ensure the success of the oil and gas industry in Kurdistan. ☺

**“Our vision is to build a legacy position for Chevron here in Kurdistan. While we are still in the early phase of our growth, it is for anyone to see that the Kurdistan Region has all it takes to become a major player in the global energy market.**

## First Mover



**Saad Hasan** —  
CEO, Qaiwan Group

Saad Hasan provides IIG with exclusive insight into the Qaiwan Group's strategy, as well as its latest projects and developments.

**IIG: What has Qaiwan's strategy been to achieve such impressive growth?**

**SH:** Qaiwan's strategy is to always be a first mover. We have demonstrated this in several sectors. We are the largest international oil trading company from the Region, our Bazian oil refinery is one of only two in the Region and is continuing to expand, and our development projects are unparalleled in Slemani and the wider Kurdistan Region. However, being a first mover means taking on increased risk. Risk and reward are inherently bound together, and, fortunately, we have been successful in our management of risk. As a result, Qaiwan Group has grown very quickly in 2012 and 2013, posting over 100% year-on-year growth for both years. 2014 will, unfortunately, present increasing challenges. The economic environment in the Region is more challenging than in previous years, as political tensions in the Region and the broader Middle East are directly and indirectly affecting the business and economic landscape. However, we are targeting similar growth numbers to those that we have posted in previous years. Qaiwan Group always targets operations at the highest level possible, and we are in a position to overcome the challenges that 2014 is presenting.

**IIG: Qaiwan Group's expansion of its Bazian refinery is one of its largest current projects. Can you tell us about this expansion?**

**SH:** The third phase of the Bazian refinery expansion began near the end of 2011. We started by developing the concept and the front-end engineering design (FEED), in partnership with Technip, a French engineering firm. We have recently invited bids for engineering, procurement, and construction (EPC) to carry out the remainder of the project. This expansion will add 50,000 barrels per day (bpd) of crude distillation capacity, which will increase total

capacity at the refinery to 90,000 bpd. The plan includes an expansion of all of the units at the refinery, including development of a new gasoline processing facility. Our gasoline production facilities will include continuous catalyst reformer (CCR) technology. This technology is the first of its kind in the Kurdistan Region, and it will make our gasoline unit the largest in Kurdistan. Total capital expenditure on this expansion will be over \$1 billion.

**IIG: Qaiwan Group is also building a gas power plant at Bazian. Could you brief our readers about this project?**

**SH:** We have been awarded a contract to build a 750MW power plant. We have signed the contract, and we are at the end stages of our preparations for the plant. We are currently partnering with an original equipment manufacturer, and have opened tenders for EPC contracts. The site preparation is in progress, and we are targeting the completion of Phase One of the power plant by the second quarter of 2015. Phase One will establish the plant as single cycle. Once completed, the power plant will be upgraded to a combined cycle plant, which increases the capacity and efficiency of electricity generation. Phase Two, which will make the plant combined cycle, will be completed in 2016. The total capital expenditure of this project will be \$600 million.

**IIG: How has Qaiwan Group been so successful in attracting foreign partners for joint ventures?**

**SH:** Qaiwan Group is now beyond the level of just being a local company. In the late 2000s, Qaiwan initiated a strategy of spreading around the world and opening several global offices. This strategy included connecting with many major players. Ultimately you must commit; you must perform at the best international standards to be recognized worldwide. Through this expansion strategy,



we became able to effectively and easily reach our end users in our lines of business. Through this, global companies have recognized that we deliver results faster than others. When you are a reliable performer and committed to your project, it is easy to find good partners.

**IIG: Qaiwan Group clearly has many high-capital projects. How does Qaiwan finance its projects?**

**SH:** Thus far, Qaiwan Group has self-financed all of its projects. Banking and access to finance in the Kurdistan Region is one of the biggest challenges to businesses here. Banks do not have a sovereign guarantee in the Region and must work through the Central Bank of Iraq,

which provides them insufficient support. The major, global investment banks have historically had a limited presence in the Region. Fortunately this is beginning to change, with some major international banks opening branches here. Still, many are not active in a way that satisfies the major need in the Region for project finance. Improved financing will be one of the key needs for Qaiwan in the future, to continue to expand and continue our development. There has been limited talk of listing publicly on the Iraq Stock Exchange or Erbil Stock Exchange to finance our growth. However, these plans are probably a long way off. For the immediate future and for our current projects, we will likely continue to self-finance. ☞

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**We are the largest international oil trading company from the Kurdistan Region, our Bazian oil refinery is one of only two in the Region and is continuing to expand, and our development projects are unparalleled in Slemani and the wider Kurdistan Region.**

## Global Ambitions



**Alexander Dodds** —  
E&P Executive Vice President,  
MOL Group

Alexander Dodds discusses the ways in which the Kurdistan Region adds value to MOL Group's portfolio and discusses MOL Group's strategy going forward for increasing production, creating value, and investing in the communities in which it operates.

### About

Alexander Dodds has over 30 years of experience in the international upstream oil and gas arena, with broad experience in exploration, development, and production, and has worked in North and South America, the North Sea, the Middle East, Asia, and Russia. His recent assignments include being Executive Director and Executive Vice President at TNK-BP and President & General Manager at ExxonMobil Qatar Inc. Dodds holds a BSc in Civil Engineering and a Master's degree in Petroleum Engineering.

**IIG: What are MOL Group's objectives, and what is your strategy to achieve them?**

**AD:** Having done the groundwork in 2013, MOL Group is ready to increase production significantly and to become a sizeable international upstream player. Our goal is to achieve a real change. Our key focus areas are the Kurdistan Region of Iraq (KRI), Pakistan, the North Sea, and CIS. We expect to book significant reserves from Kurdistan, Kazakhstan, and our new North Sea assets. Although we will be on a growing trend by the end of 2014 organically, we also aim to be active inorganically. We have a very strong balance sheet, so M&A will definitely play a significant role in our efforts to reach the critical mass required to become one of the best upstream companies. We will carefully evaluate all upcoming opportunities and focus on value creation, not just volume growth.

**IIG: What are your activities in the Kurdistan Region in terms of sustainable development?**

**AD:** At MOL Group the concept of sustainable development and its robust framework covers six areas of focus, including climate change, communities, and human capital resources. Strategic objectives have been defined in all six areas, and our ambition is to be in the top 20% of the industry in sustainability performance. Our good relationship with the KRG covers not only cooperation in the oil and gas industry, but also the development of local communities and local content. In the KRI we mostly focus on local stakeholders in the Akri-Bijeel area by supporting the construction

and renovation of schools and community halls, as well as by purchasing items such as school buses, generators, and school supplies in partnership with the local communities and in line with our sponsorship and donation policies, such as drilling water wells. On the other hand, the on-going training program of eight MNR employees at two Hungarian universities is of national relevance, as is the training of 13 Kurdish diplomats last year in Budapest.

**IIG: What does R&D mean for MOL Group?**

**AD:** Successful companies are always innovating, always committed to finding ways to gain the competitive edge. This is true for MOL Group as well; research and development is one of our strategically important activities while we invest in the future of our operations. We are facing new technical challenges during our daily operations and managing these challenges can be successful if we deliver applied and effective R&D ideas. Monitoring of new international development results is part of our operation in order to implement the best available technologies at MOL Group. MOL Group as an operator can best benefit our partners if successful R&D project results are implemented, where it is possible.

**IIG: Within MOL's portfolio, where would you place your Kurdish blocks in terms of risk, expectations, and opportunities?**

**AD:** In general, the KRI's business environment, thanks to vast hydrocarbon potential and the entrance of companies new to the Region, is relatively positive.



Security in the Kurdistan Region is relatively good and incidents in the Region remain sporadic, isolated, and much less frequent than elsewhere. Although there are manageable marketing and security challenges, on the whole the region is full of opportunities and the future looks very promising. MOL Group is pleased to be part of the developing story of the Kurdistan Region and is committed to facing and resolving challenges.

**IIG: MOL Group has extensive downstream expertise, largely through their projects in Europe. How would you assess the market for downstream investment in Kurdistan?**

**AD:** MOL Group's Downstream division

operates six production units with more than 1700 service stations in 11 Central and Eastern European countries, all supported by a far-reaching logistics system and driven by supply chain management. Our aim is to increase profitability through improved efficiency, more flexible operations, and continuous evaluation of new business and investment opportunities. As MOL Group Upstream has successful exploration activities in Kurdistan, the Downstream division is also going to evaluate market conditions by preparing detailed market analysis and investigating potential investment opportunities in the Region in our next strategy planning process phase, which will be finalized later this year. 

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**Our good relationship with the KRG covers not only cooperation in the oil and gas industry, but also the development of local communities and local content.**

## Focus: 36N

### Bringing the Best International Practices to Kurdistan

As Kurdistan's economy has grown and developed in recent years, international firms have increasingly faced the dilemma of choosing how to administer the offices and facilities they occupy. Companies new to the Kurdistan Region are often either forced to juggle facilities management services themselves alongside their main corporate interests or turn to an array of local contractors that may or may not achieve the quality standards they are accustomed to in the rest of the world. Now, firms specializing in the provision of facilities management services are increasingly stepping into the Kurdish market and trying to win over corporate clients with international credentials and promised cost and time savings.

36N, established in 2012, is a leading facilities management firm that has seen its portfolio of clients in the oil and gas and real estate sectors expand with the overall growth of the Kurdish economy. The company aims to create value for its clients in Kurdistan by removing the need for them to divert crucial financial and human resources from their core businesses towards property management and the responsibilities associated with it. 36N offers its customers a range of round-the-clock services in areas including cleaning, engineering, general maintenance, catering, and health and safety training. Contrasting the services provided by his company with the complications associated with firms managing their own facilities, managing partner Mario Al-Jebouri contends, "It is much easier for a company like us, because we have a magnitude of clients, to have economies of scale and efficiency that no other company, no matter how large or small, can achieve on its own."

36N aims to present international companies setting up shop in the

Kurdistan Region with an experience that mirrors the standards of quality and customer service they could expect to encounter in their home markets. "We are very mindful of transferring those same types of global best practices and know-how and expertise here to Kurdistan," Colin Gaskin, 36N's Executive Director, explains. To do so, 36N employs skilled expatriate staff that try to convey their experience and insights to local workers. The company also conforms to the international standards set out by many of the world's leading facilities management associations, including the International Facility Management Association (IFMA) and the International Sanitary Supply Association (ISSA).

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We are here to  
implement processes,  
procedures, and  
standards that haven't  
been put in place in  
Kurdistan as of yet.”

The firm has set its sights on managing assets for Kurdistan's medical sector and the regional government, though the goal to diversify 36N's client base was temporarily set back this year by budget disputes between Erbil and Baghdad. Now, with a durable settlement between the two sides in place that has seen the restoration of the Kurdistan Region's budget, the company's leadership is optimistic that it will be able to secure government business as well as clients in other sectors that complement its current strength within the oil and gas industry.

To do so, 36N and other facilities management companies with a focus on international standards will have to prove to the Kurdish market that the value of the services they provide is defined as much by quality as it is by price. That argument is often challenged in Kurdistan's still maturing economy, and the costs associated with the company's aspiration to meet global standards in its industry can sometimes place it at a competitive disadvantage. "I will not shy away from saying that it is sometimes difficult," says Al-Jebouri, "because we are sometimes seen as not being entirely competitive with the market, but that is mainly due to the fact that we are here to implement processes, procedures, and standards that haven't been put in place in Kurdistan as of yet." For Al-Jebouri, the advantage of the low service charges offered by some competitors can be illusory and often translates into lower quality service that can quickly lead to spiraling repair costs, miscommunication, and decreased asset values. "Facilities management is one of those sectors where it is sometimes difficult to understand the value of these services if you haven't been exposed to them until something happens. Then you understand," he argues.

Rapprochement between Baghdad and Erbil on budget and oil issues is a promising sign for continued growth in the energy and real estate sectors that underpin the facilities management industry in Kurdistan. In the industry's quest for new clients and a greater market presence, though, the continuing process of educating companies operating in Kurdistan about the merits of an internationally minded, holistic approach to facilities management will likely prove crucial in the coming year. ☞

## Energizing Kurdistan



**Baz Karim** —  
President & CEO, KAR Group

IIG talks to Baz Karim about KAR's Erbil Refinery and the Group's ambitious future plans in the Kurdistan Region.

### About

Baz Karim is the founder of KAR Group. As one of the leading oil and gas industry figures in the Kurdistan Region, he follows the guiding principle of establishing a stable model of Iraqi employment for both operations and investment activities.

**IIG: Could you offer us an assessment of the company's main achievements in 2014?**

**BK:** 2014 was an exciting year for us. We continued to grow our upstream business. In May, we signed a production sharing agreement with the Nineveh Governorate to explore and produce oil and gas in the Mahkmour area. We are excited to rapidly implement this in 2015 with three well work-overs and a seismic program. We assisted the MNR in bringing important fields back online after ISIS caused problems in northern Iraq. In our midstream business, we sustained pipeline flows to meet the MNR goal of 400,000 bpd of exports by the end of 2014. We linked the Bai Hasan and Avana fields to Kurdistan's pipeline network. In 2015, we will rapidly expand the system with new field tie-ins, pump stations, and the addition of a 36-inch line between Khurmala and the Zab River. In the downstream business, we commissioned our 640-MW power plant, and we made great progress on a 60,000-bpd refinery for Nineveh. We hope to finish the Nineveh Refinery in Q4 2015. This will bring important fuels to the area once it is stabilized.

**IIG: What sort of production do you see the Khurmala field potentially having?**

**BK:** We currently produce 105,000 bpd from Khurmala. We started installation of a new 100,000 bpd processing facility. This will be online by mid-2015. We are piloting a water injection project now that will allow us to sustain 175,000 plus barrels of oil production for many years. We have started to explore deeper horizons of the subsurface at Khurmala, and we have found additional oil and gas plays. We are evaluating that data and expect to produce gas and condensate from the Upper Qamchuqa in the near term.

**IIG: How would you assess the role of KAR's Erbil Refinery in Kurdistan's energy market?**

**BK:** Our refinery is vital for the economy of Kurdistan. When Beiji Refinery was attacked by the enemy this year, we saw Kurdistan affected by lack of fuel deliveries. We must be self-sufficient, and the goal of the KRG is to be self-sufficient. So we continue to grow our refinery to meet the demand. We are currently at 100,000 bpd. A 20,000 bpd condensate plant will be commissioned in 2015. We will add another 60,000 bpd of refining capacity in the next 24 months. Kurdistan became self-sufficient in jet fuel this year. That was an exciting step.

**IIG: Could you brief our readers on the progress of KAR's power generation and distribution project?**

**BK:** We commissioned our power plant and the 400 KV substation in 2014. We have not been fully operational due to fuel supply, but I am happy that the gas sweetening plant at Khurmala is currently in commissioning and should provide gas to our power plant before the end of 2014. In May, we signed an export credit facility with German Hermes and Commerzbank to purchase an additional two turbines. So when we add these and our combined cycle phase, we will be a 1.2-GW power plant.

**IIG: The KRG has ambitious plans to become an energy provider to Western markets in the long term. How would you describe the future of Kurdistan as an energy provider to Western markets, and the KAR Group's contribution to the realization of this target?**

**BK:** We like targets, and thus far we have been able to meet them. The pipeline system must be expanded rapidly to meet these goals, and we are working hard to do so. The pipeline continues to deliver crude to international markets via the port in Ceyhan, and we do not have disruptions due to the lack of a market. These are all positive things. I feel strongly that infrastructure and crude availability for export will be on target. ☞

## Securing Industry



**Botan Osman** —  
Country Director,  
Restrata & Stirling Group

Botan Osman offers insight into how the Region's Health, Safety, Security, Environment (HSSE), and security technology landscape are changing and developing, and predicts significant future growth and opportunity in the sector.

### About

Botan Osman is the Country Director for Restrata and Stirling Group Kurdistan and Northern Iraq. Botan joined Restrata and Stirling Group from the KRG, where he served as the Head of the KRG Department of IT and IT Advisor to the Prime Minister. He holds a BSc in Software Engineering from Manchester University.

**IIG: What are some of the major elements that your companies focus on in particular in Kurdistan?**

**BO:** Overall, one of the key sectors that we focus on in Kurdistan is oil and gas. We believe that technology and safety solutions can help to make the Region a safer and more secure place. We want to allow the international oil and gas companies (IOCs) to forget about external security challenges and focus instead on their core business of drilling and production. Another focus of both companies is to create a Kurdish cadre in our businesses and the localization of the Region's health and safety industry.

**IIG: What specific challenges does Restrata face in Kurdistan?**

**BO:** For Restrata, the challenges here are related to security. Vigilance is what makes Kurdistan's security so strong, and oil companies insist on being vigilant here, as they do everywhere else. We bring in equipment as well as expertise that have not previously been easily available in Kurdistan, to facilitate vigilant security. Additionally, we work to make processes as unobtrusive as possible. IOCs cannot face downtime, and cannot lose focus on their businesses. We offer several unique technologies, but the key is integrating them so that we are not focusing too little or too much on any one problem. Once integrated, design and training that allows the company to employ the systems most easily is a challenge as well, and requires very close work with the client. To accomplish this, we must understand the security problems that they face before we can address them. Just going to a site and installing cameras is not useful if it is done without the understanding of the overall security environment and challenges.

**IIG: What has been Stirling Group's main focus here?**

**BO:** On the Stirling Group side, one of the challenges that we are seeing is the localization of the oil and gas sector. Through competency matrices and

training, we believe that this can be addressed. Essentially, Stirling Group is very much focused on developing training courses, training personnel, and enabling the IOCs to have the right level of health, safety, and environmental record, as well as the right level of human resources to be able to operate efficiently. As international companies arrive, they bring high standards for health and safety, which have not been previously present in Kurdistan. Fire codes, for example must be followed. Through fire response training and top quality equipment, we are introducing a new level of quality to the health, safety, and environment area, and we are receiving positive feedback both from industry and the MNR. We are opening a new training center this year, which we will use to bring best practices in health and safety training to Kurdistan for the first time.

**IIG: How do you see the market for HSSE developing as the energy industry in Iraq matures?**

**BO:** We see the growth of the security technology area as exponential. When exploring for oil, there are limited needed inputs for security, but once production begins, there is more and more that must be protected, and once commerciality is declared, companies know that they are staying. Right now there are a limited number of companies that are producing, but this is increasing every year. As this progresses, the more production that happens, the more demand there will be for security services and technology, as well as HSE training and solutions. Additionally, we see growth in non-oil sectors such as hotels. We have done security consulting for the most prestigious hotels in the UAE, and we can replicate that here. In the construction sector, new developments in Kurdistan do not always currently follow international health and safety standards. However, we believe that this is changing rapidly with the entrance of global developers, such as Emaar, to the market. As HSE compliance increases, so will demand for our services. ☞

## Shifting to Production



**Majdi Ahmad** —  
Managing Director, Kalegran

Majdi Ahmad provides IIG with exclusive insight into Kalegran's ambitious development of the Akri-Bijeel Block and shares his optimism regarding the future of the Kurdistan Region as an investment destination for international oil companies.

### About

Majdi Ahmad has been working for Kalegran since August 2010, first serving as Deputy Managing Director before becoming Managing Director and Country Chairman for the Kurdistan Region. Prior to his tenure with Kalegran, he held several technical and managerial positions at MOL Pakistan Oil and Gas Company for 8 years. He received an MSc in Petroleum Engineering from Miskolc University in Hungary.

**IIG: How have the company's activities developed since your entry into the Kurdish market?**

**MA:** MOL Group's presence in the Kurdistan Region dates back to November 2007, when MOL was awarded two exploration licenses. Due to a relatively early entry into the Kurdistan Region of Iraq, MOL Group established a strong position and had an excellent relationship with local communities and the government. As we have three significant discoveries in both blocks, our primary aim is currently to develop and commercialize the discoveries. Our focus has shifted from exploration activity to field development and early production.

**IIG: Can you update us on the status of the Akri-Bijeel Block? When is the Field Development Plan expected to be completed, and when will the field begin to produce commercially?**

**MA:** We can proudly report that production has started from the Bijell field using the existing surface facility at the Bijell-1 site. The liquid handling capacity of the EWT facility is 10,000 bopd, which is the production target by the end of 2014.

The ongoing work program contains the drilling of the Bijell-2, Bijell-4, and Bijell-6 wells. All of them will be tied into the mentioned facility. The Field Development Plan is under preparation, and the submission date was April 30th, 2014. Our plan is very ambitious; we are going to conduct a 4-rig campaign from now on until reaching the production plateau.

**IIG: How does the company help develop local staff?**

**MA:** Kalegran strongly believes in investing in human capital. The company provides on the job training for fresh graduates by hiring them under the umbrella of the Growww Program, MOL Group's unique recruitment and development program. Moreover, the company provides local, international, and in-house training to its employees.

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**The combination of sizeable onshore resource potential, relatively favorable economic terms and low geological risk makes the Kurdistan Region a highly attractive investment proposition, which has been recognized by more and more international E&P companies.**

**IIG: How would you assess the Kurdistan Region's role as an energy hub in the medium term?**

**MA:** From the geological point of view, the Kurdistan Region is one of the most attractive regions in the world. The Region has enjoyed significant exploration success since 2004. The combination of sizeable onshore resource potential, relatively favorable economic terms, and low geological risk makes the Kurdistan Region a highly attractive investment proposition, which has been recognized by more and more international E&P companies. Now the Region has reached a more developed stage, where the key challenge is to commercialize and monetize the exploration success of the Region. Several field development programs have been started recently or will start soon, and the construction of a new pipeline to Turkey from the Kurdistan Region is also a catalyst and a key step towards developing the Region's oil industry. ☞

## Changing Dynamics



**Bilal Wahab** —  
Assistant Professor, American University  
of Iraq, Sulaimani (AUIS)

Bilal Wahab provides his exclusive analysis of the changing dynamics in Kurdistan's energy sector and regional geopolitics, arguing for more responsible management of the KRG's energy sector and hydrocarbon revenues.

### IIG: How robust is Kurdistan's energy industry?

**BW:** The building blocks for a robust Kurdish energy industry are in place: increasing production, oil-thirsty markets, a cooperative transit state (Turkey), and investment in export infrastructure. The development of the KRG's energy industry has gone through phases. The KRG started small with the so-called "wildcatters." The gains were solidified with the KRG's legal framework for exploiting natural resources, including the adoption of industry-favorite PSCs. In turn, better-established companies have been attracted to Kurdistan's energy sector. Following the mass of companies and blocks that have been awarded, the KRG is eyeing the last phase: consolidation of the industry through mergers and acquisitions by larger oil firms. Monetization of oil is crucial for the success of this last phase, since, according to the terms of the

PSC, oil firms are paid a percentage of the oil revenues as cost recovery and profit.

### IIG: How could Kurdistan benefit of its gas resources?

**BW:** Gas can be instrumental to economic diversification. The KRG has an estimated 165 tcf of natural gas, most of which is associated with oil. Once developed, the KRG can export gas, especially to Turkey, which sees gas as the real prize for its cooperation with the KRG. Less like oil, natural gas can have stronger ripple effects in the economy by offering local industry a comparative advantage for lower cost manufacturing and agriculture. If exploited well, the KRG could also export electricity. In terms of the environment, gas is cleaner. However, unlike oil, gas has not received due attention. Iraq currently flares about half of its gas production due to lack of capturing technology— an obvious opportunity lost.

## Transparency in Energy Sector

### IN NUMBERS

**\$9.7 billion**  
MNR Revenue (2007-2013)

**\$8.8 billion**  
MNR Spending (2007-2013)

**239 million barrels**  
Total KRG Oil Consumption (2013)

**\$872 million**  
Total Operational Costs and Overhead (2013)

**\$2.8 billion**  
Total Operating Revenue (2013)

**\$1.96 billion**  
Total Operating Profit (2013)

In another step forward for transparency in the Kurdistan's energy sector and finances, the KRG Ministry of Natural Resources (MNR) released its comprehensive Annual Report in April 2014. The report detailed all revenues received by the MNR for hydrocarbons production, as well as all of the MNR's funding for other ministries and projects in the Region.

According to the report, the MNR received \$9.7 billion in total revenues and had \$8.8 billion in costs over the 2007-2013 period, resulting in a net \$920 million surplus. In 2013, however, the MNR ran a \$1.2 billion deficit due to increased payments to KRG institutions, receiving \$2.9 billion in revenues while spending \$4 billion. Operating profits, however, jumped 47.3% from \$1.33 billion in 2012 to \$1.96 billion in 2013.

The report also details the MNR's overhead costs, one-off costs, and its payments for KRG ministries, governorates,

and projects. The largest recipient of these payments in 2013 was the Ministry of Finance, which received nearly \$1.4 billion— \$1.1 billion of which went to reimburse the costs of fuel provided by the KRG to Kurdish citizens, while another \$274 million was allocated to efforts to improve liquidity in Kurdish banks.

The report drew upon data stretching back to 2007, providing an interesting look at growth in both revenues and public spending since that time. The MNR's annual revenue jumped from \$29.6 million in 2007 to nearly \$2.9 billion in 2013, while spending increased from just \$6,382 in 2007 to over \$4 billion last year.

The report also demonstrates the dominance of the Tawke and Taq Taq oilfields in terms of production and oil sales. Of the \$779 million received in oil sales (including exports) in 2013, the two major fields contributed \$745.2 million, or 95.7%, of that year's total sales.

## ANALYSIS— Production & Monetization

**From the accomplishments and challenges of 2014 to the upward trajectory of 2015, Kurdistan remains a choice destination for energy sector investors.**



**Brad Camp** —  
Energy Analyst

Two words will dominate the Kurdistan history books for 2014: ISIS and oil exports. While ISIS spread its truly abhorrent version of governance, the oil industry in Kurdistan emerged from the exploration and discovery phase to production and monetization. Although many deemed the KRG goal of one million barrels per day in 2015 as overly aspirational, works on the ground continued to prove otherwise. Oil companies endured the ambition of a nasty enemy and quickly accelerated production of petroleum in 2014. At the end of 2014, production in the Kurdistan Region stood at approximately 600,000 barrels per day. Exports via pipeline sustained 450,000 barrels per day with the remaining 150,000 barrels per day being delivered to the local refining market. Kurdistan's peer group for oil exports includes countries such as Brazil, Ecuador, Indonesia and the UK. Continued expansion of production in 2015 will see Kurdistan eclipse other producing countries, such as Oman, Azerbaijan and Algeria, and continue to forge its place as a world oil producing and exporting leader.

Geopolitical relations on energy issues made notable progress at the end of 2014 and are on a positive path for 2015. As new leaders settled in their positions in Baghdad, constructive engagement on the energy sector emerged. Previous evacuation routes for oil from Iraq to Turkey

were completely destroyed by the enemy leaving stranded oil and missed revenue opportunities. As pragmatism set in, the newly constructed and operational Kurdistan pipeline network shined as a beacon of possibility both for oil exports and political compromise. Many deemed the pipeline construction as an obstacle to relations and asserted that it heightening tensions between Erbil and Baghdad, but events are showing that the pipeline system is a linkage and an opportunity. The Kurds have committed 300,000 barrels per day of pipeline space to move stranded oil from greater northern Iraq to international markets. With declining oil prices, increased flows are necessary to bridge the shocking budget issues facing Iraq.

Oil prices will continue to make headlines in 2015. The unprecedented declines in the oil price at the end of 2014 will sustain in 2015 and cause revenue generation issues for oil producing countries throughout the world. Governments living the largesse period of oil prices above \$100 per barrel will have to reassess government spending and think austerity. Although short-term pain is inevitable, especially in Iraq which is so highly tied to oil exports for government revenues, a reset of spending and reprioritization toward efficiency will benefit longer term growth. As oil companies decide where to invest, the relatively cheaper oil production costs in Kurdistan will be prime targets for oil investors. Match that with a

vastly improving security situation and the emergence of better geo-political relations and 2015 indeed looks like another banner year for the Kurdistan energy sector.

Gas is slated to be an important issue for 2015. The KRG will embark on a major gas development program that will see increased gas availability for domestic power generation and industry as well as gas production for export for the Turkish market. A new gas regime has been established offering new investment opportunities with measurable returns for investors. Billions in new foreign investment is needed to exploit the gas opportunities, and this will greatly boost the overall economy of Kurdistan as we move through 2015. As reliable gas comes to market, new industries will emerge leading to additional foreign investment and employment opportunities. The dawning of the gas age will pay dividends for generations and allow for a more diversified and productive economy.

From the accomplishments and challenges of 2014 to the upward trajectory of 2015, Kurdistan remains a choice destination for energy sector investors. The years of exploration and discovery are delivering production and development. The challenge of an enemy is building smart resilience and resistance. The emergence of self-sufficiency is delivering mutually respectful regional cooperation. Indeed Kurdistan remains as a choice destination in the energy world.

## ANALYSIS—

## Kurdistan Energy Update

2015 brings new challenges but promises to be the best year yet for Kurdistan's energy sector.



Shwan Zulal —

Director, Carduchi Consulting

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**The KRG Ministry of Natural Resources expects to export 800,000 bpd of oil by the end of 2015. The recent agreement between Baghdad and Erbil provides a mechanism to restore Kurdistan's budget in return for the KRG's assistance exporting 550,000 bpd of oil for the Iraqi government.**

As of 2009, the Kurdistan Region had not exported a single barrel of crude and was only producing a few thousand barrels of oil per day. Now, just six years later, the Region is promising to produce a million barrels per day within a year's time as new fields come online and existing fields double their production capacity in an unprecedented expansion of the Region's oil and gas industry.

A combination of factors, including sound investment policies and shifting geopolitical circumstances, has prompted this expansion. The big push to increase production and exports came after Baghdad expressed its vehement opposition to Kurdish control over oil policies and the Region's decision to grant its own production sharing contracts. In January 2014, Baghdad cut off the Kurdistan Region's budget after the completion of a pipeline allowing independent oil exports. Export volumes increased gradually and are currently above 280,000 bpd.

Turkey, more than any other player, has made exports possible. Over the last five years, Ankara has proven to be a reliable business partner for the KRG, despite occasional political differences. Exports from Ceyhan continue, and the KRG is able to sell oil through Turkey despite opposition from Baghdad and discouragement from the US.

In the wake of the capture of Mosul by ISIS and the Iraqi army's desertion of its posts in Kirkuk, Peshmerga forces moved to fill a threatening power vacuum that had formed on the Kurdistan Region's borders. The Kirkuk oil fields have since come under KRG control. With the crude they produce stranded due to unusable pipeline infrastructure, the KRG has made use of this oil for its own domestic needs. This, in turn, has freed up more crude from Kurdish fields for export.

The KRG's Ministry of Natural Resources (MNR) expects to export 800,000 bpd of oil by the end of 2015. The recent agreement between Baghdad and Erbil provides a mechanism to restore Kurdistan's budget in return for the KRG's assistance exporting 550,000 bpd of oil for the Iraqi government (250,000 bpd from fields within Kurdistan; 300,000 bpd from fields near Kirkuk). The deal seems very promising, but so far few details have been discussed.

In 2015, both sides will be searching for a way to restore trust and solve the bevy of disputes brought to a head over the eight years of former Iraqi PM Maliki's divisive tenure. The most contentious issue will be oil, which also entails questions concerning company cost recovery, budgetary funds still owed to the Kurdistan Region, and the KRG's right to export crude independently.

Production at major fields is set to double in 2015. Experts expect production at Tawke to reach 200,000 bpd by the end of the year. Taq Taq should add another 60-70,000 bpd, approaching Tawke's production figures. Khurmala is also expected to expand production to the same levels. New fields are also set to come online. Taqa's Atrush field, Gulf Keystone's Sheikhan field, MOL's operation in the Akri Bajeel block, and Oryx's Demir Dagh field are all poised to produce in 2015.

Looking at the figures above, the picture looks very promising for the Kurdistan Region, and the target outlined by the MNR looks plausible. The question of payments to oil companies still remains an issue, however. In Iraq's 2015 federal budget, funds for cost recovery by IOCs will be included in the KRG's 17% budgetary entitlement. Given the shortcomings of the Iraqi budget and the KRG's tenuous financial situation—starved for cash by Baghdad over the last year—payments to oil companies in the first half of 2015 are likely to be intermittent, as they were in the later half of 2014.

The KRG insists on its right to export oil at levels beyond the 250,000 bpd it has recently agreed to market through SOMO (Iraq's State Oil Marketing Organization) in order to cover its budget shortfall and pay oil companies.

Baghdad, however, has not yet come around to this idea and has refused to drop lawsuits in US courts against vessels carrying exported Kurdish crude.

Despite a slump in oil prices, Kurdistan should see an array of investments in new fields and new production facilities in 2015. A route for exports has been established, and the ISIS threat has receded. At the same time, many operators have declared commerciality and are contractually obligated to enter the production phase. Two years ago, the MNR found it difficult to press for production plans, because the only available export route relied on transporting oil by truck and there was great uncertainty about the future of crude exports. After a year of successfully selling millions of barrels of crude on international markets, although not without problems, the prospect of exporting oil is very much a reality and the question now is infrastructure capacity rather than politics.

### Gas Development

The KRG has ambitious plans to develop Kurdistan's gas fields in 2015, and a recent deal with Genel Energy to develop the Miran field is part of this drive. The MNR will be taking on the task of processing natural gas and is looking at large investments in the gas sector. Many gas fields in Kurdistan have not yet been developed,

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## ANALYSIS

## Registering an Oil Services Company in the Kurdistan Region of Iraq

**Alain Hannouche** —  
Head of Erbil Office,  
Hannouche Associates

Foreign oil services companies looking to establish a presence in the Kurdistan Region of Iraq are subject to the special directives and requirements of the Ministry of Natural Resources (MNR) in Erbil, most of which involve mandatory prerequisite approvals for the completion of the registration process for operations in Kurdistan.

The details of these conditions and the practical constraints posed by their application need to be fully understood and taken into account when planning the legal structure of any company's presence in the Kurdistan Region. This is especially true with respect to the differences between requirements to register a branch of a foreign oil services company and the incorporation of a local entity.

### Applicable Laws:

The Republic of Iraq is divided into two legal jurisdictions— that of the Iraqi federal government and the separate jurisdiction of the Kurdistan Region of Iraq. This means that each company needs to be registered separately in each of the two regions. Furthermore, the Kurdistan Parliament holds the power to ratify, amend, or reject laws enacted by the Iraqi Parliament in certain areas

of constitutionally designated authority.

The laws pertinent to the registration of oil services companies are the “Iraqi Civil Law No. (40) of 1951,” “Companies Law No. (21) of 1997,” and “Foreign Branches and Representative Offices Regulation No. (5) of 1989,” all of which have been enacted by the Iraqi Parliament and ratified without amendment by the Kurdistan Parliament. In addition, the Ministry of Natural Resources in Erbil regulates the registration process through the directives it issues. This array of laws and the powers reserved for Kurdish authorities mean that the legal framework discussed in this guide will apply primarily in the Kurdistan Region and differ greatly from the conditions and requirements imposed in the rest of Iraq, even though processes in both areas are based upon the same laws and regulations.

### Registering a Branch of a Foreign Oil Services Company:

Nearly all foreign entities have the ability to open a branch in the Kurdistan Region, though legal procedures differ based on their field of activity. As a prerequisite, oil services companies need to be registered on the Vendors' List at the Ministry of Natural Resources in Erbil. This registration can be initiated electronically and followed through with the Ministry in order to obtain a registration number. For the time being the Ministry is not

issuing registration certificates, so a number issued by the MNR is a company's only reference and proof of registration in the Kurdistan Region.

At the same time the registration process is initiated or shortly thereafter, firms must file an application accompanied by all required supporting documents from their parent company with the Companies' Registrar at the Ministry of Trade and Industry in order to open a branch. The Companies' Registrar will transfer the application to the Ministry of Natural Resources for preapproval of the branch opening, which will be suspended until the Vendors' List registration is completed. After preapproval is granted, a company's application to open a branch is transferred back to the Companies' Registrar, where the parent company's application documents are examined in order to move forward with the standard branch opening process and complete the registration.

An oil services company's decision to open a branch in the Kurdistan Region, rather than incorporating a new local company, offers the advantage of a quick, straightforward process for establishing a legal presence in the country. In many cases, this proves to be the decisive factor for companies that opt for the branch solution, despite the financial and legal risks such a setup poses for the parent company.

### Incorporating a Local Oil Services Company:


The most common legal entity in Iraq is the Limited Liability Company (LLC). Joint Stock Companies in particular need special approval from the Council of Ministers in order to be established and are generally chosen only when required by law, when other common legal forms of entities are still not available.

Much like the branch opening process, a registration application must be filed with the Companies' Registrar at the Ministry of Trade and Industry. It should be noted that a local LLC can be wholly-owned by a foreign parent company or by foreign individuals.

After the application's submission and its transfer to the Ministry of Natural Resources, proceedings start to differ considerably from those under the branch opening process. Unlike branches of foreign companies, local LLCs are required to insure a contract or a subcontract with a registered, currently operating oil

company in order to get the mandatory preapproval of the Ministry of Natural Resources for the completion of their registration process.

After a company is incorporated, it can begin the process of obtaining a registration on the Vendors' List at the Ministry of Natural Resources. The Ministry has made Vendors' List registration a strict prerequisite for all oil companies and their suppliers in the Kurdistan Region, and it forbids companies currently operating in the oil and gas sector from dealing with any supplier whatsoever that is not included on the list.

Companies that opt for a local LLC frequently do so because of the legal and financial protection this route provides for the parent company, but often have to look for practical ways to overcome the obstacles associated with incorporation requirements and prerequisites. 

“An oil services company's decision to open a branch in the Kurdistan Region, rather than incorporating a new local company, offers the advantage of a quick, straightforward process for establishing a legal presence in the country.”

### The Comment

The great promise of Kurdistan's oil sector has placed it on the radar of most oil and gas companies operating in the Middle East, but planning that ignores the Region's unique legal structure can quickly lead to detrimental consequences. It is therefore beneficial for any company looking to enter the Iraqi oil services market to fully understand the practical implications of the conditions imposed by Iraqi law and the Ministry of Natural Resources described above.

# How to Start-Up

## Doing Business in the Kurdistan Region

# Deloitte.

### Deloitte in Kurdistan

#### How will you benefit?

##### Using our expertise to add value and reduce risk

Operating in over 150 countries around the world, Deloitte, the largest professional services firm in the world, is recognized for its talent, scale, position and size. Our firm brings the experience that you require to mitigate the risks and challenges that your business might face in Kurdistan. We have a deep understanding of the local statutory accounting and tax compliance requirements; accordingly, many of the world's largest companies operating in the Region rely on our know-how.

##### Knowledge and value

Our team has extensive working knowledge of Kurdistan's investment and regulatory climate. We are well placed to provide support with regards to accounting, corporate income tax, and social security filing obligations, and to create lasting value. With such full-time dedicated resources on the ground in our Erbil office, Deloitte's practice in the Kurdistan Region blends global knowledge and local expertise, a factor which we believe sets our firm apart.

##### Deloitte's Kurdistan practice provides comprehensive and integrated solutions

Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries in the Middle East, with uninterrupted presence since 1926. Deloitte has a legal entity registered in Erbil with dedicated resources on the ground available to meet with clients of the public and private sectors locally and to liaise with regulatory and tax authority personnel as required.

##### Commitment to being at the fore of supporting our clients

As you grow your business in Kurdistan, we will be available to help you every step of the way. We will work with you to ensure that you are kept up-to-date on developments in the Kurdistan Region regulatory and tax areas.

With a globally connected network of member firms, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

### Understanding local requirements is key to success

In a raw and lucrative market such as the Kurdistan Region of Iraq, there are definite opportunities; hence, patience and local relationships are essential ingredients to a successful entry.

The Kurdistan economy is heavily reliant on oil revenues, but recognizing that oil export receipts cannot keep pace with spending for reconstruction, the Kurdistan Regional Government introduced new legislations in an effort to attract private sector and foreign investment. These new measures are meant to boost Kurdistan's economy driving non-oil GDP up.

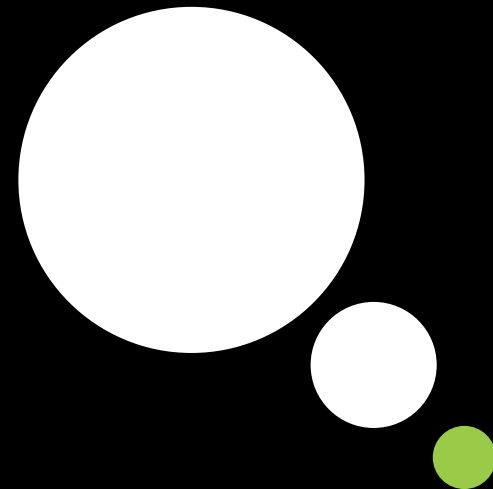
The primary beneficiaries are many industry sectors including, but not limited to: construction and construction materials, branded consumer goods, healthcare, technology & electronics, retailing, financial services and capital markets.

This start-up guide is designed to walk a new entrant through the key steps in setting up a business in Kurdistan. Please note that this guide is general in scope and should not be relied upon as legal, tax or other professional advice specific to your industry, country of origin and business structure. Subsequent changes in or to the foregoing (for which Deloitte shall have no responsibility to advise readers) may result in the information provided by Deloitte being rendered invalid.

We would like to thank Hannouche Associates for providing the legal section of this guide. We hope that you will find this to be informative and your experience here in Kurdistan enjoyable and rewarding.

Respectfully,

**Ayad Mirza,**  
Country Managing Partner,  
Iraq Deloitte & Touche Management Consulting, WLL



## Turn small ideas into big ones

Even the biggest idea will meet resistance or stumbling blocks unless a pragmatic plan is created at the outset and relentlessly followed through. That's why so many leaders rely on Deloitte. To step ahead with confidence, visit [www.deloitte.com/middleeast](http://www.deloitte.com/middleeast).

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence since 1926. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, financial advisory and enterprise risk services through 26 offices in 15 countries with over 3,000 partners, directors and staff.

# Deloitte.

# Choice of entity and legal business structure

As a general rule, a foreign company that is “carrying on business” in the Kurdistan region of Iraq is required to establish a legal presence in the region (e.g. company, branch office, etc.). While there is no specific definition as to what constitutes “carrying on business”, typically an obligation would arise when the company obtains premises (including rented premises), retains personnel on a more than temporary basis, or in general, enters into agreements meant to be directly performed in the region.

Iraq’s Companies Law 21 (of 1997) as amended in 2004, which is adhered to in Kurdistan, provides for several types of legal business structures. Principally these include joint stock companies, limited liability companies, joint liability companies, sole proprietorships, and branch offices.

Below we set out to list some of the more important legal requirements and practical guidelines necessary to set up the two most prevalent legal structures in Kurdistan: Limited Liability Companies and Branches of Foreign Entities.

## 1. Registering a new Limited Liability Company (LLC)

### 1.1 Legal requirements

- A corporate name must be reserved at the local Chamber of Commerce.
- An application form must be completed.
- Articles/Memorandum of association must be drafted and signed.
- For each corporate shareholder: a certificate of incorporation; articles of association/charter, last filed financial statements and a power of attorney in favor of a Kurdistan region lawyer is to be signed by the authorized signatory of the corporate shareholder.
- For each individual shareholder: a

passport copy and/or other local identifications, and a power of attorney in favor of a Kurdistan region lawyer to be signed by all individual shareholders.

- A copy of the leased premises’ contract in the Kurdistan region.
- Evidence of residency of proposed managing director in the Kurdistan region.
- A minimum share capital for an LLC of 1 million IQD must be fully paid up prior to completion of the registration process (oil services companies shall have a minimum share capital of 2 billion IQD).
- An LLC must have one managing director and must appoint a statutory accountant and a statutory lawyer. The latter two must be Iraqi nationals while the managing director could be a foreign national.

### 1.2 Practical guidelines

- Incorporation time: 15 – 20 business days.
- An LLC can be wholly owned by a foreign citizen or a foreign entity.
- The maximum number of shareholders is 25.
- An LLC may engage in any activity other than banking, financial investments and insurance.
- An LLC is required by law to hold two General Assembly meetings per year.
- An LLC is allowed to own real property even if wholly owned by a foreign citizen or a foreign entity.
- An LLC incorporated in the Kurdistan region cannot operate in Federal Iraq.
- An LLC incorporated in the Kurdistan region can open a branch in Federal Iraq.
- An LLC is subject to the classification requirements of the Ministry of Planning when such classification is required to enter into a certain contract or tender.

- An LLC can own a motor vehicle but its foreign shareholders cannot own such vehicles in their own names unless they hold a one year residency permit.
- An oil services LLC needs to win a contract with an operating oil company in order to be granted the preapproval of the Ministry of Natural Resources on its incorporation.

### 1.3 Foreign entity as a shareholder

In case the LLC will be partially or wholly owned by a foreign entity, the latter must have been incorporated for more than one year. The documents below are to be provided by the foreign entity. All documents must be translated to Arabic and certified at the Iraqi embassy in the entity’s home country:

- Articles of Association
- Certificate of Incorporation
- Last filed financial statements
- Resolution to own an LLC in the Kurdistan Region

## 2. Registering a branch of a foreign company

### 2.1 Legal requirements

- An application form must be completed.
- Certificate of Incorporation of the Parent Company registering the branch office.
- Articles of Association/Charter of the Parent
- Company and a Resolution to open a branch in the Kurdistan region of Iraq.
- A Power of Attorney from the branch director and authorized signatory in favor of a Kurdistan region lawyer to undertake registration procedures.
- A copy of the leased premises’ contract in the Kurdistan region.
- Evidence of residency of proposed managing director in the Kurdistan Region.
- All documents must be translated to Arabic and certified at the Iraqi embassy in the entity’s home country.
- A branch must have one managing director and must appoint a statutory accountant and a statutory lawyer. The latter two must be Iraqi nationals while the managing director could be a foreign national.

### 2.2 Practical guidelines

- Incorporation time: 10 – 12 business days.
- Branches of foreign companies must keep the same name and ownership structure of the parent company.
- The parent company is financially and legally liable for the branch’s activities.
- Branches of foreign companies cannot own real property.
- The approval of relevant syndicates for the branch registration is more costly than the same approvals required for the incorporation of an LLC.
- Branches of foreign companies can own a motor vehicle.
- Branches of foreign companies are exempt from the classification requirements of the Ministry of Planning.
- Branches of foreign companies registered in the Iraqi Kurdistan region cannot operate in Federal Iraq.
- The parent company needs to have been incorporated for more than a year in order to be allowed to register a branch in the Kurdistan Region of Iraq.
- A branch of a foreign oil services company is not required to secure a contract with an operating oil company in order to be granted the Ministry of Natural Resources preapproval on its registration.

### 3. Residency permits

- Locally incorporated LLCs and branches of foreign companies have the same rights regarding residency permits.
- The LLC or the branch, is the only required guarantor for the issuance of residency permits for the company’s director, shareholders and employees.
- Individuals entering the Kurdistan region through a visa issued by the Iraqi embassy are not eligible for residency permits.
- The Ministry of Interior issues two types of visas: visit visas and work visas. The latter is the only type of visa enabling the foreign individual to issue a residency permit.

**In case the LLC will be partially or wholly owned by a foreign entity, the latter must be incorporated for more than one year.**

**Branches of foreign companies registered in the Iraqi Kurdistan Region cannot operate in Federal Iraq.**

Registered companies and branches of foreign entities are required to make annual corporate tax filings with the Income Tax Directorate (ITD), and make payment of corporation tax, by 30th of June following year-end (Note: the statutory filing deadline is 31 May, but a 1 month extension is in practice applied by the tax authority to all businesses).

Currently, three industrial free zones are under consideration as approved projects by the Board of Investments. They are the Duhok, Erbil and Slemani industrial zones.

#### 4. Import – Export

- All companies are allowed to issue an import/export license.
- The type of products that needs to be imported must be specified in the license application.
- The ports of entry that will be used by the company need to be specified in the license application.
- Once the license is issued, it must be notified to the relevant ports of entry.
- A ceiling for the value of goods imported throughout the year must be specified in the license. Once the limit is reached, imports are suspended until the ceiling is adjusted accordingly.

#### 5. Labor law

- No minimum requirement on the number of local employees in a company is imposed on all types of entities.
- All employment agreements must be either in Arabic or bilingual, with Arabic being the prevalent language.
- No work permits are required for local or

foreign employees. Foreign employees can legally perform their duties based only on their residency permit.

- Legal disputes arising out of the employment relationship fall under the jurisdiction of a special labor court.

#### 6. Free zones

- Currently, three Industrial free zones are under consideration as approved projects by the Board of Investments.
- The Duhok industrial zone is already implemented and more investors are sought to submit proposals for industrial projects. The Erbil industrial zone has reached the final setup stage and soon investors will be requested to submit their proposals for prospective projects. The two Sulemani industrial zones offer great potential for investments; one of the zones is currently being developed, and, master developers are being sought for the other one to propose scenarios of developing the area for industrial projects.

## Taxation

As a semi-autonomous Region, the Kurdistan Region has introduced certain tax laws and practices that diverge from the position in Federal Iraq. This section discusses corporate income tax; including issues such as compliance, income tax rate, and loss carry forwards.

Transfer pricing, capital gains, withholding tax, employment tax, social security contributions, VAT/sales tax and import, export and customs duties are also discussed.

### 1. Corporate tax

#### 1.1 Compliance

- Entities are required to register with the Income Tax Directorate (ITD) in Kurdistan Region for corporate income taxes.
- The Income Tax Directorate (ITD) typically requires Kurdistan entities to complete the tax registration by way of their first corporate tax filing.
- Registered companies and branches of foreign entities are required to make annual corporate tax filings with the ITD, and make payment of corporation tax, by 30th of June following year-end (Note: the statutory filing deadline is 31 May, but a 1 month extension is in practice applied by the tax authority to all businesses).
- The penalty for late filing is currently 10% of the tax due, capped at IQD 75,000 per year.

#### 1.2 Corporate income tax rate

- The current corporate income tax rate for all industries is a flat rate of 15%.
- According to the tax law, if supporting books and records are maintained, corporate income tax should be calculated based on the net accounting profits per audited financial statements.
- In the absence of audited financial statements and supporting documentation, it is not uncommon for the ITD to assess corporate income taxes based on pre-determined industry sector deemed profit schedules.

#### 1.3 Loss carry forwards

Kurdistan Income Tax Law No. 26 of 2007 and its subsequent amendment Law No. 20 of 2011 are both silent about loss carry

forwards, but in accordance with Iraqi Income Tax Law No. 113 of 1982 as amended in 2003:

- Losses incurred during the year may be carried forward for a maximum of five consecutive years, to be offset against profits generated from the same source as the original loss.
- Up to 50% of the taxable income in a year may be sheltered by brought forward tax losses.
- To the extent that an entity is loss making, the tax authority may seek to assess the entity on a deemed profits basis, which would effectively disregard any losses incurred in the current year and deny the entity of tax relief for carried forward losses in future periods.

### 2. Transfer pricing

- There are no formal transfer pricing rules in Kurdistan Region.
- The tax authority, however, reserves the right to adjust transactions, for tax purposes, which they consider not to be at arm's length.

### 3. Capital gains

- There is no separate capital gains tax regime in Kurdistan Region.
- Gains and losses realized by a Kurdistan entity on disposal of non-current assets is classified as ordinary income and is subject to corporate income tax at the applicable corporate income tax rate.
- The tax law does not specifically provide for a tax on gains realized by a non-resident. However, there are provisions included within the tax law which the tax authority could use to seek to assess tax on a gain realized from the disposal by a non-resident of Kurdistan assets.

### 4. Withholding tax

- In practice, there is no withholding tax on dividends.
- A tax of 15% should apply to payments of interest to non-residents but this is not always consistently applied.
- The Kurdistan Region does not currently impose withholding taxes on service payments.

The current income tax rate for all industries is a flat 15% calculated based on the net accounting profits per audited financial statements; however, it is not uncommon for the ITD to assess corporate income taxes based on pre-determined industry sector deemed profit schedules.

The Kurdistan Region does not currently impose withholding taxes on service payments and dividend payments.

**Employees working in the Kurdistan Region are subject to personal income tax at a rate of 5% on their income in excess of IQD 1,000,000 per month.**

### 5. Employment tax

- Entities registered in Kurdistan Region must register with the ITD for employment taxes with respect to their employees working in Kurdistan.
- Employment tax filings are due annually by 30th of June following year-end.
- Employees working in the Kurdistan Region are subject to personal income tax at a rate of 5% on their income in excess of IQD 1,000,000 per month.
- Social security contributions withheld from the employee are deductible when calculating taxable income.
- Both foreign and local Iraqi national employees are assessed tax on the same basis.

### 6. Social Security contributions

- All employers operating in the Kurdistan Region are required to remit Social Security and Pensions Contributions (SSPC) for their employees in the Kurdistan Region.
- There are two components to the SSPC: Employees are required to contribute 5% of their monthly salary. The employer deducts at source this amount from the employee's salary.

- Employers are required to pay 12% of the salary in respect of their employees working in the Kurdistan Region of Iraq.
- Exemptions are available to foreign nationals working in the Kurdistan Region if covered in their home country and proof of coverage is documented with the social security office.
- Such proof must be authenticated by the Iraqi embassy in the country where the foreign employee resides.

### 7. VAT/Sales tax

- There is currently no VAT or sales tax levied on goods or services in the Kurdistan Region.

### 8. Import, export and custom duties

- Under Iraq domestic legislation, customs duty on goods brought into Iraq is generally 5% of the CIF value of the goods imported.
- Customs duty exemptions may be available for goods and equipment imported in connection with upstream oil and gas activity, or goods imported on a temporary basis.

## Investment Law

Law No 4 of 2006, Law of Investment in the Kurdistan Region (the "Investment Law") provides for tax incentives and exemptions for foreign investors in the Kurdistan Region who are involved in certain qualifying projects. The Investment Law sets out specific projects which are considered to qualify for an investment license. In general, projects involving vital sectors, such as electricity, agriculture, health and environment, infrastructure and education, etc. qualify as eligible projects.

### 1. Key provisions of the Investment Law

According to the Investment Law, projects which qualify for an investment license (and which have obtained the requisite

approvals) should benefit from:

- Total ownership of project land allowed, except investors may not own land containing oil, gas or mineral resources.
- Full repartition of project investment and profits.
- A foreign investor shall be entitled to send his capital back abroad upon winding up or disposal of the Project without prejudice to applicable laws and regulations regarding taxes and customs.
- Exemption from the following taxes:
  - » All non-custom taxes and duties for a period of ten years from the date production commences or the date services are offered.
  - » Custom duties on imports of spare parts up to 15% of project cost.

- » Custom duties, taxes, import licenses on imported vehicles, equipment, instruments, etc, provided they are imported within two years of approval by the Investment Commission Chairman.
- » Custom duties and taxes on imports of linens, carpets, furniture and other renovation items once every three years for hotels, hospitals, universities, schools, and tourist institutions.
- » Custom duties for five years on imports of raw materials for production.
- Employment of foreign workers provided no capable Iraqis are available. Foreign workers may repatriate earnings.
- Equal treatment of foreign investor and capital as national investor and capital.
- An investor may transfer his investment totally or partially to another foreign or to a national investor, or may assign the project to his partner with the approval of the board.
- Services provided by the Kurdistan Regional Government to the boundary of the project, such as water, electricity, sewage, public roads, telecommunications, etc.
- Foreign or domestic insurance and additional incentives for projects in "less developed areas" and "joint projects" between Kurds and foreigners.
- Protection under the Supremacy of Kurdistan Law (Art. 115 of Iraq's Constitution) whenever there is any contradiction between this law and "other relevant laws," the provision of this law shall be applicable.
- An investor's initiative and technical know-how are protected under this law and any person, by virtue of his post, who discloses any information, will be punished.

### 2. Eligible projects

The provisions of this Law shall apply to the projects approved by the board in one of the following sectors:

- Manufacturing industries, electric power and related services.
- Agriculture, whether crop growing farms or animal farms, forestry and related services.
- Hotels, tourist and recreational projects, funfairs, and amusement parks.

- Health and environment.
- Science and technology research, and information technology.
- Modern communication and transport.
- Banks, insurance companies, and other financial institutions.
- Infrastructure projects, including construction, reconstruction and housing projects, roads and bridges, railways, airports, irrigation and dams.
- Free zones, modern commercial markets, and relevant advisory services.
- Education at all levels, within the framework of the educational policy of the Region.
- Any project in any other industry which the council agrees is covered by the provisions of this law.

### 3. Licensing procedures

In order to avail of the provisions of the Investment Law, the Kurdistan entity is required to obtain an investment license in respect of the specific project. The following are necessary procedures when submitting a request:

- The entity is required to submit an application to the Board of Investment accompanied with documentation that would assist in obtaining the exemption e.g. description of the project, copy of the contract (if available) and a summary of how the project would contribute to the development of the Region.
- The board will have to decide on the application within 30 days from the date of fulfillment of the technical, legal, and economic conditions and requirements.
- The board shall then consult with competent authorities on the advantages of issuing the license and such authorities will give their viewpoint for the acceptance, rejection or amendment request within 30 days from the date of the board's referral of the application to them.
- If the application is rejected, the applicant may raise an objection to the president of the council within 15 days from the date of the rejection notice.
- The president of the council will have to respond within 30 days and his decision shall be conclusive.

**In order to avail of the provisions of the Investment Law, the Kurdistan entity is required to obtain an investment license in respect of the specific project.**

**Full repartition of project investment and profits is allowed and upon liquidation or disposal of the project, a foreign investor shall be entitled to send his capital abroad.**

# Local statutory accounting and auditing requirements

There is a requirement for Iraqi entities to submit annual audited financial statements to the Companies Registrar and General Commission for Taxation. The financial statements must be in Arabic and in accordance with Iraq's Unified Accounting System (IUAS). Strictly, Iraqi corporate law requires that Iraqi entities maintain Arabic accounting books and records inside Iraq.

## 1. Local statutory accounting requirements

- For companies that maintain an ERP system in a language other than Arabic, all of the General Ledger line item transactions as shown on the ERP system must be translated into Arabic on a monthly basis in compliance with statutory requirements.
- For companies that maintain their books and records under International Accounting Standards, an annual conversion to the Iraq Unified Accounting System is mandatory.

## 2. Local auditing requirements

- Under Iraqi law, an entity must engage with a local licensed auditor to sign off the audited IUAS financial statements. It is noteworthy to mention that currently, none of the international accounting firms have a local audit license to be able to sign off on the IUAS financial statements.
- The audited financial statements must also be signed off by the company's managing director in the case of an LLC or by the branch manager in the case of a foreign branch.
- A third signature from the company's statutory accountant is required.
- Once signed off, the local licensed

auditor and/or the accountant must have the audited financial statements stamped by the Institute of Accountants and Auditors.

- Typically, five originals are needed:
  - » Two original copies to be kept by the company
  - » One original copy to be kept by the local auditor
  - » One original copy to be submitted to the Companies Registrar on or before April 30<sup>th</sup> following year-end
  - » One original copy to be submitted to the General Commission for Taxation on or before June 30<sup>th</sup> following year-end

## 3. Brief history of Iraq's Unified Accounting System

- Work on the Unified Accounting System in Iraq started in April 1979 by the establishment of a committee which was formed by representatives of various governmental institutions and accounting experts.
- The aim was to establish a Unified Accounting System for the government directed economy at that time to facilitate more accurate decision making and firm financial control.
- The final version of the guide to the Unified Accounting System was presented in March 1981.
- The primary objective of the Unified Accounting System is to provide a standardized and uniform chart of accounts that is rigorously applied and used across various industries.
- It provides for a rigid numbering scheme for asset accounts, liabilities, equity, revenue and expenditure accounts and for multiple sub-accounts per category.

- It also provides for unified depreciation methods and tables by industry sector and asset type. The financial statement presentation follows that numbering scheme and provides for a uniform design to all financial statements with extensive statements, analysis and tables to support every single line.

## 4. IUAS manual and guide

- The Unified Accounting System (UAS) manual consists of the following main chapters:
  - » The general framework of the chart of accounts
  - » Explanations of the chart
  - » Handling of transactions
  - » Accounting books
  - » Financial reporting
  - » Guide to depreciation and amortization schedules
  - » Costing in light of the UAS
  - » Budget planning
  - » National accounts
  - » Mechanization of UAS
- The guide to Unified Accounting System includes the basic forms of the financial statements that are believed to satisfy the needs of all users:
  - » The balance sheet
  - » Manufacturing, trading, profit and loss, and appropriation account
  - » Profit and loss account for completed contracts
  - » The statement of current operations
  - » The statement of the total added value
  - » The statement of the distribution of total added value
  - » The accompanied detailed statements (disclosures and footnotes)

This guide has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this guide. Deloitte, Deloitte & Touche (M.E.) and Deloitte & Touche Management Consulting, WLL would be pleased to advise readers on how to apply the principles set out in this guide to their specific circumstances. Deloitte, Deloitte & Touche (M.E.) and Deloitte & Touche Management Consulting, WLL accept no duty of care or any liability for any loss occasioned to any person acting or refraining from action as a result of any material in this guide.

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THE REVIEW

Real Estate & Construction

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SECTOR AT A GLANCE

**58,690-unit**  
Annual Housing Demand

**\$13.7 Billion**  
Total Investment (2006-2012)

**166**  
Total Projects (2006-2012)

**\$1.3 Billion**  
Investment Needed through 2020

**283,000 units**  
Housing in need of rehabilitation

**6,057 Acres**  
Land Allocated

**700%** increase in supply across all sub-sectors (2017)



The New Trend

Real estate and construction, two of Kurdistan's most quickly changing sectors, saw important advancements in standards and financing in 2014.

As a central driver of the growth in foreign and domestic investment in Kurdistan, construction and real estate have drawn a huge amount of resources to the Region—\$13.7 billion in Board of Investment-licensed housing projects (not including commercial or industrial space) alone since 2006. They are also, however, two of the most quickly changing sectors in Kurdistan, with shifting dynamics in the quantity and quality of construction, as well as the quality of residential and commercial space demanded

by foreign companies entering Kurdistan. In many respects, 2014 saw the initial rumblings of many consequential shifts in the sector.

Trends that have gained steam in 2014 and will persist in coming years include a move towards increasingly high quality builds, standardization and enforcement of construction and development standards, and, in the longer term, a stronger and more liquid market with the increased use of financing and insurance in the sector.

**Did you know?**

*The KRG will need to invest a minimum of \$172 million per year.*

In the wake of shifts in the larger economy, changing demands have driven each of these trends. For example, international oil companies (IOCs) that have flocked to Kurdistan in recent years to begin exploration for hydrocarbons are now moving into the production phase. Such a shift means they will be in Kurdistan more permanently and will require more staff. This translates to higher demand for graded office space and high quality housing in the real estate sector (and, conversely, less demand for long-term hotel stays and smaller, cheaper forms of housing or office space). Other industries moving into the Kurdistan Region and small or medium-sized enterprises (SMEs) will likely take the place of IOCs in temporary or more affordable spaces, reflecting the increased segmentation of the market.

The sector still faces many challenges. The Region's financing and insurance markets are still immature, leading to perverse effects and inefficient outcomes.

**Shift in Focus: Quantity to Quality**

Having started with very little development at all just a decade ago, the construction sector's focus has logically been to build as much and as quickly as possible. As quantity meets demand and global companies set up shop in Erbil, however, quality is now securely in the spotlight. The major international companies that are beginning to establish themselves permanently in Kurdistan are demanding graded office space. TAQA, the national energy company of Abu Dhabi, is only the most recent IOC to move from its previous villa in Italian City to a dedicated, more permanent office in Empire World. Others, including Gulf Keystone and Standard Chartered, have moved into office space

in UB Plaza, established by UB Holding. Consumers tend to buy houses and apartments in cash, as there is no mortgage market. Developers are similarly limited in terms of risk and leverage, as they cannot finance major development projects, stunting the quality and quantity of real estate built in Kurdistan. Lack of insurance also means that homeowners cannot secure or leverage their properties.

While building standards do exist, they are seldom enforced. This ultimately leads some developers to build cheap, shoddy projects that can sometimes pose safety risks. High demand and the nascent nature of the market have created a degree of "short-termism" among some developers, as cheap, quickly built projects are expected to be quickly profitable. Indeed, with the Kurdistan Region's high rents, such developments often are. This dynamic is quickly changing, however, as the real estate market and the Region's economy and overall business environment mature.

As more companies make similar transitions, either initially into the Kurdistan Region or into high quality permanent space, more developers are pursuing quality in their new developments. The Erbil Business and Trade Center, a new space slated to open its doors soon, consulted with IKG Property early in the development process to ensure that its floor plans, designs, and safety standards were up to the expectations of global companies.

According to experts, some of the new office space that is due to go on the market still does not adhere to international standards for global organizations. However,

the quality of the Kurdistan Region's real estate supply is quickly improving. The primary motivator for this change is the demand for quality in the market. Factors seen as essential for international businesses are still only sporadically applied.

**Trends that have gained steam in 2014 and will persist in coming years include a move towards increasingly high quality builds, as well as standardization and enforcement of construction and development standards.**

Many private sector changes could move the construction sector in the right direction. Increased use of construction supervision to ensure that construction and development firms carry out design and engineering work in a manner that is true to plans and building standards could improve quality. This would hold builders accountable to both designers and project owners.

While market demand is pushing quality higher, this shift is still a work in progress. Low quality building methods still persist, as unified building standards are still not broadly enforced by the KRG. The sector is unable and unwilling to police itself, and market demand can only do so much to motivate developers to conform to international building standards.

**%700**

Increase in supply across all subsectors by 2017.

**\$13.7B**

Total Investment

**\$1.3B**

Investment Needed (until 2020)

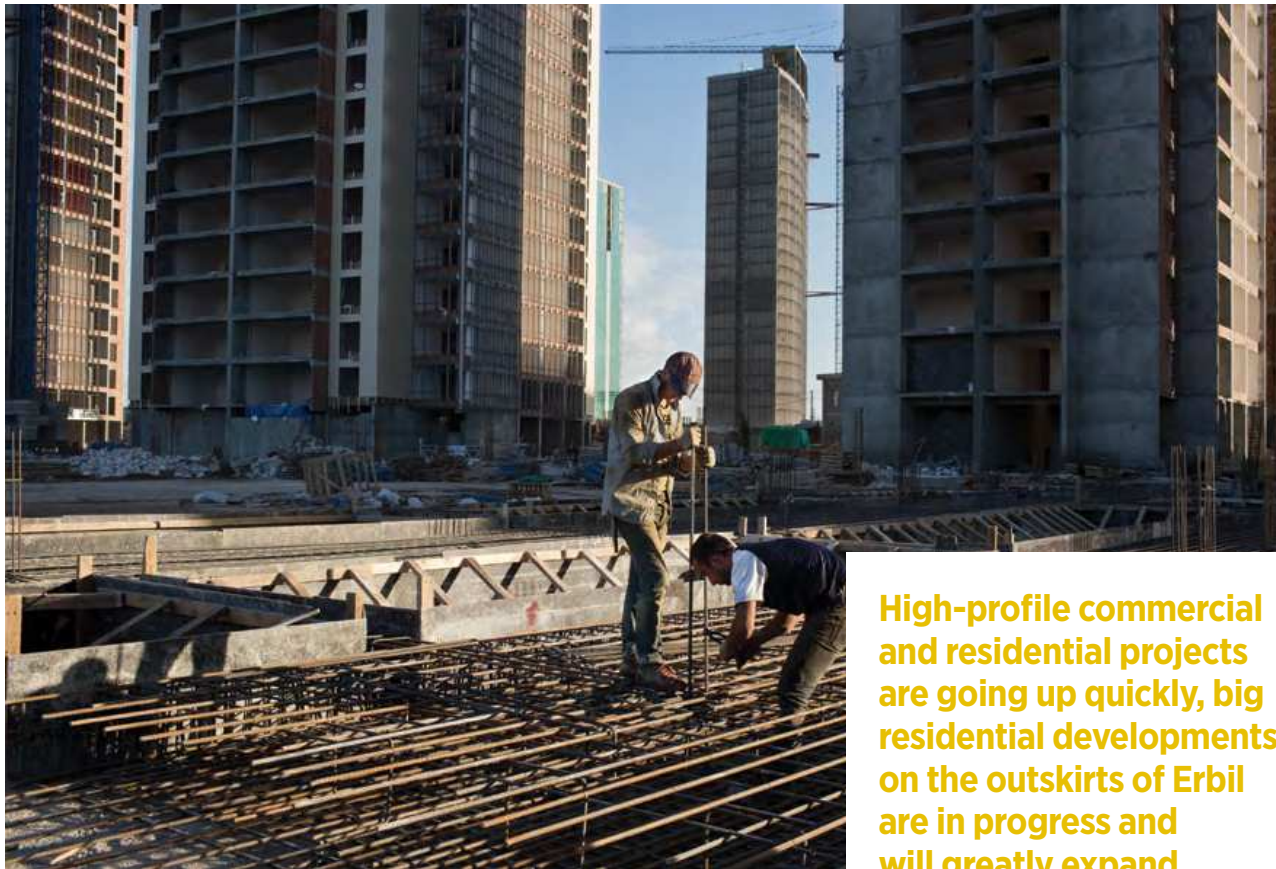
**As quantity meets demand, however, and global companies set up shop in Kurdistan, quality is now securely in the spotlight. In many respects, 2014 has seen initial rumblings of many consequential shifts in the sector.**

**Space for Industry**

In addition to these eye-catching developments, investments in industrial space are also gaining steam. Along with Erbil's four current industrial zones, four new zones are slated to open, including a Heavy Industrial Zone, Agro-Industrial Zone, a Petrochemical Zone, and Hawler Industrial City. Much of the new industrial space is occupied by the oil and gas industry, with 270,000 square meters explicitly allocated to the sector.

The primary challenge faced by industrial real estate relates to the way that land is zoned in Kurdistan. Industry is often developed on land zoned for agriculture. While this has yet to present serious challenges to industrial companies operating on this improperly zoned land, it does create concerns for companies planning to invest over the long-term. Farmland remains at risk of being compulsorily taken back by the government, according to IKG. International tenants are starting to vigorously assess land title implications on long-term tenure. Public-private cooperation to re-zone and redefine land for industrial use could ameliorate this situation and clarify the issue.





**High-profile commercial and residential projects are going up quickly, big residential developments on the outskirts of Erbil are in progress and will greatly expand residential real estate supply in 2-3 years, and much-needed office space is increasingly coming online.**

**Beyond Erbil**

While Erbil has largely paved the way in the real estate and construction sectors, drawing more international investment than elsewhere, Slemani is seeing major property development as well. Qaiwan Group is heavily investing in real estate and plans to open Qaiwan Towers, a premier commercial space, this year. The development is set to house Slemani's Rotana Hotel in 2015. Qaiwan is also investing in residential real estate with Sulaymaniyah Heights, a luxury development containing 2,200 units of housing. Meanwhile, the firm is developing multiple high-end and mid-level housing projects, including the Qaiwan City and Qaiwan Heights developments. In total, Qaiwan Group has over 9,000 new housing units slated to come online in Slemani soon, with several hundred already completed and occupied. Additionally, international malls, long present in the Erbil market, are now opening in Slemani. Majidi Mall and Family Mall are now under construction there, while City Center Mall recently opened its doors in the city.


**Finance and Insurance**

Perhaps the most significant limiting factors in the sector are Kurdistan's nascent finance and insurance markets. Alternatively, buyers can pay for housing in installments prior to receiving their house. Effectively, there is no mortgage market. Ultimately this leads to suppressed demand for housing and real estate.

For developers, the lack of financial markets also means suppressed real estate supply. Developers in the Kurdistan Region must self-finance most of what they build, translating to much less risk-taking on their part and, therefore, fewer large-scale or ambitious projects.

Weak insurance markets compound each of these challenges. Homeowners are at risk of losing a significant portion of their assets, and are unable to leverage their properties for further investment. "Once assets are insured," notes IKG Property Chairman Mario Al-Jebouri, "investors can then look towards monetizing the assets and releasing cash to reinvest in other projects or sectors."

However common this may be in more developed markets, it is not easily done in the Kurdistan Region.

There is reason for optimism, though. The lack of a financial sector has not been solely negative. The lack of a mortgage market creates conditions where a real estate bubble would be nearly impossible— a serious concern in such a hot and dynamic market. Of course, this one positive aspect does not outweigh the negative. In the longer term, development of the financial and insurance markets will be key to unlocking additional growth and value in real estate. While these markets are deepening thanks to the efforts of capable and ambitious local and foreign banks and insurers, their present weakness will likely present challenges to the broader economy over the medium to long term. 

**Top Projects**



**Qaiwan**

Qaiwan Group is the developer of many of the construction projects now underway around Slemani.

Qaiwan has completed phase one of Qaiwan City, a 360-unit residential complex, and has nearly completed phase two, which will include about 1000 housing units.

Qaiwan is also overseeing the Qaiwan Towers development. The project is the largest of its kind in downtown Slemani. It consists of two towers and an adjoining mall. Commercial offices will occupy one of the towers, and the second will house the Slemani Rotana Hotel. Qaiwan aims to complete the project in late 2015. The firm's capital expenditure on the project

will be over \$150 million.

Qaiwan's Sulaymaniyah Heights project is a luxury housing development located in the Azmar Mountains overlooking Slemani. When it opens it is slated to be the most advanced development project in Kurdistan. The development will include 2,200 units of housing and apartments. Qaiwan's capital expenditure on this project will be \$500 million.

Qaiwan Group is also developing a more affordable project that will serve Kurdistan's middle class while still maintaining high quality standards. The Qaiwan Heights Apartments project will eventually become an enormous 6,000-unit apartment complex. It will be completed in 2016.



**Erbil Arjaan**

The 20-story Erbil Arjaan by Rotana is a first-class mixed-use project that will provide serviced offices and hotel apartments to clients in the Kurdish capital. Total investment in the project is \$52 million, with ownership divided as follows: Malia Invest Holding %60, SS Roza Offshore 30%, and DIVA Srl 10%.



**Kurd Towers**

The Kurd Towers are a deluxe commercial and residential development by Faruk Real Estate. The towers will comprise 265 residential units and 160 offices. The Kurd Towers will rise 175 meters, making them the tallest towers in the Kurdistan Region and Iraq.



**Erbil Business & Trade Center**

The first phase of the 200,000 m2 Erbil Business and Trade Center's (EBTC) Justice Tower will reach completion in the fourth quarter of 2015 at a total cost of \$200 million. The EBTC will contain 1,100 offices ranging in size from 55 m2 to 4800 m2 that cater to local contractors and businesses as well as international corporations.



## Quality— A Growing Trend



**Mario Al-Jebouri** —  
Chairman, IKG Property

Mario Al-Jebouri speaks to IIG about the quickly changing dynamics present in the Kurdistan Region's real estate sector, its current challenges, and future opportunities.

### About

Before establishing IKG Group in 2011, Al-Jebouri ran a private equity fund in London, after spending several years in the financial sector. Between 2002-2006, he served as an economic advisor to the Bulgarian Prime Minister, as head of Bulgaria's initiative to redevelop Iraq, and as head of Bulgaria's Tourism Agency. He holds a bachelors degree in Civil Engineering from the University of London.

**IIG: Many foreign firms in Kurdistan seem to be seeking out residential space. How will this affect the commercial and residential real estate sectors in coming years?**

**MA:** This shift has already largely taken place. The way this will change the dynamics is such that the market eventually dictates to developers how and what they should be developing. Some of the office space which is imminently due to go online still does not adhere to international standards for global organizations, be it from security issues, efficiency, or the quality of the build itself. The market is currently indicating these issues to developers in Kurdistan, and we can already see quality shifting upwards.

**IIG: What are the major challenges related to creating stricter standards?**

**MA:** The challenge is to create a structure within the bureaucratic institutions to create the leverage, capability, and mandate to insure the proper implementation of these standards across the board and without exception. They are building the reputation of the country and the sector. There must be a level playing field between all developers, so that no one feels that they are left out or focused on negatively. This will bring improved standards of living and better quality construction companies. If the basics are established, then there will be huge increases in quality in the sector.

**IIG: What effect has limited access to finance and insurance had on the real estate market?**

**MA:** The fact that there is no proper mortgage market here means that a large chunk of the population cannot afford to take advantage of new supply of real estate coming onto the market.

So, the lack of a mortgage market and the lack of project finance to help investors and developers take on more risk has meant that the market has grown to invest in quick return projects, rather than industrial development and other longer-term ROI projects. Regarding insurance, most people here do not know how insurance works, but this will change. Businesses want to know that their buildings are insured, even if they are coming in as tenants. Once assets are insured, investors can then look towards monetizing the assets and releasing cash to reinvest in other projects. It is certainly an aspect that has slowed growth, and it is critical that it is implemented in the near future.

**IIG: How is the real estate market changing as Kurdistan's economy matures?**

**MA:** In terms of real estate, opportunities exist across the board, but there has been a change in the game itself. No longer can you invest in real estate and guarantee major returns on investments. You must now be much more cautious in the types of real estate you are investing in. You must formulate your investment strategy on sound feasibility studies, cash flow projections, and business plans. Numbers, everywhere in the world, are very important in this regard— they are transparent and will lead investors to ask the necessary questions before investing. This has not been the case in Kurdistan in the past. Returns seemed almost guaranteed. Now that there are far more players in the market, more competition, and more saturation, this has changed. You must look at what will satisfy demand in both current and future demand. You must look at what clients want now as well as 20 years from now. ☞

## Global Design



**Yassin Younis** —  
GM-Kurdistan, SSH Design

Yassin Younis reflects on SSH Design's entrance into the Kurdistan Region and discusses the landscape of Kurdistan's design and development sectors.

### About

Yassin Younis has over 17 years of experience in the building industry. His portfolio of work extends from the UK to the MENA region. Prior to joining SSH, Yassin worked for Atkins UK as a design manager and with WSP UK as Associate Director.

**IIG: Would you say that construction standards are improving in Kurdistan? What is SSH bringing to the market in this regard?**

**YY:** The market is not heavily regulated. We work closely with the public sector and big construction companies, and we heavily stress the importance of playing on a level playing field with other designers and contractors in terms of quality and standards. Our quality is on par with top international designers, and we are confident that we are bringing improved quality and standards to Kurdistan. However, we would also like to stress the importance of having equally implemented and enforced standards and regulation. This improves the outcome for the clients, the government, the contractors, and the end user as a whole. When it comes to construction, one element that is missing is construction supervision. The construction supervision team must ensure that the contractor is building the project true to the original design, with the right dimensions as well as the right quality and safety standards. This is why, at SSH, we focus on four core components: master planning, infrastructure, building, and construction supervision. Construction supervision is particularly important to keep quality standards produced at previous stages.

**IIG: Did you break into this market on your own or with a local partner?**

**YY:** We have a strategic partner in Kurdistan. When we enter new markets, we do so with local strategic partners—clients or contractors or sometimes other companies. In Kurdistan, we are looking to work with construction and development firms. There are many good developers, and we feel the market is in need

of companies like us. It was challenging to find a strategic partner that shares our values and can work productively with us. Finally we entered into an MoU with an investment firm. As we are new here, we have yet to begin working on any projects, but we are hopeful that this will change very soon.

**IIG: Which area of SSH's work do you see as being strategically most important in Kurdistan currently?**

**YY:** We foresee many important areas for us focusing on building design and infrastructure. Construction supervision, as I mentioned earlier, and master planning also have significant potential here. In truth, however, the market is in need of everything. The build environment has a lot of scope for growth in Kurdistan, and quality is increasingly important. With new water systems, for example, you cannot look to the short term. You must invest in quality, because major infrastructure projects cannot easily be replaced every few years.

**IIG: Do you feel that momentum from local contractors is heading towards improved quality, or are many still looking for quick returns at the expense of quality?**

**YY:** The government sector has certainly shifted towards quality. The general theme is that they want to invest in quality. When it comes to contractors, of course the contractors are builders at the end of the day, and they build to what was designed. It is the responsibility of the private developers to emphasize quality by choosing reputable designers. The private sector, in particular the local developers, are moving gradually in this direction as the market increasingly demands quality. ☞

## Addressing New Developments



**Dean Michael** —  
Chairman & CEO, Atconz Group

Dean Michael speaks to IIG regarding Atconz's ambitious development plans in the Kurdistan Region and the current business and regulatory environment for developers.

“  
**On Piroz, we signed an agreement with Starwood International for a four star chain to be built in a location we have near the airport. It represents an investment of roughly \$100 million, including the facilities.**

**IIG: How would you define the company's goals?**

**DM:** We have learned a lot from the market about how to design a business that works for Kurdistan—what are the market needs in terms of individuals and companies, what is available in the market to achieve certain qualities, and what is available in terms of raw materials and marketing tools. We try to mold these together into one model that works. Our ultimate goal is to develop a program for housing in order to participate in resolving the issue of mass housing for the needy.

**IIG: Can you tell us more about this initiative?**

**DM:** Iraq needs around three million housing units today, and we would like to be central to meeting that need, because we understand our locality better than most. Ultimately, this issue requires effort between the private and public sector; the two must develop, in a joint effort, a model to resolve this issue together. Because Kurdistan is about 20% of the entire Iraqi market, we are looking at the needs of something like half a million units here in Kurdistan. And, when we speak of affordable housing, we mean decent quality units, not cheap quality.

**IIG: How are some of the key projects at Atconz Group like New Azadi and Piroz developing right now?**

**DM:** With New Azadi, we have handed over phase two and there is one phase to go. We delivered almost 600 units of housing. The New Azadi project is a dynamic process. When we started four years ago, it was a \$100 million project. It has since expanded, largely because of the dynamic change in the market. This has altered the phases, and the project is now more than double.

On Piroz, we signed an agreement with Starwood International for a four star chain to be built in a location we have

near the airport. It represents an investment of roughly \$100 million, including the facilities. We anticipate that both the New Azadi project and Piroz will be finished by the end of 2017.

**IIG: What green initiatives are you working on in Atconz's projects?**

**DM:** As a matter of fact, we can announce to IIG for the first time that we have recently begun a project of recycling sewage water for irrigation in Kurdistan. We have a system of wastewater treatment contained within the project, and we are self-sustaining. Also, we are thinking of doing more green initiatives with our Piroz Hotel project. We will probably aim to have the first LEED (Leadership in Energy & Environmental Design) project in Iraq—which will be a major milestone in the country's history.

**IIG: How does the lack of a mortgage system affect your business?**

**DM:** This is a major problem. Imagine that a project sells units at \$800,000 apiece. People bring \$800,000 in cash in a sack, pay it, and get a house. This is unheard of in any international operating system. Even \$100,000-\$200,000 must be financed in cash. Alternatively, people pre-purchase new homes, where the developer takes a deposit of 20%, then 10% every six months and so on, and delivers the house after 4-5 years. As a result of this, we have so far seen building, but we have not seen development. Because of scarcity and the cash economy, there is no freedom to put quality into buildings. People accept low quality, because they cannot finance higher quality. Investors and contactors cut corners for the lowest cost. There are no proper feasibility or financing processes, and the results are stunted in terms of quality. There is a fertile market for higher quality development once we have mortgaging and banking involved, we hope. ☞

## Luxury Landmark



**Rasheed Abu Hamad** —  
General Manager, Trillium Holding

Dr. Rasheed Abu Hamad discusses the Arbil Mass City development and the potential for further growth in Kurdistan's real estate sector.

### About

Rasheed Abu Hamad has more than 20 years experience in Real Estate Development, General Contracting, and Oil & Gas trading services throughout the MENA region. He holds a PhD in Management and an M.A. in Civil Engineering.

**IIG: There are several major new development projects taking root in Erbil. How is Arbil Mass City is unique? What amenities will it offer?**

**RAH:** Arbil Mass City is a large-scale luxury villas project. Our goal is to make the development a vibrant and independent city, and a safe, comfortable environment to raise a family. The 1457 villas will benefit from diverse amenities, including clinics, retail spaces, supermarkets, a nursery, restaurants, cafes, sports facilities, and many other entertainment outlets, among other features. Perhaps most importantly, Arbil Mass City is naturally blessed with over one million square meters of hilly topography that was kept untouched by our architects, which will provide each villa its own charm, privacy and view.

**IIG: Can you give us a timeline for the completion of Arbil Mass City? How much is the project projected to cost?**

**RAH:** Arbil Mass City is divided into four different zones, in addition to the central amenity area. Each zone has its own completion and delivery date. We broke ground in mid 2013, and the first zone of around 400 villas will be completed by the end of 2016. Total capital expenditure for the project will reach over \$1 billion.

**IIG: How do you foresee the real estate market in Erbil and Kurdistan developing over the medium and long term?**

**RAH:** With the ongoing political and economical challenges in much of the MENA region and specifically in Iraq, the emerging economy of Kurdistan is attracting increasing attention from the international business community. The Region's stability makes it an attractive base for business, and Erbil is the epicenter of such interest. We believe that Erbil is the next regional destination. This is not just a personal opinion, but the result of many studies, reports, and research conducted by our international consultants. This city has all necessary strategic ingredients to

“  
**The first zone of around 400 villas will be completed by the end of 2016. Total capital expenditure for the project will reach over \$1 billion.**

attract foreign and local investment across diverse industries spanning oil and gas, retail, tourism, manufacturing, and real estate. We are confident that the real estate market will blossom in the medium and long run, despite the current challenges facing the broader region.

**IIG: As an international construction and development firm, what expertise and value does Trillium Group bring to the local market?**

**RAH:** Trillium Group has left its mark in each market we have penetrated. We are raising quality standards in the Region by using international expertise in project management, quality assurance, creative designs, and global procurement. We are perfectionists, and, as such, we do not compromise on quality. Our standards cascade from the very top to the smallest element of our project. Our management philosophy is to employ international specialists at the leadership level, while extensively sourcing and training local employees to become core members of our team. Adding value to the Kurdish community at large is key to the long-term success of our group. Additionally, while Trillium is currently focused on the real estate market, it is part of a larger group that has affiliations with other sectors, including energy services. Our board's vision is to expand and diversify our presence to take an active part in the broad growth of Kurdistan. ☞



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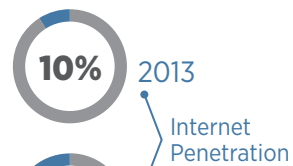
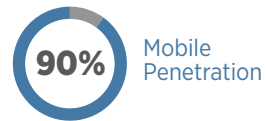
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## THE REVIEW ICT

### SECTOR AT A GLANCE

#### 3 Mobile Operators



Top Level Domain: .krd



### Stepping Forward

**Kurdistan's ICT sector started from almost nothing in 2005 and has since become one of the Region's most well developed and strategically important sectors. While challenges persist, Kurdistan's ICT sector showed continuing signs of increasing maturity and development in 2014.**

## Did you know?

*While the many advances in the Kurdistan Region's ICT sector are to be commended, there are still gaps in the market—and still much room for investment in the sector's continued growth.*

The Kurdistan Region's ICT sector had a good year in 2014. Given its strategic importance and relevance to the rest of the Region's economy, security, and politics, it is important that the sector's growth and development have been strong. Internet penetration rates have been climbing steeply, with major growth in local Internet services providers (ISPs). Mobile penetration rates—already relatively high at roughly 93% within the Kurdistan Region—are continuing to rise. Meanwhile, major ICT hardware manufacturers are working their way into the market, often through local distributors and partners.

The public sector is quickly developing its own hardware to make the KRG work more effectively and efficiently. However, while there is much to be pleased about in the sector, there are still challenges. Regulatory hurdles are slowing the rollout

of 3G and 4G/LTE wireless technologies by major mobile operators, as well as local ISPs. Internet penetration, while growing quickly, is still quite low by international and regional standards. Within the finance sector, banks and financial institutions are not sufficiently integrated technologically to provide interbank lending or ATM services—to the detriment of both banks and consumers. Finally, despite the efforts of very effective training centers and heavy investment from both the public and private sector in the Kurdistan Region's human capital, the level of technological literacy among much of the Region's workforce is still relatively underdeveloped. While the many advances in the Region's ICT sector are to be commended, there are still gaps in the market and there remains much room for investment in the sector's continued growth.

## Internet provision: Wired or Wireless

The provision of Internet services in Kurdistan started from a low baseline—the first international cables to bring data in and out of Kurdistan were only established in 2007-2008 by Newroz Telecom. Since then, however, distribution and penetration have grown quickly. While there are still only three international fiber optic operators carrying data to Kurdistan (one through Turkey, two through Iran), investment in ICT infrastructure has expanded the availability of services while allowing Kurdistan to leap past traditional stages of development followed by other countries. While landlines have stagnated in Kurdistan for decades, leaving many without traditional phone services, new companies are jumping ahead to develop fiber optic cable networks in their place. Fast data networks such as these not only provide fast Internet, but also VOIP phone and digital services and broadband TV.

Within Erbil and Duhok, Newroz Telecom is the central player in Internet services provision thanks to its control of Kurdistan's only fiber optic cables into Turkey. The company was also the first to bring fiber-to-the-curb (FTTC) technologies to businesses and residences in Kurdistan. Newroz Telecom's growth and investment have brought Internet connectivity to hundreds of thousands of homes and businesses since its establishment in 2005. More recently, the company has begun aggressively pursuing wireless technologies, particularly 4G/LTE services through FastLink, its sister company. Such technologies promise to bring high speed broadband to more subscribers within cities, but also to smaller villages not previously served by ISPs.

GoranNet, a Faruk Group company, is the leading ISP in Slemani. The company works with IQ Networks and Al Sard

**Internet penetration rates have been climbing steeply, with major growth in local Internet services providers (ISPs). Mobile penetration rates—already relatively high at roughly 93% within the Kurdistan Region—are continuing to rise.**

(both of which operate cables into Iran) as well as Newroz Telecom to distribute Internet bandwidth in the governorate. By teaming with KurdTel, the operator of landlines (which are still primarily standard copper cables) in Slemani, GoranNet is working to develop an extensive fiber optic cable network in the city and hopes to make fiber-to-the-home (FTTH) and fiber-to-the-business (FTTB) infrastructure widespread there, drastically increasing Internet speeds.

Despite this progress, there is significant opportunity for further investment in Kurdistan's Internet services sector. Despite the currently low rate of Internet penetration, Kurdistan's international fiber connections are becoming a bottleneck. According to Aram Daro Noori, General Director of GoranNet, while service and pricing for international data have greatly improved in recent years, “thus far, the



market is not very competitive... fees are significantly higher than in Europe or the US, which have much more developed and liberal markets for these services.” Deregulation in the international data market may improve this situation.

Additionally, expansion of wireless networks could allow for much faster increases in Internet penetration and much faster rates than would be possible with the development of hardwired infrastructure. While major mobile operators provide relatively slow GSM Internet to smartphone users, the use of the latest technologies in wireless data transmission, including 4G/LTE, is beginning to bring fast wireless Internet services to computer users that have limited access to hardwired options. FastLink, a company that uses small mobile devices to connect computers, smartphones, and tablets to the Internet in Kurdistan

through 4G/LTE networks, is the Region's technological leader in this field. As regulators in both the federal government's Communications and Media Commission (CMC) and the KRG's Ministry of Telecommunications (MOT) reduce the regulatory burden and issue licenses for more ISPs to employ fast new wireless technologies, though, it is likely that the Region's major ISPs will be quick to follow.

Some companies are already using wireless technologies in innovative ways. TarinNet, an ISP and ICT firm that provides the KRG with much of its Internet coverage, uses a point-to-point network of towers to distribute data around Kurdistan using WiMAX technology. This allows high volumes of data to travel long distances without the expense or hassle of wired options or 4G/LTE technology.

**While service and pricing for international data have greatly improved in recent years, “thus far the market is not very competitive... fees are significantly higher than in Europe or the US, which have much more developed and liberal markets for these services.”**

## Mobile Operators

The Kurdistan Region's mobile phone operators are by far the biggest actors in Iraq's mobile sector. Asiacell, a Slemani-based mobile operator (and Faruk Group company) is the largest publicly traded Iraqi company, valued at roughly \$5 billion. Zain Iraq, based in Baghdad but with operations in the Kurdistan Region, has even more subscribers throughout the country than Asiacell and is expected to list on the Iraq Stock Exchange soon. Korek Telecom, based in Erbil, is smaller than the other two, but growing faster. International telecommunications providers have taken notice of the potential of these companies. Ooredoo (formerly QTel), a Qatari telecom giant, is a majority shareholder in Asiacell, Orange (formerly France Telecom) holds a 20% stake in Korek, and Zain Iraq is part of Zain Group, the MENA-focused telecom giant based in Kuwait. The CMC has only

auctioned licenses to these three operators. While there has been talk of the issuance of a fourth mobile operator license by the CMC in recent years, little seems to have come of it.

**The KRG's DIT spent the initial part of 2014 conducting research on what IT skills are most in need of attention and training in the public sector, and are in early stages of rolling out training programs. As part of this process, the department is also establishing an internationally recognized certificate center to increase the technological literacy of employees.**

The breakneck growth the sector has seen over the last decade is likely to begin leveling off in coming years. The Region's mobile penetration rate is currently estimated at 93%. Kurdistan's neighbors in the Gulf have rates approaching 120% or

more, suggesting that there is still ample room for growth in Kurdistan's mobile market. Much of the future growth in the Region's mobile sector, though, will come from deepening the services it provides through mobile data provision and smartphone use. Only a small percentage of the Region's population is estimated to use smartphones with data plans, although trends in the sector suggest that this number is likely to quickly grow. The Region's mobile operators are currently restricted to the provision of slow GSM data services, but the CMC plans to auction licenses for 3G services to mobile operators soon, with 4G/LTE licenses hopefully

in the pipeline as well. Access to these extremely fast wireless technologies is predicted to encourage more mobile phone users to seek out smartphones and data plans, driving much of the sector's future revenue growth.

## 3 Mobile Operators

Zain Iraq, based in Baghdad but with operations in the Kurdistan Region, has even more subscribers throughout the country than Asiacell and is expected to list on the Iraq Stock Exchange soon.

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Asiacell, a Slemani-based mobile operator (and Faruk Holding company) is the largest publicly traded Iraqi company, valued at roughly \$5B.

## Hardware & Infrastructure, Public & Private

The Kurdistan Region's ICT system is, like all others, based on a foundation of hardware and infrastructure. Firms such as Lebanon-based IT company CIS, as well as the aforementioned TarinNet, are quickly importing cutting edge network and computing equipment through partnerships with global leaders in the sector such as Cisco, Microsoft, Alcatel-Lucent, and others. Such hardware is used across all sectors in the Region's economy, enabling everything from inter-bank connectivity to the development of private data centers for the Region's largest companies.

## Enabling the End User

While much of the Kurdistan Region's workforce has a basic command of computer use, employers believe that there is still much to be desired in terms of the Region's computer and technical literacy. This is, however, quickly changing with the entrance of companies that invest heavily in training their employees, public sector training initiatives, and independent training centers teaching computer literacy. MSelect, an HR and recruitment firm, has recently opened training centers throughout the Kurdistan Region. According to Allegra Klein, the centers' director, intermediate computing is one of the most in-demand courses that MSelect offers. There is reportedly still much room for investment in the ICT training sector, however. According to Godar Ibrahim, CEO of Awrosoft, "for both government and the broader population, there is a major gap in basic skills, which presents opportunities for companies willing to invest in training centers and ICT-focused education."

Some firms are addressing this gap through the development of custom software that is tailored to the needs of the Kurdish workforce, providing local IT support to assist with any challenges end users might face. Awrosoft, for example,


The public sector carried out the largest ICT projects of 2014. The Department of Information Technology (DIT) is overseeing the development of an intranet, connecting all branches of the KRG. Under the plan, all KRG data would be stored in a single, enormous data center based in the Kurdistan Region. According to Hiwa Afandi, director of the DIT, the project will bring major efficiency gains to the Region's public sector by centralizing many of the processes and procedures that each agency currently must undertake independently.

writes bespoke software and creates programs that use the Kurdish language, while allowing local companies to customize the software to suit their needs. The firm also has a support team standing by in Erbil, something that many global software companies could never provide in this market.

Technological literacy, though, is probably most important for the future growth of the ICT sector itself. Antoine Kawkabani, CEO of CIS-Iraq, a firm that imports, installs, and maintains ICT equipment in the Kurdistan Region, considers the creation in Kurdistan of an "IT-enabled society" to be essential not just for further growth in his sector, but also for the development of Kurdish society and the economy more broadly. As an employer that heavily invests in the capacities of his local workforce, he is personally pushing society in this direction. He believes that more can be done, however. "Developing technical capacity in schools will help to mature the market in the long term, as young students become increasingly acquainted with, and interested in, technology and computing," he told IIG. "A broad ICT system cannot be successful without educating students in IT, and this must begin at a young age."

While the private sector is quickly

bringing cutting edge technologies and connectivity to the Region in addition to widespread employee training, the goal of integrating IT literacy into society requires public sector support and coordination. Fortunately, the KRG has made this a central focus of its policies. According to Hiwa Afandi, KRG Director of IT, his office is working aggressively to educate members of the KRG's expansive public sector in ICT skills and processes. The DIT spent the initial part of 2014 conducting research on what IT skills are most in need of attention and training in the public sector. They are now in the early stages of rolling out new training programs. As part of this process, the department is also establishing an internationally recognized certificate center to increase the technological literacy of government employees.

While much has been accomplished in terms of educating Kurdish society and enabling Kurdistan's residents to take advantage of the innovation and potential offered by the Region's ICT sector, full technological literacy will take time to develop. According to Kawkabani, "it takes an interested and engaged new generation before the market for ICT can truly mature." 

## Investing in the Future



**Hiwa Afandi** —  
Head of the KRG Department of IT (DIT)

Hiwa Afandi describes the role of the Department of Information Technology (DIT) in building the Kurdistan Region's IT and ICT infrastructure and discusses the opportunities for investors in the sector.

### About

Prior to becoming the Head of DIT, Hiwa Afandi worked for several Departments and Ministries of the KRG as Director of IT. He studied at Hochschule Karlsruhe Technik und Wirtschaft in Germany, and holds an M.A. degree from the KTH Royal Institute of Technology in Sweden. Afandi speaks six languages.

### IIG: What are the DIT's key projects?

**HA:** The most important infrastructure components for government are data centers and inter-governmental access networks. So, the two main projects that we are focusing on right now are, first, the KRG's data center, which is currently being commissioned. The designs for the access networks are also ready, and the project is currently being commissioned. We will have both the data center and access network ready in March 2015. The access network will connect all of the governmental entities, including all ministries and departments, to each other and to the data center. The data center will host critical data, critical servers, and will deliver e-services. At the same time, we are building an internationally recognized testing center so the people of Kurdistan can become certified in different fields, focusing on IT. We are also rebuilding our IT academy to facilitate training courses for government employees.

### IIG: Can you tell us about the KRG data center you are building?

**HA:** We are working with experts inside and outside of the country. We are benefiting from the previous experiences of other countries, specifically the UAE. We are learning from their mistakes and adapting their successes. We are building the system to be a highly virtualized environment in which each ministry can own the infrastructure as a service (IaaS), all of which will be hosted in the virtualized environment. This will, in turn, bring huge benefits to the government, because none of the governmental entities has to build their own data centers, which is a very expensive and complex undertaking requiring highly trained staff to run and maintain. In the way that ours is structured, everything is centralized with one single point of contact and security implementation.

### IIG: Are you cooperating with any other countries to enhance the project?

**HA:** When we talk about IT, we are talking about a science that is independent of geographical location or vendors. It is a question of where in the world we find successful implementation. We find a lot of successfully executed IT and ICT projects in Dubai, and that is inspirational. In addition, the cultural and social structure of the UAE is similar to that of Kurdistan in terms of business environment and society. Like the UAE, we do not have sufficient expertise in Kurdistan to accomplish everything ourselves. Smart outsourcing means being aware of what can be outsourced and what is the core business that benefits the country as a whole. This is inspirational for us. We frequently visit the country for CIO summits and maintain close relationships with important private sector CIOs and government leaders. Of course, we must take our own characteristics in terms of culture, landscape, and geography into account as well.

### IIG: How does the DIT promote private investment in the ICT sector?

**HA:** We believe that private-public partnership in IT and the ICT sector is inevitable. No government in the world can be successful in implementing all required IT projects on their own. This simply is a huge undertaking requiring huge resources. We should be setting policies, master plans, enterprise architecture, and frameworks for the majority of projects, but private inclusion in our development is an absolute necessity. We very much welcome and encourage private investment in our projects in a variety of forms. Should companies decide to come to Kurdistan, we will offer help and guidance.



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1. The KRG is one of the first Mid-East governments to use Google Apps
2. Teams from Microsoft are training KRG entities

“

**Our Department will identify and develop critical ICT infrastructure in the Region. We also envision ourselves playing a central role in developing an IT framework for the government and foreign companies that enter the Region's IT market.**

### IIG: Can you offer any success stories from private companies in the Region?

**HA:** The new KRG employees ID card project, which is a joint venture between the KRG's DIT and AWRO Group, is a successful example being carried out as we speak.

When it comes to the telecoms sector, companies such as Cisco, Huawei, Ericsson, and others have been very successful in enabling our local telecoms to be operational. The telecom sector is not a sector where you can rely on your own resources; it is a very international field, where your interaction with the big names is essential. In collaboration with these major companies, many local businesses in the Region have found significant success in the ICT sector. The Kurdistan Region was among the few leading countries in the world to

introduce LTE, for instance. This was the result of wise decisions to benefit from the know-how available from experts outside of the Kurdistan Region.

### IIG: What targets has the DIT set for the short term?

**HA:** In 3-5 years, we envision that the Department will be one of the most important entities of the government, presiding over and governing the e-government. Our Department will identify and develop critical ICT infrastructure in the Region. We also envision ourselves playing a central role in developing an IT framework for the government and foreign companies that enter the Region's IT market. We will also implement government-wide enterprise architecture and contribute to overall capacity building. ☺

### DIT

The primary objective of the DIT is to prepare government and society to embrace IT as an enabling tool that is cross-functional and ubiquitous. In order to do so, the DIT concentrates on capacity building, infrastructure development, IT policy, and investment. The Department addressed these areas of focus simultaneously in its quest to create an IT-enabled society in the Kurdistan Region.

## Connecting the Region



**Rebaz Kawa** —  
CEO, *TarinNet*

Rebaz Kawa discusses the trajectory of Kurdistan's ICT sector and the steps that TarinNet is taking to realize the sector's potential.

**IIG: In what ways is TarinNet expanding Internet access in Kurdistan?**

**RK:** Our current target markets are companies, hotels, houses, shopping malls, and restaurants. We have a point-to-point system. We put access points where people concentrate. We have a network covering Erbil, Slemani, and Duhok. We do not place limits on data use, and we are quite affordable.

**IIG: Where do you see opportunities in the IT sector in Kurdistan?**

**RK:** Kurdistan's IT market is new. We do not have professional, integrated companies to provide all services within the sector. There is certainly space for these companies. However, until now, the companies that come here tend to do poor work and do not maintain a permanent presence. In networking especially, there are very few companies in Kurdistan that can effectively develop fiber networks in new buildings. For Internet and ISPs, the market is already fairly saturated. Between TarinNet, Newroz Telecom, GoranNet, and others, there is less space within the market for Internet provision. However, we do need other services: IPTV, VOIP, networking, intranet, data sharing, file sharing between companies or government branches or banks, web hosting, server hosting, and others.

**IIG: Are you planning to invest in 4G/LTE wireless technologies, like some others seem to be doing?**

**RK:** Deploying 4G would require over \$100 million to cover all of Kurdistan. We have a license to provide 4G, but use it for WiMAX instead. Since Newroz Telecom has already begun providing it, it is too late for us to invest enough to compete with them. Instead, we would like to improve our business through point-to-point connections to businesses and homes. 4G is better for personal and home users, but less useful for business users. If you are a big company, you probably do not want to provide all of your employees with FastLink; it is much easier to buy a fast Internet

connection that all of the employees can use. This is largely why TarinNet is so strong with business and government clients.

**IIG: What are your goals for 2015?**

**RK:** We would like to really develop our fiber optic networks for our major customers. We will bring fiber-to-the-building (FTTB) to more customers, which will speed up connections considerably. Second, we would like to open a new department specifically for networking, covering both intranet and Internet. Developing this department will take two years. There currently no companies that focus exclusively on networking, which represents a major gap in this market. Third, we would like to connect all of TarinNet's towers with fiber optic. Currently, they are connected through microwaves, but cable will speed up the connections, providing better service to our customers. This will help in renewing all of my contracts with businesses and the government. I would also like to run fiber cables to all of the government ministries.

**IIG: Regarding networking investment, are you looking to go into partnerships with foreign companies, or do you plan to work individually?**

**RK:** We currently have a partnership with B2MB, which is an affiliate of Cisco. However, the company I would like to create would be much broader than what Cisco currently offers. Finding competent companies in this market is, unfortunately, a challenge as well—you must really be able to judge the competence of companies before you go into business with them. Not everyone wants to come here, and many that do will inflate their capabilities beyond what they are actually capable of. It becomes challenging to find out which companies really do come with expertise and professionalism. To some degree, this is also related to the nascent nature of this market; lots of new companies come here, and the poor ones have not yet left. ☞

## Expanding Access



**Aram Daro Noori** —  
General Director, *GoranNet*

Aram Daro Noori provides insight into GoranNet's plans to enhance fiber optic and wireless communications networks in the Kurdistan Region.

**IIG: Can you tell us about GoranNet's progress in terms of developing Slemani's fiber optic network and FTTB infrastructure?**

**ADN:** So far, GoranNet has six trial projects in Slemani, most of which are within the newer apartment complexes that have been built around the city. We have deployed fiber-to-the-home (FTTH), fiber-to-the-building (FTTB), and VDSL in these building complexes. We have been pursuing this project alongside the local hardwired telephone network operator, KurdTel, as they have the license to operate and install fiber-optic networks in Slemani. We are currently in the process of establishing a joint venture between the two companies, GoranNet and KurdTel.

**IIG: Can you tell us about the specifics of this project?**

**ADN:** We plan for FTTH deployment in Slemani to be a five-year project. We plan to install roughly 50,000 FTTH fiber optic connections in three phases. The first phase will be in parts of the city where KurdTel does not have any presence yet. We will then move into the newer neighborhoods built around the city. Finally, we will build the network within the boundaries of the city itself. Over five years, depending on the exact technology and vendors we use, capital expenditure on the project is expected to be between \$25-50 million.

**IIG: International cables seem to be a bottleneck in terms of bringing data in and out of the country. Are there any plans for new cables into Turkey or Iran?**

**ADN:** The market is not very competitive. The services that are provided by the operators of the cables have improved drastically over the past year, and the prices have dropped. However, fees are significantly higher than in Europe or the US, which have much more developed and liberal markets for these services. The Ministry of Telecommunications (MOT) currently has three licensed

operators of international cables. One is Newroz, which operates primarily in Erbil and Dohuk, with some presence in Slemani, and operates a cable connected through Turkey. IQ Networks and Alsard Fiber, the two others, operate out of Slemani and operate cables through Iran.

**IIG: What are your growth targets?**

**ADN:** In terms of growth of subscribers to GoranNet, we are seeing very quick growth. In 2012, our growth rates were somewhere around 15-20%. However, since 2013, we have seen an increase of 100-110%, and we expect growth at these rates to continue for some time.

**IIG: As an ISP, how would you characterize the regulatory environment of the ICT sector, broadly?**

**ADN:** Much could be done to improve the market and the overall system. We have seen consistent improvements over the past two years. However, there is still a lot to be done, especially in terms of opening the market for an increasing number of fiber operators and issuing licenses for more cables into Turkey and Iran. Additionally, I believe that the local government could open new spectrums, particularly in the digital dividend ranges, as television channels are going digital, opening additional space at lower frequencies. The 700 MHz range, for example, could be very useful for LTE, both for operators and consumers. Deployment would be much cheaper because the penetration of lower frequencies is much better than that of higher frequencies. Additionally, the MOT could open new frequencies for operators, which would create a healthier market overall—both for operators and consumers. Unfortunately these reforms are moving slowly. The digital dividend ranges are occupied by TV stations, and it is difficult to ensure that these stations switch fully to digital broadcasting. However, it is very doable, and something that the government can and should make progress on. ☞

### TarinNet

Founded in 2005, TarinNet is one of the Kurdistan Region's largest Internet service providers, as well as a central player in fiber optic and wireless network development, hardware distribution, web design, web hosting, and commercial IT support. A Ster Group company, TarinNet covers all of Kurdistan. The company serves over 1,000 business customers, over 150,000 home users, and all government offices and employees in Erbil, Duhok, and Kirkuk.



## Building an IT-Enabled Society



**Antoine Kawkabani** —  
General Manager, CIS Iraq

Antoine Kawkabani discusses the maturation of the ICT market in the Kurdistan Region and the role that CIS Iraq is playing in the development process.

**IIG: How would you characterize CIS's strategy in the Kurdistan Region?**

**AK:** When we initially penetrated this market in 2012, we focused on major accounts and large companies to develop a foothold in the Kurdistan Region and the whole of Iraq. This has led to our involvement in major projects. For example, we are currently partnering with Falcon Group to establish the largest datacenter in the Region at Empire World, at a cost of \$3 million. However, now that we have established ourselves, for 2014 CIS will target small to medium-sized enterprises (SMEs), which we define as companies of fewer than 50 employees.

**IIG: What opportunities do you see in the ICT sector in the Kurdistan Region?**

**AK:** We believe that there is huge potential in the market. We have found that there is a significant market in the hotel industry, in multinationals that are

“ **With improved cooperation between the public sector and local private sector partners, as well as major IT vendors, solutions could be easily reached... The potential is truly enormous and could be realized easily if a coordinated strategy is developed.** ”

### About

Antoine Kawkabani has spent over 30 years with CIS, becoming Director of CIS Iraq in 2012 after spending over 20 years overseeing CIS's Middle East operations. Kawkabani holds a Bachelor's degree from Beirut University College, and is heavily involved in professional computing and IT organizations in Lebanon.

expanding into the Region, as well as in education. We are particularly excited to develop IT systems for universities and schools. We believe that developing technical capacity in schools will help to mature the market in the long term, as young students become increasingly acquainted with, and interested in, technology and computing.

ICT infrastructure takes time and investment. It takes an interested and engaged new generation before the market for ICT can truly mature.

**IIG: What role does CIS play in improving the Kurdistan Region's ICT infrastructure?**

**AK:** CIS is attempting to initiate the process by holding events that bring people together to find solutions for broad problems. We have sector-related events that include major IT companies as well as solution-based events, where we convene policymakers, businesses, and IT companies to discuss possible solutions to large-scale problems. CIS's breadth positions us to bring people together to solve these problems. While the problems of ICT infrastructure development can seem complex, our partners and subsidiaries bring a wide range of expertise to the table and can deliver integrated solutions.

**IIG: What specific services do your local clients demand?**

**AK:** Our solutions department provides our clients engaged and around the clock servicing of their equipment. Companies sign Service Level Agreements (SLAs) with us, which guarantee next-day servicing of equipment that we install. For critical IT infrastructure, such as equipment for security companies, Internet service providers, mobile providers, and financial institutions, we offer 24/7 servicing so that, if there is a malfunction, it will be repaired immediately. These services are incredibly important in some cases, as malfunctioning servers can cause enormous losses to companies, security issues, or other major problems. To ensure that we have capacity to provide these services, we maintain stock and spare parts for our equipment in the Region, and always ensure the availability of our technicians. ☎

## Local Knowledge, Local Applications



**Godar J. Ibrahim** —  
CEO, Awrosoft

Godar J. Ibrahim speaks to IIG regarding the current opportunities and challenges facing Kurdistan's ICT sector, the huge potential in several ICT-related fields, and the potentially revolutionary shifts that e-government and e-services could produce in Kurdistan's government, economy, and society.

### About

Godar J. Ibrahim has over 10 years of working experience in different Telecom, IT, and computing sectors. Godar worked at Korek Telecom as Data Service Director and Technical Board Member, and at 7Netlayers (Wego) as Technical Manager and General Manager. He is the designer and developer of the first trilingual (English-Kurdish-Arabic) dictionary in Kurdistan, AwroDic. He teaches at the University of Salahaddin.

**IIG: How do you see the growth of the ICT sector in Kurdistan?**

**GJI:** The penetration rates for mobile phones in Kurdistan are quickly closing in on 100%, and Internet is around 10%, but it is growing very quickly. It should reach 50% by the end of 2015. We are expecting that the market for software and ICT in the future will be very high. We believe that e-services will be a major source of growth. This is why we believe in Core Banking and e-Payment solutions, and e-services in general.

**IIG: In what ways does Awrosoft work with the KRG to develop public sector projects?**

**GJI:** Our vision is to work on digitizing Kurdistan. Central to this is the development of smart cities and e-government. We have prepared a technical team to directly address e-government and have developed integrated solutions, including document management, correspondence, archiving, HR, payroll, attendance, and accounting systems. Recent public-private IT projects that we have participated in have been hugely successful and powerful demonstrations of how the private and public sectors can cooperate in a way that creates very successful outcomes.

**IIG: What are Awrosoft's key public sector projects for 2015?**

**GJI:** Currently, we are working on an IT project with the KRG to create a KRG Employee ID system. This will be a major milestone on the path to e-government. Based on this, major new services will be developed in HR, eHealth, security, and others. So, many of our projects for the coming year will be based on our ID system. Secondly, we have implemented a document management system, which is central to the automation of the KRG's internal

processes. Once this is completed, the KRG will be able to provide an increasing number of e-services to its citizens. We have two recent success stories in this regard: the EIA and the Ministry of Planning, which will serve as a model for future projects in other ministries. We provide these ministries with fully integrated packages that streamline everything from HR to security. Within e-government, two major new initiatives that we are working on are e-health and e-education.

**IIG: What private sector initiatives do you have in the pipeline?**

**GJI:** We currently have a major project with Newroz Telecom's ADSL system. Based on this, we are hoping to provide more telecom solutions in 2015. Additionally, we are working in collaboration with other companies to improve aspects of Kurdistan's financial sector. We are currently working on developing new e-payments solutions. In 2015, we hope to have a credit and e-payments system up and running. There is a lot of space for foreign expertise to develop banking ICT infrastructure in Kurdistan.

**IIG: What major new steps could be taken to bring ICT in Kurdistan to the next level?**

**GJI:** A dream for me personally, and a vision for the company overall, is to establish a Science and Technology Park (STP) in Kurdistan. After looking at how ICT systems in developed countries operate, it has become clear that developed countries invest heavily in R&D. In Kurdistan, there are no active R&D centers, especially in IT. We hope to establish an STP where several science and technology-inclined sectors and companies can work together to build and develop new ideas. ☎



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## THE REVIEW *Transport*

### SECTOR AT A GLANCE

 **2 International Airports**

 **14,841 KM Road Network**

 **4.5 Million Airport Capacity**

 **5.2 billion Investment needed through 2020**

 **1.2 Million (2013) Passengers at EIA**

 **15% Annual Growth**

 **27 Airlines Fly to Kurdistan**



### Planning to Expand

**The Kurdistan Region has plans to become an integral part of a much larger regional road and air network.**

The Kurdistan Region's road and air transportation networks are fundamentally important in efforts to facilitate economic development. Moreover, with trade between the Kurdistan Region and Turkey, Iran, and the rest of Iraq rising exponentially year-on-year, the local transportation network will continue to play a critical role in sustaining growth.

As such, a primary task facing the KRG is the modernization, refurbishment, and expansion of the current road system to ensure the timely delivery of goods and services. The expanded passenger and freight services on offer from the Region's two airports have also helped to further enhance Kurdistan's reputation as both a viable and vital hub for international transportation. Moreover, with the proposed development of international rail systems, localized tram networks, and modern public transport, the sector remains a potential bright spot in the burgeoning marketplace of the Kurdistan Region.

At present, there are a total of 14,841 kilometers of roads in operation in the Kurdistan Region. The KRG Ministry of Planning (MOP) has evidently recognized the economic importance of an efficient and modern road network, and has targeted an increase in total available roads to 45,000 kilometers, as well as the construction of new bridges and tunnels. The ongoing construction along the route connecting Erbil and the Haji Omaran border crossing serves as a good example of this emphasis. This work will expand the critical road into a dual carriageway, and will utilize both tunnels and bridges to dramatically reduce driving time between the capital city and a critical cross-border point. Similarly, the MOP has prioritized the construction of three highways to connect the cities of Duhok, Erbil, and Slemani with each other, as well as countries neighboring the Region. The completion of these projects in a timely and efficient manner will require an outlay of approximately \$1.1 billion.



## THE ROAD SYSTEM IN THE KURDISTAN REGION

Slemani	Erbil	Duhok
5,673 km	5,391 km	3,777 km

### Private Transportation

The rapid development of the economy has helped facilitate a booming personal transportation market. The number of vehicles utilizing Kurdistan's roads now exceeds 1 million, and that figure is expected to increase in the coming years. Indeed, global brands such as Ford, Toyota, and Hyundai have all established significant footprints in the Region, as have luxury names like Land Rover, Mercedes, Jaguar, and BMW. Luxury vehicle sales figures are reported to have grown by over 250% in recent years, indicating that the demand for quality and reliability remains consistent.

### Public Transportation

The availability of public transportation within the Kurdistan Region is inadequate. Therefore, taxis and privately owned or operated mini-buses are the most common forms of public transportation in Kurdistan.

The combination of increased traffic, limited route options, and a lack of safety regulations have led to a dramatic rise in the number of traffic accidents. Most notably, a report by the Association for Safe International Road Travel (ASIRT) indicated that there were approximately

### Border Crossings

Kurdistan borders Syria to the west and has historically had one available border crossing station located at the tri-border area between Turkey, Syria, and the Kurdistan Region. This location, also known as the Fishkhabour Border Crossing, has been dramatically impacted by the instability in Syria and operates only infrequently, if at all. By contrast, the Ibrahim Khalil station (which connects Turkey and the Kurdistan Region) is perhaps the most highly trafficked point in the entire region. The location serves as the only official crossing point between the Region and its northern neighbor. As

19.66 traffic-related fatalities per 100,000 people in the Kurdistan Region, a figure far higher than the US (11.0) or the UK (3.8).

In an effort to alleviate some of this strain, the KRG Ministry of Transportation has plans to implement a modern bus system, which will utilize high-speed metro buses to expedite frequently blocked traffic flows.

To further combat the lack of public transportation options, the Ministry set forth plans to construct tramway systems

such, wait times at Ibrahim Khalil can be in the range of 2-3 days for trucks entering the Kurdistan Region and 6-7 days for those exiting into Turkey. There are four official border-crossing locations between the Kurdistan Region and Iran: Haji Omaran connects to Piranshahr in Iran, Penjwin connects to Bashmakh, Parviz-Khan connects to Qasr-e Shirin, and Qaladiza connects to Sardasht. All four checkpoints operate regularly and allow for the sustained movement of goods and people between the Kurdistan Region and Iran.

in the Region's largest cities in early 2011. The design for the Erbil network was completed in 2012, and designs for the Slemani and Duhok systems were finalized at the end of 2013. In addition, all necessary feasibility studies have been completed, meaning the projects can now advance to the budget allocation and formal bidding stages. The details of the individual plans indicate that the three networks will have a combined length of more than 150 kilometers and will require at least \$4 billion in financing.



KRG Deputy Prime Minister Qubad Talabani inaugurated the Cargo Village at Slemani International Airport in November 2014.



### Strategic Significance of Air Transportation

Kurdistan's airports have played and will continue to play an essential role in its economic development. The geographic location of the Kurdistan Region makes it an ideal transportation hub and a gateway to both greater Iraq and the Middle East in general. As such, Erbil International Airport (EIA) and Slemani International Airport (SIA) continue to see both passenger numbers and cargo volumes increase at a consistent pace.

In 2013, approximately 1.2 million total passengers utilized EIA (a 26% increase from 2012), and 38,572 tons of total cargo passed through the facility (a 40.4% increase from 2012). The airport currently connects the Region with 30 different cities in 18 countries. Not surprisingly, 90.3% of all arrivals and departures at EIA were international. The most frequent destinations for flights from EIA were Turkey (27.5% of all flights), the UAE (16.8%), and Jordan (8.5%). In recognition of its rising passenger numbers and high standards of customer service, the Emerging Markets Airport Show in Abu Dhabi has voted EIA the best emerging market airport with less than five million passengers per annum in Africa, the

Middle East, or Asia for two years in a row. While EIA has earned itself a strong reputation internationally, the individual services offered at the facility have also developed transportation in the Kurdistan Region as a whole. Dnata, one of the world's largest air services providers, has been active on the ground at the airport since March 2010 and has helped develop a wide range of services and operations that includes customer, baggage, and ramp services, cargo handling, and ground support equipment maintenance. Another firm, Macair Flight Support, functions as the exclusive private flight support provider at EIA. The company specializes in aviation services and handling, and it was the first fixed-base operation of its kind in the Kurdistan Region. Macair provides a wide range of services, including handling operations, cleaning, detailing, security, and fueling for aircraft, as well as baggage handling, catering, hangar space, and aircraft management.

SIA has grown at a similar pace, albeit on a smaller scale. Over the course of 2013, the airport welcomed over 300,000 total passengers for the first time in

its history. The airport connects the Kurdistan Region to 15 airports in 12 countries and is served by 11 different airlines. Slemani Cargo Village was also inaugurated at SIA in November 2014. At the moment, AzmarAir is building Iraq's first specialized cargo airport at SIA. The airport is planned to be Iraq's largest and will take a minimum of four years to finish.

Construction at Duhok International Airport (DIA) is ongoing, with a projected completion date in 2017. Located 25 kilometers to the west of the city of Duhok, the facility will feature a 3,850-meter-long runway and multiple taxiways. Airport officials aim to see 328,000 passengers, 8,700 tons of cargo, and 3,540 aircraft movements at the airport in its inaugural year. Administrators hope to be host to 1 million passengers, 43,000 tons of cargo, and 9,840 aircraft movements annually by 2035.

The international airport in Duhok, an updated cargo facility at SIA, and the already strong shipping business at EIA hold the possibility of making the Kurdistan Region a cargo hub for the Middle East and perhaps the broader international market in the long term.

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*EIA at a Glance*

<p><b>947,600</b> Total number of passengers in 2012</p>	<p><b>23</b> airports connected to EIA</p>	<p><b>15</b> countries connected to EIA</p>
<p><b>27,859 tons</b> Total cargo tonnage in 2012</p>	<p><b>27 airlines</b> Fly to Erbil</p>	
<p><b>2,590</b> Daily Passengers</p>	<p><b>17</b> Average cargo flights per week</p>	<p><b>13</b> Average commercial flights per day</p>



*SIA at a Glance*

<p><b>14 airlines</b> Fly to Slemani</p>	<p><b>106</b> Departures &amp; Arrivals per week</p>
<p><b>19 airports connected</b> Malmo, Istanbul, Dubai, Tbilisi, Dusseldorf, Munich, Stockholm, Amman, Antalya, Baghdad, Basra, Batumi, Beirut, Cairo, Erbil, London, Najaf, Doha, Tehran</p>	<p>Passengers <b>2011</b> <b>248,152</b> <b>2012</b> <b>286,000</b> <b>2013</b> <b>300,000</b></p>
<p><b>12 countries connected</b> Sweden, Turkey, UAE, Georgia, Germany, Jordan, Iraq, Lebanon, Egypt, England, Qatar, Iran</p>	



**FOCUS: MACAIR Flight Support**

As a commercial pilot with over 14,000 hours of experience flying everything from small aircraft to Boeing jets and an FAA-licensed airframe and power plant technician, Macair Flight Support's CEO Dori Abouzeid aims to translate his personal exposure to the global aviation business into innovation in Kurdistan's private aircraft industry. Abouzeid has founded two successful aviation companies in the US, including Macair Inc., which is headquartered in California and offers worldwide aircraft charters, sales, and management. Since Macair Flight Support started operations as an

As part of its efforts to redefine standards for private aircraft services, Macair has outlined ambitious plans to expand operations at EIA. Most notably, the company intends to construct a fixed-base operation that will allow Macair to offer an array of aviation services including state-of-the-art facilities, VIP lounges, crew rest areas, 24/7 passenger concierge services, aircraft fueling, light maintenance, aircraft charters, and aircraft sales and acquisitions. Macair's planned facilities will also provide hangars to protect private aircraft from the extreme weather of the summer and winter months in Kurdistan. At the moment, Macair representatives are in

facility with exceptionally high attention to detail, good customer service, and red carpet treatment for all of our incoming and departing flights."

Macair's determination to grow its operations in Kurdistan is underpinned by the firm's optimism regarding the future of the private aviation sector in the Region. The company's leadership cites statistics from the Middle East Business Aviation Association revealing a 12% year-on-year increase in total flight hours logged in the Region in 2013 and point to the convenience, time savings, and safety that private aviation can afford business leaders, while highlighting Kurdistan's geographic position as a crossroads between Europe and Asia as a fundamental advantage. Kurdistan's security also feeds into Macair executives' confidence in the long-term potential of Kurdistan's private aviation sector. Abouzeid praises the support of the KRG for the regional aviation industry, stating, "The KRG and the airport management have done a fantastic job of security at the airport. We feel very confident in promoting the airport and the security to business aircraft operators worldwide."

Despite promising signs of growth in previous years, there is no denying that 2014 has been a trying year for the aviation industry in Kurdistan. The instability and violence in areas surrounding Kurdistan have tested the market and negatively affected traffic at EIA, although Abouzeid predicts a more promising business environment in 2015. Reflecting on the developments of the last year, Abouzeid highlights Macair's success in the face of the difficulties it has encountered. "There have been numerous challenges. Through it all, we have been able to raise the bar in customer service to exceed the highest standards," he emphasizes. With the potential for recovery in Kurdistan's private aviation sector and an unprecedented expansion of Macair's operations at EIA, 2015 may prove to be a pivotal year in the company's quest to build the best aviation services company in the region. ①



“The KRG and the airport management have done a fantastic job of security at the airport. We feel very confident in promoting the airport and the security to business aircraft operators worldwide.”

Dori Abouzeid, CEO, Macair

exclusive private flight support provider at Erbil International Airport (EIA) in 2011, it has raised the standards in private aircraft services in Kurdistan. To Macair's leadership, that goal relies most heavily on one key element—the quality of the firm's staff. "In order to raise the bar, we felt that you have to first bring in a good team and continually train them to make them better," says Abouzeid.

talks with airport administrators to determine the best location for the new facilities at EIA. Abouzeid predicts groundbreaking for the project sometime in the third quarter of 2015 and estimates that it will take approximately one year to reach completion. Emphasizing the significance of this project to Macair's overall growth strategy in Kurdistan, Abouzeid explains, "We would be offering a full-service aviation

## Growing Rapidly



**Baker Saeed Taufiq** —  
General Manager, Azmar Air

Baker Saeed Taufiq speaks with IIG about Azmar Air's expanding ground handling operations in Kurdistan and the company's ambitious plans to turn its Slemani base into a nexus for international cargo flights.



**IIG:** Could you brief our readers about Azmar Air and its key projects?

**BST:** Azmar Air was established in 2005. We are the fifteenth company in the Middle East to have the International Air Transport Association's Safety Audit for Ground Operations certificate. We manage ground handling, cargo, fuel, and catering services at Slemani International Airport (SIA). Azmar Air has been growing 20% each year. We have about 600 staff now.

We are also the first company in Iraq to have a private airport, and we are now building Iraq's first specialized cargo airport in Slemani, which we will own completely. The new airport in Slemani will be the biggest one in Iraq. It will be built at the same airport, with the same runway and taxiway. We will be closing the old terminal and building a new one with a hotel. It will take a minimum of four years to finish. We are also building the Slemani Cargo Village, which will be finished in August.

**IIG:** Do you believe that Slemani can be a cargo hub?

**BST:** Iraqi airspace is a corridor for all the flights between the West and the East. Everyday there are around 300 flights over Iraq, so Slemani is in a good position to be a point of connection between the West and East. Through our cargo company, we can provide the facilities needed for a hub that can distribute cargo from Slemani to the East. The new airport will play a crucial role in positioning Slemani as a cargo hub for the region. This is our main plan.

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**The new airport in Slemani will be the biggest one in Iraq. It will be built at the same airport, with the same runway and taxiway. We will be closing the old terminal and building a new one with a hotel.**

**IIG:** How does the current political situation affect the growth of the aviation industry in Kurdistan?

**BST:** As you know, all permission comes from the Iraq Civil Aviation Authority in Baghdad. No airline can fly to the Kurdistan Region without the approval of the ICAA. It affects us negatively. Airlines know that we have to get that approval from the ICAA, and then they come to us. On the other hand, we have been talking with Baghdad about taking on ground handling operations at the airports in Basra and Baghdad for a year now. We won a tender over seven international competitors. Until now, our case has been stuck in the Ministry of Transportation in Baghdad because of political problems. We are waiting for the situation to change.

**IIG:** What do you see in the future of the aviation industry in Kurdistan?

**BST:** The airline business is directly connected with people's economic situation, and the economic potential and growth of Kurdistan. We believe that the aviation industry will improve in the Kurdistan Region if the economic situation continues to improve here. As I mentioned, we would like to see Kurdistan become a cargo hub for the region in the future. ☺

## The Hub



**Oliver Mathwich** —  
Business Development Manager, dnata

Oliver Mathwich discusses dnata's role in transforming Erbil International Airport (EIA) into a regional hub for transport and aviation and discusses the airport's continued importance for the economic growth of the Kurdistan Region.

**IIG:** EIA has expanded significantly in capacity since dnata started operations there in 2010. How has dnata dealt with this rapid expansion?

**OM:** Dnata has invested significantly in equipment and people over the past four years. We bring considerable expertise to Erbil and believe we have supported the growth of EIA as a strong partner. We also believe that our customers know that they are in good hands with dnata and trust that we will deliver on our promises.

**IIG:** How can the Kurdistan Region enhance its position as a hub for passenger traffic and cargo transshipment?

**OM:** It is critical for EIA to continue investing in the future. International travelers are pleasantly surprised when they arrive at EIA for the first time—passport control is quick and friendly, and their luggage is often waiting for them at

and positions Erbil as not just a local airport, but as a larger regional hub. Establishing Erbil as a regional hub will have a considerable impact on the economic development of the city of Erbil and Kurdistan as a whole, generating income and creating jobs.

**IIG:** Do you have any concerns in terms of infrastructure being able to keep pace with the expected growth?

**OM:** Infrastructure at EIA is continually being challenged due to the rapid growth, which makes it challenging to achieve all our goals. The airport and dnata need to act quickly and work together if we are to succeed. Dnata has invested considerable amounts in infrastructure improvements, such as cold storage for perishables, and we will continue investing millions of dollars in equipment, facilities, and personnel each year.



the baggage carousel. However, with the recent growth it is important to continue investing in new infrastructure to meet demands, especially the peak times.

Cargo is an interesting situation. Erbil has become the entry point, not only for Kurdistan, but for the whole of Iraq. I walk through our warehouse and often see shipments destined for Baghdad and sometimes even as far as Basra. This is a great success story,

**IIG:** What are your goals for the medium-term?

**OM:** Dnata constantly explores new opportunities in Erbil. We have new ideas to increase our range of services. We are also interested in investing in airport infrastructure in conjunction with the airport authority to build EIA's position as a hub for years to come, supporting Kurdistan's continued growth. ☺

### About

Oliver Mathwich has over 20 years of experience in the international aviation and travel industry with a variety of major aviation companies. Prior to working for dnata, Mathwich worked for Air Astana as a senior manager.



**Did you know?**

According to the Board of Investment, a total of 25 agriculture projects (3.61% of all projects) have now been licensed.

**Ideal Setting for Farming**

The unique topography of the Kurdistan Region makes it ideally suited to the development of a prominent agriculture industry. The gentle hills and rolling plains are ideal for the cultivation of wheat and barley (the two primary grains consumed by the Region's population). Abundant water resources also allow for vegetable and fruit production, although not yet on a massive scale. Livestock represents yet another major opportunity for the Region's burgeoning agricultural industry, as meat remains the most critical element of any Kurdish menu.

**Infrastructure and Knowledge Lacking**

While the Kurdistan Region's transportation infrastructure has improved by leaps and bounds, it is still largely ineffective at helping connect growers in remote rural areas with the urban centers that require their produce. Local farmers complain that shipping options are, at best, ineffective and, at worst, non-existent. The process of carrying products to market can therefore be time consuming and deleterious to the quality and condition of produce. Similarly, a lack of storage facilities (specifically cold storage units) provides little incentive for farms in the Region to expand their output capacities. With a limited growing season and rapidly changing weather patterns, farmers can ill-afford to miscalculate projected yields. As a result, there is little to no impetus for local growers to expand their operations, let alone consider shifting to factory-farm systems that would better promote regional self-sufficiency. Instead, Kurdish farmers tend to rely on historical practices and situation-specific knowledge rather than more modern techniques and are content to remain small-scale in terms of overall operations.

**Cheap Imports**

Markets in the major cities of the Kurdistan Region are packed with fresh produce, delivered daily to ensure that it is of top quality. The only problem with this is that a significant majority of these items are imported from Iran, Turkey, and other countries in the surrounding region. The KRG has made limited steps to implement a tariff system that would favor local production, but the widespread availability of cheap, foreign foodstuffs further inhibits the development of the Kurdish agricultural system. In addition, with the influx of foreign products, dietary patterns and culinary practices have changed as items that were previously unavailable have now become ubiquitous. Kurdish farmers, who have a long-established history of growing certain crops, are not well suited to cater to this rapidly evolving market.



**\$704 M**



Agriculture production has increased in key areas, ranging from a 33% improvement in tomatoes (136,054 tons) to a 454% increase in okra (34,327 tons).

**Investment and Employment**

A 2014 study conducted by Rand Corporation found that agriculture continues to account for only a small percentage (6.63%) of employment throughout the Kurdistan Region; this represents a 0.5% decrease from the previous year. Employment rates in the agriculture sector were higher in Slemani (7.7%) than in Duhok (7.1%) or Erbil (4.9%). Despite being identified as a priority development area, the agriculture sector in the Kurdistan Region has seen limited investment in the past year. Board of Investment (BOI) statistics indicate that a total of 25 agriculture projects (3.61% of all projects) have now been licensed for a total of \$704 million (1.79% of all investment). Both of these percentages represent decreases from the corresponding figures IIG reported in its 2013 report. Agriculture projects in the Erbil Governorate continue to receive the largest amount of allocated land (1,023 acres) compared to Slemani (24.5 acres) and Duhok (217 acres). However, in terms of investment capital by governorate, Duhok leads the way, increasing its share to \$430.4 million (about 61.4% of all agriculture investment). Erbil (\$263.1 million) and Slemani (\$10.6 million) constituted smaller percentages.

**Opportunities and Challenges**

Wheat and barley remain the two biggest crops in the Kurdistan Region, and combined constitute a significant percentage of all agricultural production. However, there have been dramatic improvements in other target areas. A study conducted by the Kurdistan Region Statistics Office (KRSO) for 2013 found that agricultural production had increased in key areas, ranging from a 33% improvement in tomatoes (136,054 tons) to a 454% increase in okra (34,327 tons). Foods that make up a significant portion of the diets of people in the Kurdistan Region remained strong, with final

**\$430.4 million**

In terms of investment capital by governorate, Duhok leads the way, increasing its share to \$430.4 million (about 61.4% of all agriculture investment)

Erbil  
**\$263.1 million**

Slemani  
**\$10.6 million**

Agriculture continues to account for only a small percentage (6.63%) of employment throughout the Kurdistan Region.

Employment rates in agriculture  
Slemani (7.7%)  
Duhok (7.1%)  
Erbil (4.9%)

**Impact of Governmental Transition**

Continued debate over political power and ministerial appointments lasted until June, and allowed for only limited government involvement in the promotion, regulation, and facilitation of the agriculture industry in 2014. The Islamic League of Kurdistan (Komal) gained six seats in the Kurdistan Parliament in the 2013 elections, and was also given control of the Ministry of Agriculture and Water Resources (MOAWR). On June 18th, the eighth cabinet of the KRG was sworn into office, and Abdulstar Majeed (the appointee from Komal) was named Minister of Agriculture and Water Resources. Minister Majeed will be tasked with modernizing the MOAWR, improving sector infrastructure (namely in regards to factory farming), and developing new long-term plans to promote food security and overall self-sufficiency.

**Value of Meat Industry**

Although demand for red meat continues to increase, the available local supply does not. As a result, the Illegal Trans-boundary Animal Trade (ITAT) has flourished. Instability in surrounding countries has allowed for an influx of animals from as far away as India and Pakistan; this reliance on cheap and illegally imported livestock has hindered efforts to increase local red meat production. In addition, with no way to inspect or regulate these animals, there is also potential risk in terms of human health. Indeed, with illegal markets still in operation and no centralized approach in place to combat cheaply available imported meat, risks of disease or contamination remain constant. Increased government oversight is necessary to clamp down on this issue. In addition, experts predict that increased government subsidies to those individuals or groups targeting domestic animal farming could help promote the growth of a critical local industry.



### Existing Water Resources

The Kurdistan Region is home to plentiful water resources, most notably its numerous river systems. Originating in southern Turkey, the Great Zab River serves as a major water source for the Erbil and Duhok Governorates, while the similarly named Lesser Zab River originates within the Kurdistan Region. The Sirwan and Alwan Rivers pass through the autonomous region from their respective origin points in Iran, while the Tigris River traverses the Slemani Governorate, and then runs along the southwestern border of the Erbil Governorate for a significant distance. The KRG also operates dams at the Region's three major lakes: Mosul, Dukan, and Darbandikhan. In addition, KRG sources note that Kurdistan is home to 5,174 natural springs (the majority of which are located in the Duhok Governorate). As a result of these and other factors, studies have indicated that approximately 50% of the water in the Kurdistan Region exists domestically (in contrast to an estimated 8% in the rest of Iraq).

### Overuse Fueling Depletion

The sheer number of water wells currently in use (either for personal or commercial use) has helped provide a greater portion of the population with readily available water. However, taxes on water are levied based on land size rather than on consumption. As a result, the KRG Ministry of Planning estimates that individual water usage within the Kurdistan Region is approximately four times higher than the World Bank standard. To combat this issue, the KRG has prioritized a rapid expansion of its number of dams. The construction of the three major dams is expected to be completed by 2018. With an expanded dam network, the government could begin shifting consumption away from its dwindling groundwater resources.

### Declining Availability

Changing environmental conditions throughout the Middle East have had an increasingly measurable impact on the Kurdistan Region. Also, the lack of development of water resources has caused significant damage to the entire agricultural sector, especially during dry periods. Recent reports which indicated an expected increase in drought conditions over the next 30 years caused Iranian officials to begin multiple dam projects, with an eye towards redirecting bodies of water within the country towards areas that are most in need of water resources. These projects could potentially sever strategically significant waterways that flow from Iran into Turkey. Although dam projects in southern Turkey have had less immediate impacts on Kurdish water resources, no formal terms have been agreed that would ensure that such bodies of water remain open and available. A United Nations Development Program (UNDP) study noted that these factors have contributed to a 20% decrease in available water per citizen. Erratic weather patterns have also forced citizens of Kurdistan to become

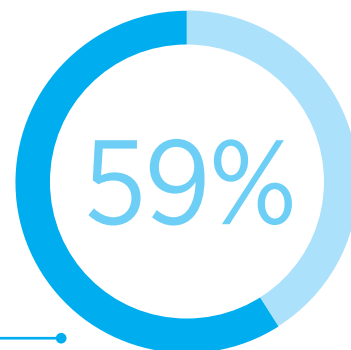
**The KRG Ministry of Planning estimates that individual water usage within the Kurdistan Region is approximately four times higher than the World Bank standard.**

increasingly reliant on the groundwater reservoirs for their water needs. The Ministry of Agriculture and Water estimates that there are approximately 20,000 authorized wells in use, though it is likely that around 18,000 unauthorized or illegal wells operate on a regular basis. There are over 6,000 wells (legal and illegal) for agricultural purposes, and over 500 wells for industrial purposes.

### Reservoir Data

**10,000 MILLION M<sup>3</sup>**  
(Existing Capacity)

**16,963 MILLION M<sup>3</sup>**  
(Necessary Capacity)



By 2020, capacity is planned to reach **100% COVERAGE**

## WATER RESOURCES DATA

Region's Needs	Existing Capacity	Medium Term Target (2020)
10,000 MILLION M <sup>3</sup> AGRICULTURE	22% 2,256M M <sup>3</sup>	72% 15,500M M <sup>3</sup>
1000 MILLION M <sup>3</sup> DOMESTIC WATER SUPPLY	100% 1000M M <sup>3</sup> (from surface & underground sources)	100% 1300M M <sup>3</sup> (for an estimated population of 6M inhabitants)
200 MILLION M <sup>3</sup> INDUSTRIAL USE	100% 200M M <sup>3</sup> (from surface & underground sources)	100% 300M M <sup>3</sup> (according to industrial development forecast)
20 MILLION M <sup>3</sup> LIVESTOCK	100% 20M M <sup>3</sup>	100% 25M M <sup>3</sup>

### Infrastructure Needed to Fully Address Water Concerns

To counteract certain issues relating to the excessive consumption of water, the General Directorate of Water and Sewerage (operating under the umbrella of the Ministry of Municipality and Tourism) instituted a strategic plan relating to both the increase of available potable water and the treatment of the Region's wastewater. The plan itself calls for a multi-phase approach to address a wide variety of issues that are presently placing a strain on Kurdistan's limited resources. These solutions include the long-promoted installation of water meters to increase usage fees, the creation of new laws to promote more binding regulations, establishing long-term water development facilities, and (perhaps most notably) the creation of multiple water treatment plants.

The Kurdistan Region at present is dramatically underserved in terms of

facilities for water processing, treatment, and recycling. To address this dilemma, the KRG authorized the construction of wastewater treatment facilities in multiple locales throughout the Region. Construction at the \$113 million Goptapa Chamchamel Water Project, located in the Slemani governorate, is already underway, as is work at the \$96 million Amedy Water Project (situated in the Duhok governorate). The primary aims of these facilities, which both have targeted completion dates of 2015, will be to supply their surrounding environs with potable water on a more modern, consistent scale. Similar projects (including the \$960 million Erbil Waste Water Treatment Plant and Network) are in various stages of planning and are expected help modernize, supply, and regulate the Region's expanding urban population centers.

**Studies have indicated that approximately 50% of the water in the Kurdistan Region exists domestically (in contrast to an estimated 8% in the rest of Iraq).**



## FUTURE WATER PROJECTS

Project	Cost (est.)	Area & Capacity & Contract Type	Construction Period
<b>IFRAZ 4</b>	<b>\$600 Million</b>	Water Treatment Plant Capacity: 25,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Northern & Eastern parts of Erbil	<b>2 years</b>
<b>SLEMANI CITY</b>	<b>\$276 Million</b>	Three Waste Water Treatment Plants Capacity: 300,000 cubic meters per day Contract Type: Design, Build, Operate Area: Slemani	<b>2-3 years</b>
<b>ERBIL CITY TREATMENT PLANT &amp; NETWORK</b>	<b>\$960 Million</b>	Four Waste Water Treatment Plants Capacity: 210,000 cubic meters per day Contract Type: Design, Build, Operate Area: Erbil	<b>8-10 years</b>
<b>DOKAN 3</b>	<b>\$300 Million</b>	Water Treatment Plant Capacity: 10,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Slemani	<b>2 years</b>
<b>KHANAQIN</b>	<b>\$195 Million</b>	Water Treatment Plant Capacity: 6,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Khanaqin City and 204 Villages	<b>2 years</b>
<b>HARIR</b>	<b>\$110 Million</b>	Water Treatment Plant Capacity: 3,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Harir City and 95 villages	<b>2 years</b>
<b>KUSHAF-MAKHMOR PROJECT</b>	<b>\$170 Million</b>	Water Treatment Plant Capacity: 2,800 cubic meters per hour Contract Type: Build, Operate Area: Makhmor District, Gewer / Debaga Sub-districts and 52 villages	<b>2 years</b>
<b>BARDA RASHA</b>	<b>\$80 Million</b>	Water Treatment Plant Capacity: 2,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Barda Rash City and 100 villages	<b>2 years</b>
<b>KHABAT PROJECT</b>	<b>\$80 Million</b>	Water Treatment Plant Capacity: 3,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Town of Khabat and surrounding villages	<b>2 years</b>

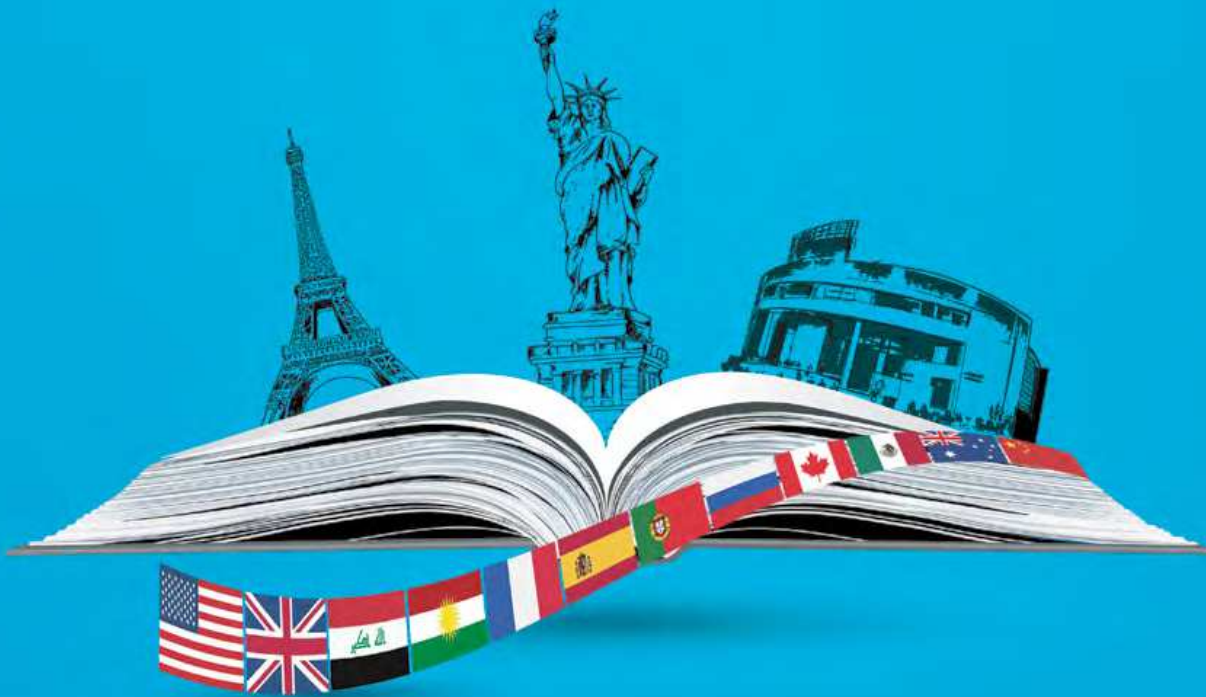
## CURRENT WATER PROJECTS

Project	Cost / Contractor	Area & Capacity & Contract Type	Construction Period
<b>SLEMANI GOPTAPA CHAM-CHAMAL</b>	<b>\$108 Million</b> <b>NOKAN - SUBOR</b>	Water treatment plant Capacity: 6,8000 cubic meters per hour Contract Type: Design, Build, Operate Area: Chamchamal District and 22 sub-districts	<b>2 Years</b>
<b>DUHOK AMEDY</b>	<b>\$96 Million</b> <b>STEER GROUP HUMAN-ARISON</b>	Water Treatment Plant Capacity: 2,400 cubic meters per hour Contract Type: Design, Build, Operate Area: Amedy District, Deraluk Sub-district, Sheladze Sub-district and 15 villages	<b>2 Years</b>
<b>DUHOK AKRE</b>	<b>\$75 Million</b> <b>OMRAB-EVYOL-HARDAM</b>	Water Treatment Plant Capacity: 3,000 cubic meters per hour Contract Type: Design, Build, Operate Area: Akre District and 17 villages	<b>2 Years</b>
<b>ERBIL BARZAN</b>	<b>\$80 Million</b> <b>ARGE CONSTRUCTION</b>	Water Treatment Plant Capacity: 1,200 cubic meters per hour Contract Type: Design, Build, Operate Area: 51 villages in Barzan	<b>2 Years</b>
<b>SLEMANI DARBANDI KHAN</b>	<b>\$20 Million</b> <b>OHITAN COMPANY</b>	Water treatment plant Capacity: 1,200 cubic meters per hour Contract Type: Plant, Design, Build Area: Darbandikhan District	<b>1 Year</b>
<b>ERBIL &amp; DUHOK RENOVATION</b>	<b>\$135 Million</b> <b>STFA-CALYON-FERNAS</b>	Expanding the capacity of IFRAZ-3 water treatment plant from 6000m <sup>3</sup> /hr to 10,000m <sup>3</sup> /hr, and changing the old water networks in many quarters in both Erbil and Duhok.	<b>2 Years</b>
<b>SLEMANI &amp; HALABJA RENOVATION</b>	<b>\$193 Million</b> <b>SSANGYANG</b>	Halabja Water Treatment Plant Capacity: 50,000 cubic meters per day Changing the old water networks in many quarters in Slemani.	<b>2 Years</b>

# THE REVIEW Higher Education



# GLOBAL QUALITY CLOSER THAN EVER



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## SECTOR AT A GLANCE

**115,000-120,000**  
University Students

**12,000**  
New students in private universities (2014)

**5% Full-time Professors**

**Top Majors:**  
Medicine, Engineering

**12 Private Universities**

**13 Public Universities**

**5,000-6,000**  
Expected Graduates

**\$668 Million Investment**



## The Game Changer

**Major investments in the Kurdistan Region's higher education system are helping to develop well-trained human capital.**

Institutions of higher education in Kurdistan are key to producing a new generation of graduates that have the skills to harness the opportunities provided by the Region's growing economy for local benefit. Despite the challenges of transforming a system that has traditionally relied on rote learning and an instructor-centric approach, innovators are introducing Western-style teaching methods that emphasize critical thinking and give students more freedom of choice in their academic pursuits. The KRG Ministry of Higher Education (MoHE) is also implementing

guidelines to ensure quality in higher education across the Region and teaming with key players in the regional economy to ensure that new graduates have the skillset and experience to succeed in the local workplace.

The MoHE has also established a number of tertiary institutions dedicated to technical and vocational education and training (TVET). The Ministry runs two-year technical institutes and four-year technical colleges across Kurdistan that are managed under three polytechnic universities representing the Erbil, Slemani, and Duhok governorates.

**Did you know?**

*In 2014, the Ministry of Higher Education admitted over 36,000 new undergraduates to its 13 public universities, nearly 4,000 more than the year before.*

**Quality Assurance Plan**

While supportive of the increasing array of choices that the proliferation of private institutions has helped create for students, KRG education officials are keen to point out that their support is dependent on those institutions meeting government standards in terms of quality. The Ministry's strategy is to prevent higher education from becoming a commercial product. The Ministry has weighed applications for new private universities against the key metrics of a Quality Assurance Plan for higher education that it adopted in 2011, approving just 2 out of the 18 proposals for new private universities it has received since that time.

The quality assurance procedures for higher education outlined in the Plan focus on curriculum reform, increased autonomy for universities and technical institutions, programs offering staff the chance for continuous professional development, and the promotion of research. The strategy also establishes a system to evaluate teaching methods, course materials, exam design, and lecture styles in parallel with a planned accreditation system to ensure that institutes, colleges, and universities conform to acceptable academic standards.

**Closing the Skills Gap**

Authorities within the KRG have recognized the need to better tailor higher education in both universities and technical institutes to the skillsets demanded by local and international firms operating in the Region. At the moment, many international and local firms cannot find applicants with the technical backgrounds and communication abilities necessary to fill available jobs. In its "Roadmap to Quality," the Ministry acknowledged the imperative to make higher education in Kurdistan more relevant and effective, explaining, "The higher education institutes were originally developed to suit a country with a closed market and a people with little hope of a high standard of living or rapid educational advancement. In the new Iraq, reformation of higher education is now urgently required in order to harmonize the heretofore antiquated system to the needs of the Region for highly skilled professionals."

There is an emerging movement to connect employers with intuitions of higher education across the Kurdistan Region. One such initiative is the annual Kurdistan

Careers event, where organizers have been educating job seekers on the importance of internships and connecting local and international companies interesting in hosting interns with workers and students looking to gain real world experience.

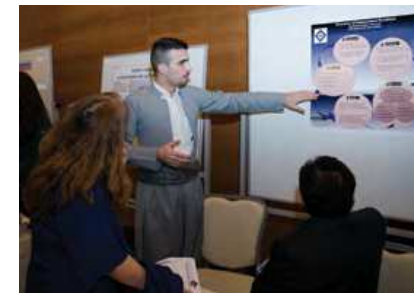
Universities and technical institutes themselves often struggle with obsolete course materials and fail to provide opportunities for students to receive on-the-job training or real world experience, resulting in new graduates finding themselves at a competitive disadvantage in the labor market. This situation has contributed to the growing momentum behind efforts to bring higher education and business leaders together in an institutionalized way to design a modern, continuously updated curriculum that ensures students are ready to enter the job market when they graduate.

Referencing these projects and the deficiencies they are trying to overcome, Dr. Nawzad Kameran, a partner at Kurdistan Careers, explained, "At most universities everything is theoretical. Mostly the private universities

**Both the public and private higher education sectors have seen rapid growth over the last two decades, and overall enrollment in higher education in Kurdistan stood at over 115,000 in 2013.**

have been responding by putting in work placements, career planning, and outreach to companies to establish a bridge with students. We are trying to change the culture so students see the reality of things in the field."

The KRG has also founded a Human Capacity Development Program that seeks to cultivate professional skills and leadership abilities among students from the Kurdistan Region by giving them the opportunity to earn a degree abroad. In 2014, the program gave 4,351 of the Region's most talented students the opportunity to study abroad for the 2014 academic year with the help of government-sponsored scholarships. During the same period, 670 of those students finished their foreign academic pursuits and returned to join Kurdistan's labor force. Scholarship recipients benefit from language-skills training at centers set up by the MoHE in preparation for their studies abroad. The KRG has spent over \$82 million on the Human Capacity Development Program, and plans to expand it in the years ahead.



**FOCUS: AUDK**

The American University Duhok, Kurdistan (AUDK) opened its doors in December 2014, bringing a focus on applied research and leadership skills to the Kurdistan Region. The university will offer undergraduate degrees in public policy, design and media studies, management and finance, and computer science, taught in an English-language environment that emphasizes academic freedom for both students and faculty. AUDK has also established research centers focused on improving quality of life in the Duhok governorate. AUDK's Center for Displacement and Migration is currently working with the KRG to develop strategies to cope with the refugee crisis currently affecting Kurdistan.



**Enrollment in private universities has expanded rapidly. In 2014, Kurdistan's 12 private universities admitted 12,000 new students, an increase of 5,000 over the year prior.**

**Strengthening International Ties**

A growing number of universities in Kurdistan are establishing connections with their peers abroad in an effort to expand opportunities for their students and benefit from international expertise. In 2014, Soran University and the University of Leicester signed a partnership agreement to establish the International Centre for Natural Resources Research at Soran's campus northeast of Erbil. The center will concentrate primarily on sustainability in regional resource management and provide students the chance to do a split PhD involving studies abroad at the University of Leicester and collaboration with professors there. The University of Leicester has also partnered with UKH to establish an English Language Teaching and Testing Centre there.

Under the Kurdistan Rural University Partnership Program (KRUPP) administered by the International Research and Exchanges Board (IREX), Virginia Tech has similarly partnered with the University of Halabja, the University of Zakho, and the University of Raparin to develop student-centered teaching methods that hone critical thinking and practical problem-solving abilities. The last year also saw AUIS partner with Stanford University under the Iraq Legal Education Initiative (ILEI) to develop a course sequence in legal studies and produce modern, high-quality course materials on the legal systems of Iraq and the Kurdistan Region. The Initiative's end goal is the creation of a full law program at AUIS.

## Training Kurdistan's Future Leaders



**Dr. Honar Issa** —  
Member of the Board of Trustees  
American University Duhok Kurdistan  
(AUDK)

Dr. Honar Issa provides IIG with exclusive insight into AUDK's mission, the university's expanding education strategy, and its contribution to the creation of the next generation of leadership in the Kurdistan Region.

### About

Dr. Honar Issa has been a scholar in the academic environment for more than thirteen years. He has taught various subjects at Nottingham Trent University in the UK and acted as Interim Dean of the Faculty of Engineering at Soran University in Kurdistan, in addition to publishing a number of articles in international journals. Dr. Issa is an associate professor in structural engineering.

**IIG: What is the core mission of AUDK?**

**HI:** AUDK pursues a long-term strategy to fulfill its mission through engaging competent faculty members as well as bright scholars to enhance the quality of education in the Region. AUDK aims to create a peaceful environment where students and the academic community enjoy a sense of freedom in gaining knowledge for the betterment of society. By establishing research centers, AUDK endeavors to have a role in every aspect of people's lives and help build a healthy and dynamic community. AUDK provides students with a profoundly transformative experience— intellectually, socially, and personally— that will prepare them for a life of service and leadership.

**IIG: What educational programs will AUDK offer?**

**HI:** AUDK offers undergraduate courses and programs in the areas of Politics and Public Policy, Design and Media Studies, Management and Finance, and Computer Science. The master programs will follow as soon as the required tools are ready. On top of those programs, we have established the English Language Institute (AUDK-ELI) and the Center for Displacement and Migration (AUDK-CDM), which are currently performing in an extraordinary manner. Having American English teachers, AUDK-ELI offers top-level curricula for teaching English at various levels and is open to anyone who desires to learn English, no matter if she/he is a student or an employee. AUDK-CDM is very active in helping internally displaced persons (IDPs) and refugees as well as the government to set up roadmaps to

manage and tackle crises. What distinguishes AUDK from its counterparts is that it offers state-of-the-art majors that are not delivered at any other institution of higher education in the Region. Every program is organized around development, with a clear focus on the process of implementation.

**IIG: How do you see the university expanding in the medium term?**

**HI:** AUDK aims to become a leading institution in the Region that, as a center of excellence, will conduct research in various disciplines. It endeavors to introduce research into the community we live in and get people accustomed to the idea that research should not only be conducted for the sake of research, but to promote and develop the quality of life of a society. We plan to establish various centers that will offer activities required to enhance the quality of education and, in return, the quality of life and wellbeing of the people in the Region. We also plan to establish departments and schools encompassing diverse disciplines that will respond to the demands of the market. Career-oriented programs will include the College of Engineering, the College of Medicine, and numerous other centers. AUDK will also pursue accreditation for its programs.

**IIG: Will it be a challenge to attract international academic talent to Kurdistan?**

**HI:** Despite the current situation on the ground, being a member of faculty at AUDK is appealing. The number of international applicants for administrative, faculty, and staff positions is rapidly



AUDK held opening ceremonies on December 01, 2014 to announce the first day of student registration for the 2014-2015 academic year.

increasing. Most candidates have excellent academic records in reputable universities around the globe. All those recruited at AUDK are either Americans or other expats who have rich experiences in academia. Duhok has an interesting and resilient environment, which will make it possible for academics to interact with a multi-cultural society. AUDK will be a gateway into a new environment that is conducive to state-of-the-art research.

**IIG: How would you assess the contribution that AUDK is making towards the creation of the next generation of leadership in the Kurdistan Region?**

**HI:** The purpose of education at AUDK is not merely to transmit knowledge. Rather, it is to teach the students how to use their knowledge as leaders of

society. Unfortunately, many educational institutions in the Kurdistan Region lack comprehensive programs to create leadership skills. They put more emphasis on rote memorization. The programs that AUDK offers will place a conscious and purposeful focus on selecting and producing the next generation of leaders. We will provide an environment for the kind of experiences that enable students to learn what it means to be a leader. AUDK will provide students with a clear vision – a set of original ideas – required to become a leader. We believe that, in the absence of a creative vision, someone can be a manager but not a true leader. At AUDK, we have a vision to fully integrate with society and to be sensitive to its problems, rather than being an isolated ivory tower. ☞

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**AUDK offers undergraduate courses and programs in the areas of Politics and Public Policy, Design and Media Studies, Management and Finance, and Computer Science.**

## Educational Edge



**Robert Ritchie** —  
Director, Professional Development  
Institute (PDI), American University of  
Iraq, Sulaimani (AUIS)

Robert Ritchie speaks to IIG about the growing demand for professional development training and education in Kurdistan, and explains why PDI's MBA program remains the touchstone of business education in Kurdistan and Iraq.

### About

Robert Ritchie oversees all activities related to the creation and provision of educational programs fostering professional growth and development, and directs the University's MBA program. He has over 15 years of international business development and university teaching experience. Ritchie holds an MBA from Boston University's School of Management, a JD from the Temple University School of Law, and a BA from Arcadia University.

**IIG: How does PDI collaborate with the private sector to ensure you are satisfying the demands of your clients?**

**RR:** PDI began operations three years ago, and in this short period of time we have had the pleasure of working with some of Kurdistan and Iraq's largest private sector companies, and have developed courses and provided trainings for government and non-governmental entities. The variety of courses that PDI offers and the range of clients that we have places us in a good position to understand market needs and trends. Being in the professional education field means that PDI deals with different types of clients, from individuals who seek to improve their English language skills, to businesses seeking consultation services or trainings, to professionals who look for career advancement by obtaining an MBA or knowledge/skills in a specific area. It is essential to understand the needs of each client so as to customize trainings and courses relevant to their needs. Therefore we apply a client-centered approach to everything that we do.

**IIG: Where do you find PDI to be particularly strong within the human capacity development sector in Kurdistan?**

**RR:** There is a great need for training in Kurdistan and we receive many requests for all kinds of trainings, ranging from language courses to field specific courses. Our MBA program and English language courses have proven to be very popular and attract a diverse student body due to the fact that these programs were part of the department's initial offering. As PDI expands its portfolio, we are witnessing a rise in demand for courses such as Project Management, IT, Finance, and general consulting work. PDI's strengths lie in focusing on the clients and their needs in whatever field or area of training they may require.

**IIG: How has PDI been so successful in attracting high caliber students to the MBA program?**

**RR:** The MBA at PDI is a student centered, dynamic, and interactive program that focuses on the main aspects of business and the working environment. The program is consistently updated and touches on current business trends and issues, analyzing real-life case studies. We have recently introduced three specializations to our MBA program: Project Management, Leadership, and Finance. The MBA program strives for the highest standards, comparable to other MBA programs offered internationally. This means that students need not go abroad to receive a first-rate educational experience. The exposure to a new way of learning that is fresh and engaging will equip students with the knowledge and skills necessary to further succeed in their careers.

**IIG: Who would you say is the target demographic for the program?**

**RR:** The enrollment process encourages applications from a diverse background of students, which complements the program by bringing together a broad range of experience to discuss and analyze business topics and issues. This mix in turn encourages debate and exchanges of ideas whereby students find innovative solutions and discover new ways of approaching work related matters. The target is both experienced business professionals and motivated young graduates. We aim to achieve maximum synergy.

**IIG: Does the curriculum of the program reflect any unique elements of the business environment in the Region?**

**RR:** The MBA program has witnessed growth every year since its inception in 2007. The curriculum of the program is comparable to other MBA programs internationally and at the same time designed to be relevant to meet local needs. We have also redesigned our thesis requirement to focus on real industry problems, resulting in tangible benefit both to the student and their respective companies. ☞



## Sulaimani Forum

While its unofficial epithet, The Davos of the Middle East, may be ambitious, the 2014 Sulaimani Forum, hosted by the American University of Iraq, Sulaimani (AUIS) on March 4th 2014 was not far off the mark—especially considering that this year's annual Forum was only the second of its kind. The Forum brought together many of the most influential and distinguished figures shaping the modern Middle East and set a high standard for conferences in Kurdistan and Iraq. The theme of this year's Forum was "Navigating the Challenges of the Middle East," and covered many challenging topics, including Iraqi and Kurdish political difficulties and economic opportunities, panels on investing in Iraq and Kurdistan, energy sector development, water and environmental issues, and sociopolitical challenges. With over 300 guests in attendance, the Forum convened speakers including prominent American, European, Turkish, Iranian, and Iraqi politicians and diplomats, and several prominent members of the academic, business, media, and NGO communities.



## Bringing Best Practices



**Carl Bistany** —  
President, SABIS

Carl Bistany provides IIG with insight into SABIS's experience entering Kurdistan's education market and the ways in which it is transforming all levels of the educational landscape in Kurdistan.

### About

Carl Bistany is a board member of SABIS Holdings and the president of SABIS Educational Services, SAL, and SABIS Educational Systems, Inc. He holds two Master's degrees in Mathematics and Computer Science from Syracuse University, NY, and has completed the Harvard Business School Executive Education program. He serves in leadership and advisory capacities at several professional and academic organizations.

**IIG: Why did SABIS choose the Kurdistan Region to open its first university?**

**CB:** The first PPP school that we operated was such a tremendous success—to the point that in its second year of operation we had 90 openings in the Kindergarten and had 1,700 students apply for the open seats—that a lottery system was implemented to determine who among the applicants could be admitted to the school. Facing the unfortunate situation where a child's future is dependent on the luck of a draw, PM Barzani decided to open more such schools, especially in remote areas like Soran, Zakho, and Kalar. By establishing SABIS University and the College of Education, we could cater to the growth of the PPP project and bring this vision to reality. Shortly after opening the College of Education, SABIS University expanded to include the College of Business and Management Studies and recently added the College of Engineering, all designed to provide high quality tertiary education and build capacity in Kurdistan for the purpose of shaping the nation's future.

**IIG: How do SABIS member schools fit into the broader educational landscape in Kurdistan?**

**CB:** In our view, SABIS has an important role to play in the broader educational landscape in the Kurdistan Region. We are a private, for-profit educational management organization, and as such we represent private enterprise, an essential factor in the equation to raise education standards. Our success depends on our ability to deliver a product that meets our customers' needs and expectations. And our customers include every student, because SABIS member schools

implement a non-selective admissions policy. To meet our customers' needs, we bring all of our resources and experience to bear. We bring innovation, motivation, and competition to the educational landscape, all elements that contribute to raising standards—our standards and the standards of the entire education sector in Kurdistan.

**IIG: Do you have any plans for future expansion in the Kurdistan Region?**

**CB:** SABIS has expansion plans for each of the operational models we are currently implementing in Kurdistan. On the private school front, we have immediate plans to build a large, state-of-the-art campus in Slemani. Land has also been earmarked for the construction of a private school campus in Duhok. Additionally, plans are in the works for at least another two private schools in the Erbil area. There are also plans in the works to expand the number of SABIS PPP schools in Kurdistan in order to meet the high demand for school places in all of our existing PPP schools. The demand for these school places comes from parents who see that their children in our PPP schools are acquiring the knowledge and skills needed to be able to compete on a global scale.

In response to the high demand for SABIS PPP schools, there are currently an additional 10 schools planned, but on hold pending financing. Once the question of financing has been addressed, there is a possibility of substantially increasing the network of SABIS PPP schools in the Kurdistan Region and thereby providing a high-quality education to more students who will become the driving force behind the rebuilding of Kurdistan. ☞

## Progress in Higher Education



**Khaled Salih** —  
Vice Chancellor, University of Kurdistan, Hewlêr (UKH)

Khaled Salih reflects on recent progress and remaining challenges in Kurdistan's higher education system and describes the ways in which UKH hones critical thinking and marketable skills in its graduates.

### About

Khaled Salih has been Vice Chancellor of the University of Kurdistan Hewlêr since 2012. He was a Senior Lecturer and Researcher in Middle East Studies at the University of Southern Denmark between 1997 and 2009, he has served as an advisor to the KRG on several matters, and he has published extensively on Kurdistan and Iraq. He holds a PhD in Political Science from the University of Gothenburg in Sweden.

**IIG: How does UKH differentiate itself from other local universities in terms of developing the Region's human capacity?**

**KS:** In 2006, the PM Nechirvan Barzani initiated the establishment of an English-language university that provided a modern education. The idea is largely grounded in his broader vision of Kurdistan's development. The university started with concentrations in politics, social sciences, and management. When the oil industry gained traction in the Region, we also developed a department of natural resources. We now have the largest department of natural resources in the Region. Along the way, we also developed a department of computer science. Our academic programs are therefore designed to align with the demands of the Region's labor market.

**IIG: Can you tell us about UKH's relations with companies in Kurdistan?**

**KS:** To ensure that our education is as dynamic as Kurdistan's economy, we are in constant dialogue with the companies present in the market. In this way, when they employ our engineers, for example, they will know what skills they are recruiting. Also, if there is any gap in the education we provide, they can discover it quickly and tell us the need that should to be filled, allowing us to adjust our curricula to the needs of the market. We also ask major companies what areas of research they find important and expose our students directly to the needs of the market, so that the capacities of our students are already in harmony with the needs of the job market once they graduate.

**IIG: What role is the private sector playing in improving human capacity?**

**KS:** The new companies here demand high

performance and results, some are publicly registered, and they have completely different expectations for performance, hard work, and innovation. This is something new to this generation. They will learn and discover just how hard other people are working. That will come with time.

At our university we see a different trend already, because what we typically do is re-educate our students. When students arrive here, they are used to learning by heart or by rote memorization. We try to re-train our students to think critically and independently.

**IIG: What challenges does Kurdistan's higher education sector face?**

**KS:** Higher education needs a lot of investment, not only in infrastructure, but also in the process of thinking and questioning what is around you. The KRG has invested in that, but since our educational system has such a strong tradition with memorization, there has been a lack of progressive institution building. War and genocide have, of course, also slowed the institution building process—development of a modern educational system has not been possible until recently. So, what we do now is evaluate what we will end up with. I am optimistic about higher education here, because I see the initiatives undertaken by UKH and other universities. Some have established contacts with European and American universities, and they are trying to reform their system. Of course, these changes are gradual and take time. A lot of training internally in institutions is required before there are visible results. However, the first generation of modern, educated students and researchers will have consequences for the entire system a generation later. So, keeping in mind that it will take time, the first steps taken are in the right direction. ☞



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THE REVIEW  
 Human Capital



SECTOR AT A GLANCE

1.4 Million  
 Public Sector Employees

Around 1 million new job seekers will enter the market over the next 20 years.

2.1 Million  
 Labor Force

38%  
 Labor Force Participation

90%  
 Target for local share of oil & gas workforce (2016)

Unemployment  
 4.6% Male  
 12.6% Female

\$100 Million  
 Annual Budget for HCDP

Untapped Resource

The KRG aims to create better educational and training opportunities to develop skilled human capital.

Perhaps more than any other sector or resource, Kurdistan's quickly expanding workforce contains arguably the most potential to reshape the Kurdistan Region's business, economic, and social landscape for the better, over the long term. This untapped potential is a result of several factors coming together, including latency in the professional capacities of the Region's workforce, a major demographic skew towards younger generations, and the influx of investment that has swept into the Region over the past decade. The current situation, then, is one in which the workforce is

large, young, and yearning for professional development—and the private sector has the incentive and capital to provide it. The vast majority of Region's workforce is employed in the public sector—a legacy of both decades of sanctions, which stunted private sector development and employment, and a broader Iraqi history of centralization of the economy beginning in the mid-20th century. Indeed, as of 2012, only 20% of all wage-paying jobs in the Kurdistan Region were in the private sector. This statistic, however, is untenable—something which the KRG's leadership understands—and is changing.

Employment must shift to the private sector for both reasons of efficiency and demography: The median age of the Kurdistan Region is only 20-21 years, meaning that the working age population is set to expand massively in the coming decade, which the already bloated public sector certainly cannot absorb. KRG initiatives are pushing employment increasingly into the private sector, as well as training employees in methods that improve skills and efficiency in the public sector. The KRG's Human Capacity Development Program (HCDP) sends recent graduates to international universities for post-graduate studies, many agencies train their own employees (or those of other agencies), and the Prime Minister's office unveiled in 2013 a website to pair job-seekers with employers in the private sector.

### Public to Private: The Great Migration

Creating increased employment opportunities in the private sector is among the most important factors in insuring social and economic health in the Region. Given the Region's aforementioned young demographic makeup, it is estimated that the Region will add between 850,000 and 1.1 million new employees to its workforce in the coming 20 years—equivalent to over 20% of the Region's entire current population and 100% growth on current employment figures.

The KRG's public sector already employs a far outsized percentage of its population in its bureaucracy and direct government employment, state owned enterprises, and public-private initiatives. Further expansion of the public sector's size in relation to the Region's population—let alone a doubling in size, as the workforce is estimated to do over the coming 20 years—would broadly be understood as an inefficient use of public resources. This leaves the private sector to pick up the slack in the coming workforce expansion.

However, some of the biggest momentum for capacity development and training, and private sector employment, comes directly from the private sector. Training takes the form of in-house operations at major companies or training centers at universities, such as the Professional Development Institute (PDI) at the American University of Iraq, Sulaimani (AUIS) and the English Language Center at the University of Kurdistan, Hewler (UKH). MSelect, a recruitment agency, has a training and development center, as do specific sector oriented companies, such as Stirling Group's Health, Safety, Security & Environment (HSSE) training programs. Companies use each of these operations, depending on their specific needs, to invest in their employees' skills, professional development, and

This will require increased local entrepreneurialism, increased foreign direct investment, or privatization of some government functions. The KRG has been actively working towards the initial two options, most obviously through its 2006 Investment Law, which has had great success in both bringing foreign investors to the Region, but also in spurring local investment and entrepreneurialism. Since the law's inception in 2006, the Region has seen 693 new licensed projects, totaling over \$39 billion of foreign and domestic investment, and countless new private sector jobs.

Regarding the third option, outsourcing public sector functions to the private sector, there has been movement as well. Public-private partnership arrangements are developing increasing momentum in the KRG. Particularly where industry specific expertise can be helpful, the KRG is eager to work with private, often foreign, companies. In ICT, for example, the KRG's Department of IT (DIT) coordinates with several private companies to achieve the KRG's IT-related goals and

expertise—from English (as well as Kurdish or Arabic) language, to computer programming, to firefighting.

Perhaps the most promising training and development programs, however, are the products of public-private cooperation. The Ministry of Natural Resources (MNR) conducts the largest of these programs. International oil companies (IOCs), as part of their Production Sharing Contracts (PSCs) with the MNR to explore and produce oil, must contribute a certain percentage of their income towards the MNR's capacity development programs. Some IOCs take this even further—Gulf Keystone, for example, has improved morale, staff retention, and overall productivity through the creation of a comprehensive capacity development program for their employees in Kurdistan.

In many sectors, the KRG offers regular tenders and contracts for outsourcing projects and even works in joint ventures to bring the private sector into public projects. Even within the training and development sector, the KRG contracts with private universities and training institutes to improve the skills of local public workers.

While the migration into private sector employment is a must in coming years, the transition will take time and further decisive action by both the public and private sectors. One 2014 report commissioned by the KRG notes that, in addition to poor English language and computer skills, preference for public sector employment still hinders the private sector labor market, as many competitive employees seek stable jobs in the public sector. Overcoming this challenge will require private companies to compete more strongly with the public sector in the labor market, but will also require a broader understanding among the Kurdish workforce of the benefits of private sector employment.

The MNR estimates that oil companies' production workforce will increase **200%** for every 100,000 barrels per day produced. Current production is around **400,000 bpd** and may reach **1 million bpd** by the end of the coming year, representing the possible addition of thousands of new production workers.

### Private Sector Training

However, to prepare the workforce for the rigor of private sector employment, in some cases additional skills and development training is necessary. This is particularly true for employment in foreign companies operating in Kurdistan. For example, written and spoken English proficiency often presents challenges, professionalism in writing and communication is sometimes found lacking, and basic to intermediate computer skills can need touching up. These skills can be developed at many different professional development and training centers and institutes.

Perhaps less often considered is cultural awareness in the workplace for both expat workers and local staff. According to Allegra Klein, director of MSelect's Training and Development Center, "On job sites...people work in isolated, close quarters for weeks at a time. This creates potential for clashes from religious or cultural misunderstandings. Companies are therefore making cultural awareness much more of a priority."

MSelect is also now working in recent collaboration with the World Bank's International Finance Corporation (IFC), which is opening up its 'Business Edge' initiative in the Region. The program is active in 30 developing countries and available in 10 languages. It covers 59 individual topics, tailoring its programming to the needs of local workers and seeking to improve the general professional competencies of employees. MSelect has been chosen by the IFC to lead Business Edge courses in Kurdistan and Iraq in English, Arabic, and Kurdish.

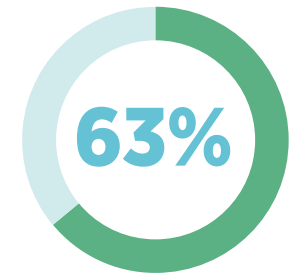
As many companies and organizations find wide and disparate needs in terms of human capital, universities and training

centers find it important to work closely with companies and clients to tailor courses directly to what is demanded. "It is essential to understand the needs of each client so as to customize trainings and courses relevant to their needs," notes Robert Ritchie, director of AUIS's Professional Development Institute. "Iraq has seen years of conflict, which has adversely affected the opportunity for its people to gain knowledge and skills. Now, especially in the Kurdistan Region, the favorable security situation means that the Region has an opportunity to invest in its workforce. There is a great need for training in Kurdistan and we receive many requests for all kinds of trainings, ranging from language courses to field specific courses."

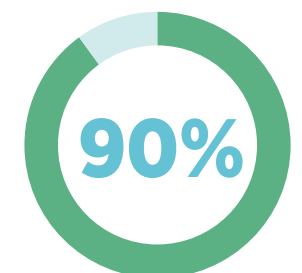
Companies themselves also provide extensive training to their employees. From retail, where Landmark Group brings in foreign experts to train local employees and management, to ICT, where companies such as CIS and others send their employees to get international certificates for new technologies and equipment. Bigger companies such as Faruk Group Holding have large staff training divisions to bring staff into line with the companies' quality standards.

Even in healthcare, companies are bringing professional expertise to the field after graduates leave university. Nordic Medical Services, part of RMSI International, trains local healthcare professionals from many of Erbil's hospitals in Pre-Hospital Trauma Life Support. Faruk Medical City partners with local medical schools to bring recent graduates into the hospital in residency schemes, bringing them up to speed with international norms in healthcare provision.

**850K-1.1 million**  
The Kurdistan Region will add between 850,000 and 1.1 million new employees to its workforce in the coming 20 years.



IOCs employ 4,137 people in Kurdistan, 63% of whom are locals.



The MNR has set a target of reaching 90% local employment in the energy sector by 2016.



**Did you know?**

*A doubling of Kurdistan's workforce presents much more opportunity than liability—the addition of 1 million bright, capable entrants to the workforce carries with it unrivaled untapped potential for the Region's economy and business environment.*

**Energy Sector Paves the Way**

As the largest driver of Kurdistan's economy, the energy sector has played a leading role in expanding the skills of the Region's workforce in collaboration with the Ministry of Natural Resources (MNR). Early in the sector's development in Kurdistan as the MNR began offering Production Sharing Contracts (PSCs) to international oil companies (IOCs) for exploration and production, the Ministry recognized the importance of the local capacity development that IOCs could offer the Region. The MNR thus created a compulsory 'capacity building bonus' to be paid by IOCs towards local capacity and infrastructure initiatives in Kurdistan. The bonus is first paid upon signing a PSC, and then collected as a percentage (between 2.4-4.8%) of net profits as profit oil is produced.

This year the MNR is using some of this funding for a major capacity development project that will target thousands of people, including the Ministry's own employees and future energy sector employees. The training program seeks to be comprehensive and comprises both formal training and an internship with an IOC.

Oil companies often find that the incentive of creating and retaining skilled, professional workers is enough to invest in capacity building programs independently. Many IOCs also actively hire local graduates for professional positions.

MOL Group and Marathon Oil have scholarship programs in place to send recent local graduates to study petroleum engineering at top international universities, and Genel Energy and ShaMaran Petroleum have donated generously to AUIS. Moreover, some companies find that investing heavily in the careers of

**The KRG initiatives are pushing employment increasingly into the private sector, as well as training employees in methods that improve skills and efficiency in the public sector.**

their local employees pays hefty returns in terms of staff retention, morale, and productivity. Chris Parker, a consultant to the Region's energy sector, characterized these programs as small investments for large workforce enhancements. Benefits of training programs for the companies involved include improved safety and efficiency, as well as a happier workforce with more defined career paths, greater professionalism and competency, and increased pride in its work.

Initiatives such as these are set to

expand as IOCs move from exploration to production. IOCs currently employ 4,137 people in Kurdistan, 63% of whom are locals. The MNR estimates that these companies' production workforce will increase 200% for every 100,000 barrels per day produced. Current production is around 400,000 bpd and may reach 1 million bpd by the end of the coming year, representing the possible addition of thousands of new production workers.

Stirling Group, a health, safety, security, and environment (HSSE) firm, is anticipating this workforce growth by expanding and broadening its training capabilities, including the development of a full-scale oil rig in a training center just outside Erbil. The company currently brings in HSSE training experts from around the world to provide global expertise to the local energy sector.

The MNR aims to reach 90% local employment in the energy sector by 2016. Current local employment by IOCs in Kurdistan is largely concentrated in the lower rungs of the employment ladder, especially in unskilled and semi-skilled labor, where locals represent 88% and 95% of the workforce, respectively. Moving locals into more executive, senior, and managerial positions is a long-term goal of the MNR, but one which will take time as education and experience accrue among the local IOC workforce. ☞

# KURDISTAN BOARD of INVESTMENT

The Kurdistan Region of Iraq is a booming market that offers promising investment opportunities especially in the agriculture, industry, and tourism sectors.



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](http://www.kurdistaninvestment.org)



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# MSELECT Employee Survey

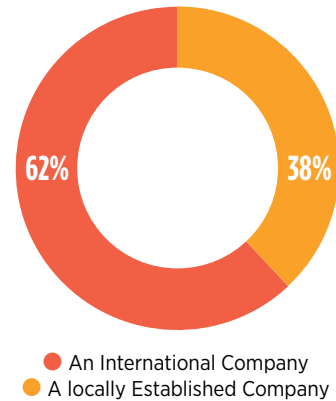
MSELECT is pleased to announce the launch of our 2014 Kurdistan Oil & Gas Job Market Overview and Salary Survey, the first such comprehensive survey 'from the ground' in Kurdistan. By developing two different surveys, the goal was to approach both employees working throughout Kurdistan and major Oil and Gas 'Exploration & Production' companies operating in the same region. The questionnaires were carefully designed to obtain the participating employees'

career information in light of the fast-paced economic development of Kurdistan, in comparison to the surveyed companies' hiring trends and what they offer in terms of compensation, benefits packages, and career development opportunities. Company information was supplied by most of the major international oil and gas operators in Kurdistan.

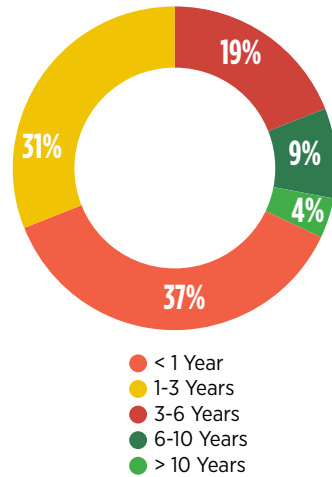
The employees' survey was conducted over a four-month period and covered all types of expertise within

Kurdistan. With over 1,000 respondents, MSELECT was able to form a general idea of the professional disciplines available in the market, their pay structure and benefits received, as well as expectations from current and future employers. This is likely to have a direct influence on companies that are looking to increase their current workforce in the short - or mid-term by adjusting their hiring strategies to effectively attract talented candidates.

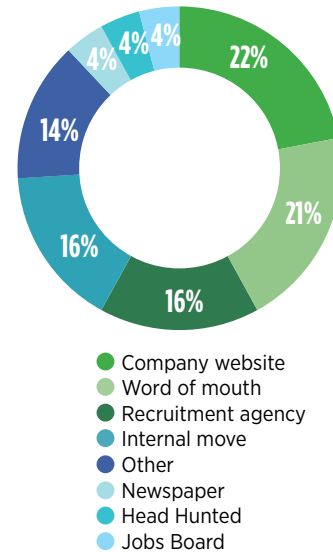
## Whom do you work for?



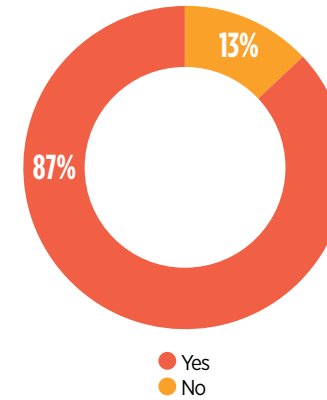
## Number of years in current role



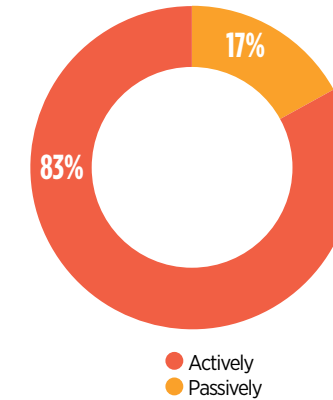
## How did you find your current role?



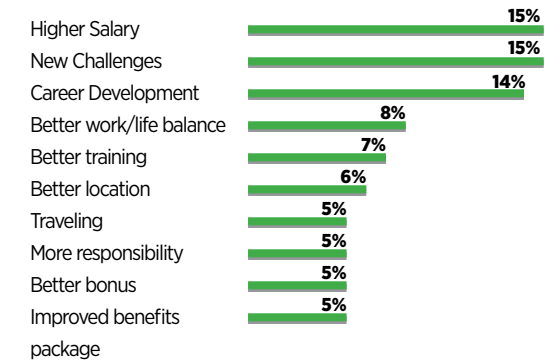
## Seeking a new job role?



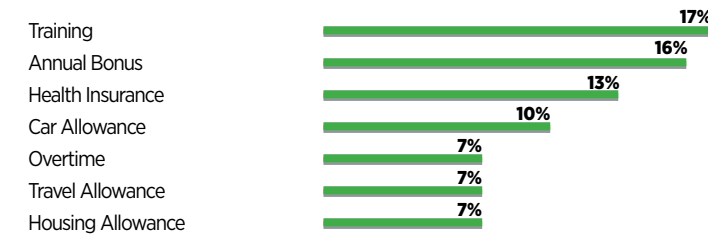
## Actively or passively seeking?



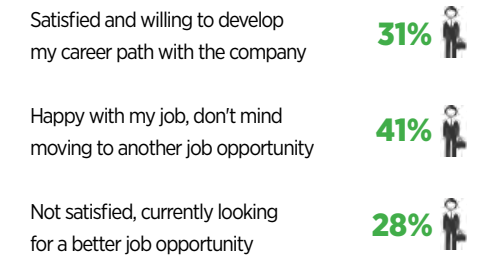
## Reason looking for a new job



## Most important corporate benefits for employees



## Overall, how satisfied are you with your position at the current employer?



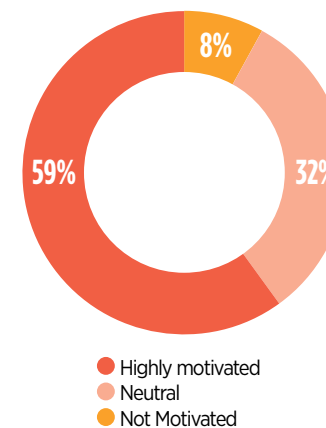
**TALENT EXPERTS**  
Staffing & Training Services in Kurdistan



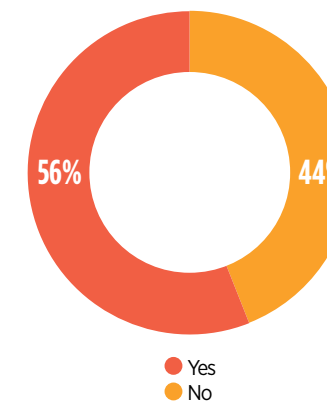
Erbil - Sulaimaniya - Basra | www.mselect.iq | Tel: +964 (0)66 264 3293



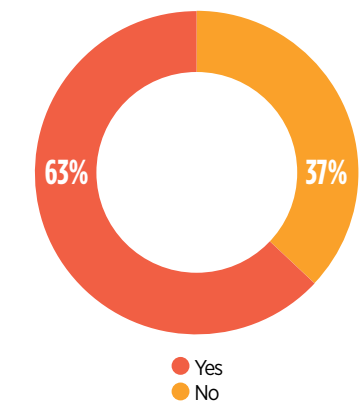
## How motivated are you to see your company succeed?



## Did you receive a pay raise last year?



## Have you had any training in the last 12 months?



## Building Capacity



**Allegra Klein** —  
Director, Training and Development Center, MSelect

Allegra Klein provides insight into the expansion of MSelect into training and development, the training-related demands of local and multinational businesses in Kurdistan, and the future of the training sector in the Region.

**IIG: Can you tell us about MSelect's large-scale training programs?**

**AK:** The MNR is currently initiating training for its own employees—of which it has several thousand. Part of the funding comes through the oil companies, which allocate a certain percentage of their revenues specifically for training when they sign PSCs with the MNR. The program will include internships as well. We are already providing such an internship program for a major oil operator, where we will identify current students or recent graduates who are looking to break into the energy sector, but do not yet have sufficient experience, and place them with one of the world's premier oil companies to gain hands-on experience.

**IIG: Can you tell us about your cultural awareness courses?**

**AK:** Cultural awareness is very important, particularly to the energy industry, and cultural awareness has become the most

we offer popular courses for expats and their spouses combining cultural awareness with basic information on integrating socially and living in Kurdistan.

**IIG: MSelect is also involved in the 'Business Edge' training program.**

**AK:** Business Edge is a program of the World Bank's International Finance Corporation (IFC). The IFC facilitates business training programs in 30 developing countries in 10 languages, covering 59 separate topics under seven headings, such as HR, bookkeeping, governance, hospitality, and personal productivity, among others. Of those, at least 36 have been translated into Arabic, and MSelect has been approached to translate some of the courses into Kurdish. Two of our trainers have already become certified by the IFC as Business Edge trainers. They are trilingual in English, Kurdish, and Arabic, so they can conduct courses in any of those languages, throughout the Kurdistan Region and Iraq.

**IIG: What edge does your Center have by operating under MSelect rather than a university?**

**AK:** When we established the Center, we already had a clientele of over 300 companies in the Region. We initially established the Center when many of our existing clients requested training courses from us, and since we have begun offering courses, our existing clients have largely driven our expansion. Becoming a vendor to an oil company requires significant effort, which we initially completed to become a staffing company. Having already become an approved vendor, we can now provide several resources to oil companies, including training. However, we have also attracted many new clients on our own. In these cases sometimes our Training Center brings in clients to our staffing services. In this way, our staffing and training services work well in collaboration with one another—MSelect's recruiters are essentially our sales staff, and vice-versa. ☞

demand subset of courses we teach. On job sites, at rigs and production facilities, people work in isolated, close quarters for weeks at a time. This creates significant potential for clashes from religious or cultural differences. Companies are therefore making cultural awareness much more of a priority, and we cater to this need with courses that explain Western norms to locals, as well as local religious values and Kurdish culture to expats. Related to this,



### About

Allegra Klein holds a Bachelor's degree from Harvard University and pursued Master's studies at New York University in Global Affairs. Previous to her tenure at MSelect, Klein worked with an Iraqi firm in Baghdad to develop projects that benefit Iraq's civil society organizations, small businesses, agricultural institutions, and government employees.

## Workforce Capability Development



**Ian McIntosh** —  
Consultant at the Ministry of Natural Resources (MNR)

Ian McIntosh talks to IIG about the MNR's plans to develop technical and vocational skills that will allow the Kurdish workforce to take on a bigger role at all levels of Kurdistan's booming oil and gas industry.

### About

Ian McIntosh studied civil and mining engineering, then trained as a petroleum engineer with Shell. He has lived and worked in the UK, Canada, and North Africa before Kurdistan. Ian has been working in Kurdistan since January 2010, and was Vice President at WesternZagros until 2013.

**IIG: What is the MNR's workforce capability development program?**

**IM:** Our goal is getting more Kurds employed in meaningful roles in the oil and gas industry in order for them to develop technical skills and for Kurdistan to develop a workforce with the technical capability to manage the industry. Workforce development is a key component of regional development: the oil and gas sector is poised to generate significant value, and we want to retain the maximum share of that value that we can within the Region. So this project is not just about getting more Kurds into the industry. It is vital that we develop a skilled, competent workforce.

**IIG: How do you structure the priorities of the program?**

**IM:** Foundation Training is a priority. Within the job families, I have focused on competency development in certain key functions. The production operations training board is the most vital to me. Some 4,000 positions will be created in production operations in the next five years. That is a lot of skilled jobs to be created. That, in itself, makes it worthy of attention. The other thing is that those jobs are quite critical in terms of operational risk. The best way that you can ensure that there will not be an incident is by having competent people running those facilities. The other priority job family is graduate engineers and geologists who fill high skilled roles and are the managers of tomorrow. Training tomorrow's leaders is vital

**IIG: We heard that 63% of the Kurdistan-based workforce for oil and gas companies is made up of locals.**

**IM:** True, and the data do not include service companies. From a survey we did a couple of years ago, we know that the percentage of local staff in the service companies is higher than in the oil

and gas companies. So the real answer is higher than 63% – more than two-thirds of those directly employed by the oil and gas industry right now are local staff. But to understand the challenge better, you need go to the last MNR monthly report where you will see a chart that breaks

**Our goal is getting more Kurds employed in meaningful roles in the oil and gas industry in order for them to develop technical skills and for Kurdistan to develop a workforce with the technical capability to manage the industry.** ”

down the IOC workforce by seniority from executive down to unskilled. This shows a high percentage of expats at the senior and high-skilled end diminishing in expats down to the unskilled level, where you see the inverse. So this single percentage measure hides the real challenge.

**IIG: How does the lack of this skilled workforce affect the industry?**

**IM:** The immediate impact is cost. It is an impact on the industry, but ultimately it is an impact on the KRG. Oil and gas is a global industry. Skilled personnel are readily available in this international market. Oil companies can easily get personnel, but at a high price. So the lack of local personnel does not actually impede companies doing their work, and moreover, this high cost may not ultimately be a concern to them. Kurdistan uses “cost recoverable” contracts, so while all the costs are at the company's risk until it makes a discovery, once a discovery is put into production, the company is allowed to recover what it has spent from the revenue generated before its profit oil is allocated. That does not create a great incentive for the oil companies to reduce costs, which I believe translates into a lower incentive to develop lower cost local staff. ☞

## Kurdistan Careers

### Connecting Jobseekers with Employers



**Dr. Nawzad Kameran** —  
Partner, Kurdistan Careers  
Lecturer, Department of Computer  
Science and Engineering, University of  
Kurdistan-Hewler

Nawzad Kameran explains how Kurdistan Careers connects Kurdistan's workforce with the Region's growing economy through networking and capacity building.



**As the economy grows, you need this type of event and other industry-focused events to act as a barometer for where the economy is going. We want to be the place that brings together all the companies, expats, and new graduates that want to work in Kurdistan.**

**IIG: What inspired the creation of the Kurdistan Careers event?**

**NK:** We thought Kurdistan was missing a place where all of the employment market could come together. Events similar to this already exist at universities, but those are only focused on students. We are focusing on the whole Kurdistan Region. Kurdistan is a growing market, but it is hard to know where to start for new graduates. We thought that, in a two-day event, we could bring together what would take six months of searching to do. Besides that, we knew that an initiative for private sector training was missing here in Kurdistan. Thus, we wanted to raise awareness through annual events and smaller events connected to them, as well as through the media.

**IIG: What is the main benefit for jobseekers and companies that participate in the Kurdistan Careers event?**

**NK:** We have realized that networking is not as strong here as we might have thought. For example, we had our first event in Erbil at a government IT training academy with Microsoft-certified courses, and companies did not even know this training academy existed. We asked companies what the main reason they exhibited was in our 2013 feedback survey, and 30% said networking. The main benefit was that companies realized they were not alone facing issues finding good labor. For jobseekers, we provide the largest venue for finding employment opportunities, language and soft skills training, placements, and international internships. The KRG policymakers also benefit from the perspectives of both exhibitors and jobseekers.

**IIG: What are your future plans for Kurdistan Careers?**


**NK:** As the economy grows, you need this

type of event and other industry-focused events to act as a barometer for where the economy is going. We want to be the place that brings together all the companies, expats, and new graduates that want to work in Kurdistan. We want to be that go-to place once a year where you find your job, and we also want to expand into large-scale workshops focusing on professional development. In our upcoming event, we will have an awards ceremony—the Kurdistan Careers Key Awards. It sets a standard within the employment market, celebrates achievement in the local market, and is something to which people can aspire.

**IIG: We know that most of your sponsors are giant energy and ICT companies. Do you also target small and medium-sized enterprises (SMEs)?**

**NK:** It is true that most of the sponsors are big companies in the energy and ICT sectors. The majority of exhibitors are SMEs, though. The SMEs do not realize what they are missing out on or the quality of the people they can get. They invest more in family contacts. Participating in something like the Kurdistan Careers event or reaching out to universities to see what qualified people they can get gives more variety to jobseekers and the employment market.

**IIG: Are you planning to provide recruitment services?**

**NK:** We stay away from the recruitment process itself, but we give companies a whole list of contacts. Basically, we help on the transparency side of things, so people know which resources are available. Last year, we helped the KRG as they launched their job listing website, Kurdistan Works, at Kurdistan Careers. We helped them connect with all of the recruitment market. 

## ANALYSIS—

### Creating the Skilled Workforce

**Chris Parker discusses why a skilled workforce is the main requirement of Kurdistan's growing economy.**



**Chris Parker** —  
Managing Director, Charmogen

**D**espite all the turbulence and upheaval in Iraq, Kurdistan continues on a path to prosperity. However, several long-term constraints remain as obstacles to long term Kurdish progress. Primarily, Kurdistan will need to ensure economic sustainability, especially by gaining guaranteed revenue flow from her new oil production. Allied to this important political issue is the provision of what I call 'Capital-I Infrastructure': the vital national foundations required for significant economic growth.

One of the main requirements of any growing, new economy is the development of a skilled workforce. This is no small challenge and one that other regional oil boomers have solved by imported labor. The model used to date in many GCC countries has seen cheap skilled labor imported as a workforce with expat consultants providing technical and executive management. This has proved a short-term success but one that has implications for local employment and long-term sustainability. These two issues are ones that the KRG seems keen to address, not least as its ambitious young populous need employment and not in the already over-burdened public sector. However, the only way this will happen is for a systematic campaign of both regulatory and physical action to ensure enduring workforce development by all parties involved.

Regulatory reform will be the catalyst for physical action, and the KRG should now address three key areas of regulatory enforcement:


1. National standards must be swiftly identified and stated by the relevant Ministries. As importantly, these standards must also be enforced and audited to ensure compliance in both the private and public sectors. Alignment in part or

whole with accepted international standards will aid collective 'buy in' and save valuable time. An example would be the use of NEBOSH in HSE as the national standard, even if it is termed as a Kurdish system aligned to NEBOSH. A key driver is the need for commonality in areas such as competency and skills lest multiple terms and taxonomy emerge for the same skill. This is likely to add to the confusion and inefficiency later on if not addressed now.

2. The workforce need to be encouraged to remain in organizations that invest in them and not to depart with newly won qualifications to the highest bidder. This practice discourages investment in development as it is seen as a risk. Again, regulatory best practice exists in many Gulf countries to constrain employees once an employment is secured in order to protect both employers and the national economic good. A system used successfully in other countries is one of repayment of training costs if an employee leaves a post before a certain time bar date. Another is to license all employees and thus movement is controlled and an employer who wishes to protest against 'staff poaching' can do so with national support.

3. Workforce development schemes such as Competency Management Systems should be required of all medium and major scale organizations in both public and private sector. Without such a requirement, staff development is currently seen by some as a lower priority than short-term profit margins. There is best practice available today from Kurdistan companies such as Gulf Keystone, whose industry leading Competency Based Framework is already repaying the investment with increased staff productivity, loyalty and contentment.

So how would such enforcement work without too much red tape and legal concerns? I expect that a national communication campaign would help to encourage all to support the economy by playing his or her part responsibly in the emerging future prosperity. We are all aware of how far Kurdistan has come in a decade, but we must also remain mindful of how the culture of employment and competency development has had to almost start afresh in a short timeframe. As a practitioner and observer in much of Kurdistan's tremendous success to date, I think that the use of external best practice and expertise in the Ministries to quickly bring about such regulatory change will then enshrine workforce development as a major factor in the security of Kurdistan's economic progress and growth. Without it, the future looks less secure. Short-term gains will be made but the unease amongst unemployed young Kurds, as well as the lack of wealth distribution through career jobs, will bring a whole new set of distractions for an already busy KRG.

In summary, I believe that Kurdistan has a decision to make on a national strategic plan for its workforce and how to then deliver that operationally. Our own experience tells us that it can be done rapidly and that the Kurdistan workforce not only thirsts for professional Competency Development but also enjoys hard work. Those two aspects normally guarantee a major foundation for economic growth, especially with such abundance in extractive resources. These measures will only need a small amount of resources to set in motion, but the return on that visionary investment will see swift rewards and increased economic sustainability and political security in the decades ahead. 



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## THE REVIEW *Health*

### SECTOR AT A GLANCE

\$927 Million  
 Total Investment

\$2.1 Billion  
 Investment needed

\$195 Million FDI

4.8%  
 Budget  
 Allocation



Over **2,090** new doctors will have graduated by 2020, a **38%** increase from 2014

The Ministry of Health has conducted **144 training courses** in the nursing field, attended by about **5,000 nurses and paramedics**.



**101** Total Hospitals

**42** Private Hospitals



### 📍 The Right Direction

**A series of reforms and investments has helped reinvigorate the health sector in Kurdistan since 2007. Today, the industry provides plenty of opportunities for foreign investors.**

Despite acknowledged deficiencies in its healthcare system, the Kurdistan Region has earned itself increasing recognition for having the best healthcare in Iraq. Mortality, life expectancy, and infant mortality rates in Kurdistan outperform corresponding figures in the rest of Iraq. In its "Vision 2020" statement, the KRG sets out to increase public health funding while improving the quality and efficiency of Kurdistan's health system in order to achieve health indicators in line with the Gulf States

and Europe. As the KRG seeks to do so, they are drawing more and more upon the skills of Kurdistan's vast expatriate community and foreign investment to raise local standards of care. Meanwhile, many Kurds and other residents of the Region with medical training that had fled Kurdistan amidst the violence and deprivation of the decades prior to the fall of Saddam Hussein have been returning in recent years and contributing to the revitalization of the public and private sectors alike.



Publicly funded institutions underpin the health sector in Kurdistan and government-run hospitals and clinics still dominate in the Region, despite a surge in private clinics and hospitals over the last decade. Perhaps the most common interaction most residents of the Kurdistan Region have with their healthcare system is in the form of visits to government-run public healthcare centers (PHCCs), which offer general health services in urban centers and more remote areas across the Kurdistan Region. Around 95% of all residents in the Kurdistan Region make use of a network of nearly 500 of these so-called “rudimentary” public healthcare centers, where health problems are first diagnosed. Kurdistan is also home to around 100 hospitals, nearly half of which are private.

Regional leaders are planning to prioritize public health clinics, which are often classified under the term “primary care,” in future government health spending. This policy will entail shifting government budgetary resources away



from secondary health services (general hospitals) and tertiary healthcare (highly specialized hospitals and emergency care) towards primary care. This movement forms part of regional leaders’ goal of prioritizing preventive health services at the local level such as health screenings, immunizations, public safety and health campaigns, and stricter enforcement of environmental standards in order to achieve improvements in health indicators and cost savings across the health sector. As part of this strategy, the KRG aims to open 165 new primary health centers across the Region by 2020.

### Overcoming a Legacy of Neglect

In the wake of decades of underinvestment, Kurdistan’s health infrastructure still exhibits many shortcomings. A 2012 KRG report that cited a shortage of trained physicians in Kurdistan and insufficient salaries across the entire public health sector, and KRG officials have identified the need for reform in the tertiary healthcare sector in particular, which they concede falls short of global health standards.

The KRG has outlined a series of medium-term objectives to reform the primary, secondary, and tertiary health sectors. In primary healthcare,

the regional government has set out to implement a family medicine approach, streamline medical referrals so patients receive a coordinated course of treatment across the health system, improve training for health workers, and optimize channels for career advancement for health professionals in order to retain more staff. Over the next five years, KRG policymakers also plan to enhance the capacity of health officials to effectively manage public health services across the Region by improving planning skills, data collection abilities, and regulatory oversight. These measures should work



**Over the next five years, the KRG hopes to attract a further \$2 billion in private investment in the health sector.**

to address many of the problems stemming from insufficient and uncoordinated governance of the health system that have impeded the delivery of efficient and effective healthcare in Kurdistan. KRG authorities also seek to raise standards and expand capacity in secondary and tertiary care. To that end, the KRG will be introducing new standards for hospital accreditation that reflect global best practices. It has also set a goal of training over 2,000 new physicians and providing 3,200 new hospital beds across the public and private sectors by 2020.

### Fostering Public-Private Competition to Improve Quality

As a way of overcoming decades of neglect to produce a more effective, cost-efficient health system, the Kurdistan Regional Government (KRG) has made private investment in the healthcare sector a cornerstone of its health policy. The KRG Ministry of Health statistics reveal that health spending stood at relatively meager 4.8% of the KRG’s budget in 2013, although health spending is expected to have risen in proportion to other areas of the budget over the course of the past year. Still, public funds cover less than half of the healthcare system’s needs according to officials with the Kurdistan Board of Investment (BOI). The BOI reports that foreign investors have contributed around \$195 million to 17 projects in the Kurdistan Region’s health sector to date, and local investors have put forward another \$732 million since 2006. The Kurdistan Region’s investment law also encourages medical specialists to set up private clinics and hospitals, as well as pharmaceutical operations. Over the next five years, the KRG hopes to attract a further \$2 billion in private investment in the health sector.

### System Heavily Strained by Refugee Influx

The advance of ISIS forces across Iraq and the violence and persecution they inflicted on the residents of areas under their control dealt a double blow to the Kurdistan Region’s health system. Over 1.5 million refugees and IDPs have flooded into the Kurdistan Region, drawn to the Region’s reputation for security and tolerance. Kurdistan itself has a population of just 5.3 million, and the regional health infrastructure has struggled to keep pace with such a large influx of new residents.

ISIS control of areas surrounding the Kurdistan Region also disrupted traditional avenues for the distribution of crucial medical supplies from storage facilities in Baghdad, exacerbating shortages of medicines and leading Kurdistan’s Ministry of Health to appeal to the World Health Organization for assistance in July 2014. The need for international assistance is particularly acute in the Duhok

A recent example of these private funds in action was the opening of the Kurdistan Children’s Hospital in Erbil in March 2014. Initiated by a local doctor and constructed with the full support of the KRG, the hospital’s construction was financed through a donation from Canadian oil and gas firm Oryx Petroleum. A British charity owns the hospital and operates it on a non-profit basis, with the aim of providing international standards of care to children and mothers in the Erbil area.

The KRG hopes to harness private healthcare services like these to complement a public health system that is admittedly struggling with the formidable task of reconstructing itself to deliver drastically improved standards of quality and efficiency, especially in the secondary and tertiary healthcare sectors. In the long-term, government officials see this complementary system giving way to healthy competition between the public and private healthcare industries, forcing public healthcare providers and administrators to continually improve their services.

The KRG’s reliance on private sector actors to bridge the gaps that still exist in Kurdistan’s health infrastructure is not without risks. The BOI itself acknowledges that an over-dependence on private health providers could produce a two-track healthcare system in which much needed, high quality health services become available in the Region but are simply out of reach of the poor. The BOI explains, “we are aware of the risk of this strategy causing a divide between what the rich and poor can afford, but, if we start from the ground up, eventually the public sector will be able to provide high quality tertiary care.” In recognition of this risk, the KRG aims to impose regulatory measures on the growing private healthcare sector while ensuring the affordability of crucial health services. The KRG defines the role it will play in ensuring healthcare affordability in its “Vision 2020” document, stating, “Our vision is to define and provide a package of basic health services to be covered by public financing and offered at each level of care, and then to have people pay for all other services.”

**Foreign and local investors have contributed \$927 million to Kurdistan’s health sector since 2006.**

## Success Story



**Andreas Ahnlund** —  
CEO, Nordic Medical Services  
Advisor, RMSI Medical Solutions  
International SOS

Andreas Ahnlund recounts NMS's incredible success story in the Kurdistan Region, growing the company from a single ambulance, to a major, globally integrated medical services provider, and discusses the ways in which NMS is investing in the healthcare sector's human capital.

### About

Andreas Ahnlund is the founder and CEO of Nordic Medical Solutions (NMS). After serving seven years as an officer in the Swedish army, Ahnlund established NMS in 2005 by driving an ambulance from Stockholm, Sweden to Erbil.

### IIG: What is NMS's history in Kurdistan?

**AA:** My Swedish partner and I came here in February 2005, and we began working with DNO. We started working on their logistics and security, supporting their first well in Tawke, construction of their production facilities in Fishkabur, and the pipeline for production. We then realized that we needed to branch out on our own and saw the opportunity in medical services. We found that there was a gap in the Region's ambulance system, and we decided to replicate the ambulance system in Sweden. We started very small—we went to a Swedish bank and told them that we wanted to drive an ambulance to Iraqi Kurdistan, without a contract or insurance. The banks were initially very, perhaps reasonably, hesitant to lend to us. Eventually we found a bank that was willing to extend a small amount of financing to us, and we bought an ambulance and drove from Sweden to Kurdistan. We managed to get our first contract in the first week that we were here, working at an oil rig. Today we have 25 ambulances, air ambulances, more than 300 Swedish doctors and nurses, as well as roughly 45 local staff working on oil rigs and in Erbil.

### IIG: Do you have any non-oil and gas clients?

**AA:** Yes, we have a few non-oil and gas clients. Nokia and Siemens, for example, have partnered with us. However, oil and gas have been our most natural clients, because they have a large number of employees that work in isolated and sometimes dangerous situations. We have also developed a very good relationship with the Ministry of Health. Through this partnership, we have been training local nurses. We bring in instructors from Sweden and provide training so that we can leave

patients with our locally trained nurses and know that they are in good hands.

### IIG: How has NMS's acquisition by RMSI affected your operations in Kurdistan?

**AA:** Our merger with RMSI has provided us six air ambulances based in Dubai, which allow us to easily fly patients out if needed. Also, because RMSI International SOS has 12,000 employees, we have a significantly expanded number of doctors and nurses to work with—a lot of new knowledge and systems that we didn't have access to as a small independent company. It has largely allowed us to increase the quality and breadth of our services.

### IIG: What training services do you offer in Kurdistan?

**AA:** What we identified was that most of the doctors here work at a very high level, but that nursing is lacking in some respects, especially on the emergency side. So, we started our training programs with nursing. We have started our Pre-Hospital Trauma Life Support (PHTLS) courses, which were developed by the American College of Surgeons, who gave approval for the course to be conducted in Kurdistan for the first time. We conducted the program initially with a crew from the West Erbil Emergency Center, Rizgari Hospital, and the EMC Cardiac Hospital. So, for a week, we brought in certified instructors and conducted pre-hospital training. For example, if there is a car accident, we taught things such as how to immobilize a victim and take care of the spine. We have become very good at the medical services that happen outside the hospital, and much can be achieved if patients are treated in the proper way directly after a car accident rather than waiting to get the patient to the hospital.



RMSI, a global integrated medical solutions provider, extended its reach in the Kurdistan market by acquiring Nordic Medical Solutions in 2013.

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**I strongly encourage more healthcare companies to come and invest here. As oil production and monetization takes off here, the standards will grow higher and higher, and there will be increased demand for medical services.**”

### IIG: How would you assess the development of the healthcare system in Kurdistan?

**AA:** Since 2005, development has been very quick—just like hotels, infrastructure, and other sectors. The difference between Kurdistan now versus ten years ago is striking. While things are still not perfect, the speed at which progress has been made is very impressive. In healthcare, however, development can be more challenging than in other sectors. It is easy to build a nice hospital and buy the right equipment, but it takes a long time to get well-trained staff that can work together according to the proper protocols. Education is something that cannot just be bought—it will take more time and effort to develop properly educated staff for the healthcare system here. It is happening, but it is necessarily a much slower process than making buildings and equipment. International companies are coming here and prioritizing capacity building and development of knowledge. The MNR is doing an excellent job in this regard, by making capacity building part of the production sharing contracts (PSCs) with oil companies that come here. All said, however, staffing is still our biggest challenge, as medical competence takes a long time to develop.

### Nordic Medical Services (NMS)

NMS offers medical services to companies and NGOs in the Kurdistan Region. NMS has partnered with International SOS, which operates in 83 countries with 23 integrated call centers and 12,000 employees, and RMSI Medical Solutions, which is a subsidiary of Dubai-based International SOS. The company maintains air ambulances based in Dubai that bring patients from Erbil and Slemani to specialist healthcare centers around the world, as well as 25 ambulances based in the Kurdistan Region. NMS works on the ground at oil rigs and work sites throughout the Region to ensure the safety of workers in Kurdistan, and is quickly expanding into preventative training and healthcare specialist training with several local partner hospitals.

### IIG: Do you believe that there is still room for foreigners to come and invest here?

**AA:** Yes, there is a lot of room for investment. It is a shame that still, many big companies are afraid of investing in Iraq. Companies sometimes do not see the difference between Kurdistan and the rest of the country. Kurdish people recognize that they need expertise from all around the world, so there is significant room for foreign companies to come here. I think that opportunities will continue to grow as the Region continues to develop. The market is continuing to increase, and, as in all business, we need competition. I strongly encourage more healthcare companies to come and invest here. As oil production and monetization takes off here, the standards will grow higher and higher, and there will be increased demand for medical services. More companies are beginning to provide competition for us, including a local company. Of course, we maintain a good relationship with them—there are clients for all of us in this huge and fast growing market. However, companies cannot just come here and sell goods or equipment, for example. Companies that want to thrive here must stay, train locals, and provide services for whatever equipment they bring in. If you want to be successful here, you must have a long-term presence. ☺

## Lifting the Baseline



**Dr. Firya Peryadi** —  
Chief Medical Officer,  
Faruk Medical City (FMC)

Dr. Firya Peryadi discusses the ways in which FMC is reshaping the Kurdistan Region's healthcare system and provides insight into the regional health sector's future.



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**We hope that, by offering world-class medical services to the country, our systems, processes, standards, and innovations will be emulated by others, thereby improving the entire system.**

**IIG: What innovations is FMC bringing to the health sector in Kurdistan?**

**FP:** Despite recent development in the sector, after 40 years of neglect in Kurdistan and Iraq, the healthcare system still needs significant improvement. FMC wants to correct this situation—to raise the baseline standards of healthcare provision across the country. The breadth and magnitude of services that FMC can provide reach far beyond Slemani; we are designed to serve all of Iraq. We hope that, by offering world-class medical services to the country, our systems, processes, standards, and innovations will be emulated by others, thereby improving the entire system.

**IIG: To what degree has staffing the hospital been a challenge?**

**FP:** Over the past two years, we have worked very hard to hire well-qualified

nurses to work here for long timeframes. Our nurses all have university degrees from nursing colleges, master's degrees, or specialty degrees, as well as years of experience in nursing. As such, we have hired nurses from all over the world, and we have developed an excellent nursing staff. The case is similar with technicians; we have found the most qualified technicians from around the world and brought them here. Many of the doctors, who moved abroad, studied and worked in Europe or the US, are now coming back to rebuild their country. To hire experts and specialists, we plan to draw initially on the Kurdish and Iraqi diaspora, but

also target Europeans or Americans who are interested in joining FMC on a temporary or permanent basis. Our primary goal is to be a center of excellence, and, as our reputation as such grows, it will become easier and easier to attract experts and specialists to practice at the hospital.

**IIG: What efforts is FMC making towards the localization of your staff?**

**FP:** The owner of FMC, Faruk Rasul, is very keen to invest in and give back to the community, and is very eager to increase local staff while maintaining the hospital's quality. Our strategy is to work closely with nursing and medical schools in the Kurdistan Region; we have already had very productive discussions with the deans of these schools. Once we are firmly established, we will begin to hire recent graduates of these programs very early in their careers to work alongside our experienced doctors, nurses, and technicians, to teach them the correct processes, procedures, and norms of a premier hospital— a bit like a residency program. Eventually, they will be integrated into the standard, full-time staff at the hospital.

**IIG: How do you see healthcare in the Region evolving in the medium-term?**

**FP:** Healthcare in the Region is starting from a very low base. As with many sectors in Kurdistan, development is progressing quickly. Healthcare is very much a part of this progression, but in many ways it is still not up to par. The KRG has targeted healthcare, in particular, for improvement and growth. In terms of that development, I think that FMC will be a leading model for others to follow. Additionally, we will continue to invest heavily in expanding and deepening our services. For example, we have plans to develop a fully integrated oncology department behind our current hospital. This sort of investment is absolutely necessary for the Region and Iraq. Access to quality healthcare truly affects all of us, socially and economically. Currently those who can afford to go abroad for healthcare do, which is costly and problematic. FMC relieves that need. ☺

## Innovative Approach



**Dr. Rang Shawis** —  
Chairman, Kurdistan Children's  
Hospital (KCH)

Dr. Rang Shawis provides insight into the state of pediatric healthcare in Kurdistan and the ways in which he hopes KCH will serve as a model for further development and improvement in the Region's healthcare sector.

**IIG: What new elements, technologies, or standards is KCH bringing to this market?**

**RS:** The current options for children's healthcare in Kurdistan are limited. The fact that there is no integrated primary, secondary, or tertiary care available means there is also a lack of specialized neonatal and childhood healthcare. Antenatal diagnosis and management are also lacking, and there are no fetal maternal specialists. The result of this is that many patients go to neighboring countries or Europe for treatment, which can be very costly, both emotionally and financially. With the KCH, we are trying to address some of these deficiencies and provide specialized health teams to improve the current healthcare options. We are trying to bring pediatric healthcare options into line with international healthcare standards, thus minimizing the need to go abroad for treatment.

**IIG: What have been some of the major challenges to opening KCH? How did KCH address these challenges?**

**RS:** Lack of specialized skills is a major challenge in Kurdistan, especially with nursing and specialized surgical skills. We intend to provide training to upgrade the skills of our local staff. However, to jumpstart KCH, we are employing specialized nurses from abroad. We will also be relying on specialized clinicians and surgeons, primarily from the UK, as visiting teams to provide clinical services, as well as training and education opportunities for the local staff.

**IIG: What are some of the major challenges facing Kurdistan's healthcare system?**

**RS:** The major challenges are the lack of regulatory infrastructure, established standards, and mechanisms for enforcing these standards. KCH will have an in-service education center and will provide training to meet international standards of care. The Hospital will have an organization to manage clinical risks and make sure that policies and procedures to provide the highest and safest standard of

**About**

Dr. Rang Shawis graduated from the University of Mosul in 1973. In 1975 he settled in the UK and trained in pediatric surgery. He has been a Consultant Surgeon and Senior Lecturer for over 25 years in the UK and UAE, and has published over 50 articles.

care are adhered to. This is necessary to ensure the high quality of care provided.

**IIG: Can you tell us about the partnerships that KCH has with foreign health-care and donor organizations?**

**RS:** Our relations with UK-based health organizations, such as the Sheffield Children's Hospital, the royal colleges, and professional organizations, such as the British Association of Paediatric Surgeons, will help to maintain high standards of care through regular visits, training, and quality control processes. In order to achieve our stated mission, we need to strengthen these relations. Individual donors and organizations will find a worthwhile partner in Kurdistan Children's Hospital.

**IIG: How do you foresee the evolution of the healthcare sector in Kurdistan in the medium term?**

**RS:** Despite the challenges and the difficulties, I am optimistic that there will be major improvements in the healthcare system in Kurdistan in the medium term. One of the priorities of the KRG is to improve the healthcare system through radical reform and providing the funds to achieve tangible reforms in the quality and the scope of the healthcare available. I am sure that the current situation, where patients often go abroad for treatment, will decrease as high quality care becomes available within Kurdistan. Our hospital will have contributed to this improvement through the setting of standards and its role as a benchmark for other hospitals. ☺

**IN NUMBERS**

**4 Years**

Conception to Opening

**\$65 million**

Capital Expenditure

**\$15 million**

Operating Costs



THE REVIEW  
*Tourism*



AL SAFADI  
VIP ROOM

Ready for our  
special guests



AL SAFADI RESTAURANT  
مطعم الصفدي

100th street, Erbil,  
Kurdistan - Iraq  
Reservation:  
+964 7505989898  
infoerbil@alsafadi.ae

SECTOR  
AT A GLANCE

\$3 Million  
Total Investment

Over \$1 Billion Revenue  
(Target: 2016)

7%  
Contribution  
to GDP  
(Target:2017)

101  
Total Projects

380  
Hotels

35%  
Occupancy  
Rates (2014)

7 million  
Tourists  
(Target: 2025)



Bold Plans

With the KRG's desire to see the tourism industry become a significant contributor to GDP, the sector has come to offer plenty of opportunities for investment.

The Kurdistan Region, with a diversity of both landscapes and cultures, looks to raise its profile as a tourist destination. In 2013, nearly 3 million visitors came to Iraqi Kurdistan, a 30% increase from the previous year. In 2007, by comparison, Kurdistan's General Board of Tourism (GBOT) recorded just 377, 397 visitors to Kurdistan. The vast majority of travelers in the Region in recent years, around 66%, have come from elsewhere in Iraq, while locals engaging in internal tourism accounted for nearly 14%, and international visitors made up another 20% of travelers. Most

of the foreigners that visit the region, in turn, do so for business reasons. Erbil dominates as a destination for international travelers, racking up nearly three times as many visits as either Slemani or Duhok in 2012.

Tourism is slowly beginning to play a larger role in the Kurdish economy. Overall, the industry supports more than 6,000 jobs. It was the source of \$1 billion in revenues for Kurdistan in 2013, a 53% increase over total tourist revenues in 2012 (\$650 million). Since 2006, local and international investors have poured \$6.58 billion into the Region's tourism industry.



Around 40% of that total has come from foreign investors, mainly those in the UAE and Turkey. In recent years, the pace of foreign investment appears to have increased. In 2013, Kurdistan's tourism sector drew \$3.2 billion in foreign investment.

Regional authorities have channeled these investments into at least 128 officially licensed projects in the tourism sector. Erbil has dominated tourism investments with 71 projects licensed since 2006 and a total investment of around \$4.47 billion. The Duhok governorate was home to 41 licensed tourism investment projects valued at nearly \$723 million over the same period. Although the Slemani governorate saw just 16 licensed tourism investment projects in that time, the total value of investment in the tourism sector there actually surpassed that of Duhok at \$1.39 billion. One of the most visible tourism projects in Kurdistan this year was the newly opened Korek Mountain Resort, a \$95 million venture that aims to draw winter sports enthusiasts across the Middle East to Kurdistan.

The KRG has ambitious plans to transform Kurdistan into a travel destination and hopes to attract 7 million tourists annually by 2025. KRG leaders have laid out plans to improve Kurdistan's road infrastructure to facilitate travel across the Region. The regional government has also been trying to spur development of Kurdistan's tourism infrastructure through a program of small and medium-sized loans for 400 projects running through 2025. So far, the program has allocated around \$86 million.

### Growing Recognition

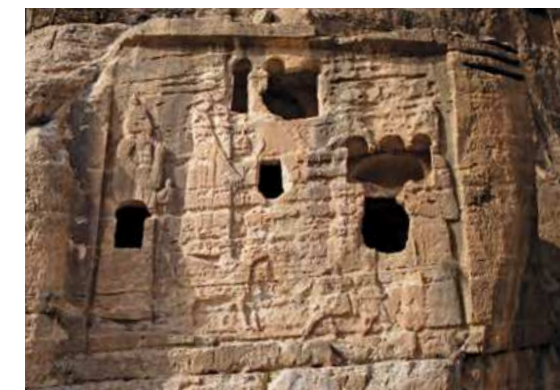
Erbil serves as the face of the Kurdistan Region for most international travelers. The city has grown at a breakneck pace over the last decade and its combination of history, security, and economic growth have been attracting attention across the Middle East. National Geographic Magazine named Erbil as one of its "Best Trips" of 2014. In addition, the Arab Council of Tourism chose Erbil as its "2014 Arab Tourism Capital," and the city has held numerous public events throughout the year to mark the occasion. The first annual Erbil Film Festival took place in 2014. Other events marking Erbil's turn as Tourism Capital included painting and photography exhibitions, concerts, and the Hawler Festival marking the Kurdish new year, Newroz.

Passenger numbers at Erbil International Airport (EIA) highlight a steadily increasing amount of international travel to the regional capital. Over the course of 2013, a record 1.2 million passengers passed through EIA, over 90% of whom were traveling internationally. Over the 2006-2013 period, passenger traffic into EIA increased at an average rate of 28.2% per annum.

The last year also saw Kurdistan gain important international recognition and support for its cultural patrimony. Erbil's landmark Citadel was officially added to UNESCO's World Heritage List during a June 2014 meeting of the organization's World Heritage Committee in Doha. Members voting in favor of World Heritage status for the structure cited its nearly 6,000 year history and its significance as one of the world's oldest continually inhabited settlements. The Citadel joins three other Iraqi sites on the World Heritage List.

In an effort to preserve the Citadel, the High Commission for Erbil Citadel Revitalization (HCECR) has been formed to oversee a 15-year plan to refurbish and restore the Citadel itself, as well as the residential structures built atop it over time. According to HCECR officials, the KRG has spent \$35 million on restoration and preservation efforts since 2011. KRG officials are also evaluating the potential for public-private partnerships to finance ongoing and future preservation efforts.

UNESCO's World Heritage Committee has named the Erbil Citadel to its list of World Heritage Sites after 18 of the Committee's 21 members voted to approve its application. The Citadel is one of the oldest inhabited cities in the world, with a history that stretches 6,000 years.



### Hospitality Industry

Kurdistan is now home to over 380 hotels, and \$1 billion in private investment has been committed to further develop the regional hospitality sector. Erbil boasts Kurdistan's two internationally certified five-star hotels, the Erbil Rotana and the Divan Hotel. International brands such as Radisson Blu, Sheraton, Kempinski, and Hilton have also set their sights on the Region.

Overall, however, the hospitality market in Kurdistan is dominated by three-star hotels. Much of the industry continues to function without an eye to international standards, and innovators in the sector are working to erase a stigma of sorts that has developed around the idea of working in hospitality. In the words of Erbil Rotana GM Ghassan Dalal, "The Kurdish community is not yet well exposed to the hospitality industry. There have been small hotels in the Region for quite a long time—unfortunately the reputation was not so good, so voices saying it was not such a great career grew within the Kurdish community."

This legacy is slowly being overcome as high-profile international hotels like

Rotana and Divan strengthen programs to hire and train local talent for key roles in their business. Divan Erbil, for instance, has implemented a formal training program to prepare local employees for positions in hotel management as well as service-oriented positions in reception, housekeeping, and restaurants. Leaders in Kurdistan's hospitality industry have emphasized the importance of training to address a local skills gap and the development of English language skills in order for the Region to truly compete with the region's business and travel destinations.

Despite the array of challenges that recent regional upheaval and the corresponding economic slowdown have posed for Kurdistan's hospitality sector, many in the industry are optimistic about Kurdistan's medium-term potential. Erbil Rotana GM Ghassan Dalal is among those with a bullish attitude about the hospitality industry's future, saying, "I believe that within the next year and for many years to come the growth of demand for hotels is going to be much higher. I believe the industry itself is going to at least double the amount of rooms currently in Erbil." 



**Leaders in Kurdistan's hospitality industry have emphasized the importance of training to address a local skills gap and the development of English language skills in order for the Region to truly compete with the region's business and travel destinations.**

## Home Away from Home



**Ghassan Dalal** —  
General Manager, Erbil Rotana

IIG talks to Ghassan Dalal about his priorities as General Manager, the new Arjaan development for long-term stays, and why he believes Kurdistan will thrive in 2015.

**IIG: What are your first impressions regarding Erbil and the hospitality industry in Kurdistan?**

**GD:** Kurdish people are extremely hospitable. They simply make you feel at home and leave you with a clearly positive impression. I believe that within the next year and for many years to come, the growth of demand for hotels is going to be much higher. The industry itself is going to at least double the amount of rooms currently in Erbil. There are huge prospects for the hospitality industry in Kurdistan. We are witnessing many hotel projects all over the Region that are being planned at the moment and will be completed by 2016 or 2017. By the time these projects are completed, the market will have grown significantly, keeping everyone busy and on their toes.

**IIG: Do you have any strategy for local human capacity development?**

**GD:** A core value for Rotana is developing from within, from the local community. Our main focus is seeing Kurdish people being developed and involved more within the industry. We constantly hire local talent, and we are intensifying our training and development to see them progress. The Rotana careers website has successfully generated a solid database of potential candidates for us, which has helped us in the process. Our HR networking and research, in addition to the Learning & Development Department, have also played a role in employee morale and career development, as well as sustainability. Our company's

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**We have a strong belief that the Kurdistan Region will flourish within the next few years, and that there is going to be high demand for both hotels and furnished apartments.**”

values ensure that our brand is delivered with consistency and integrity. We call it Rotana L.I.F.E, where L stands for long-term, I for innovation, F for friendly, and E for ethical. The local market responded positively to our job openings. It is true that our staff lack experience in this field, but they have exhibited strong capabilities and a willingness to learn and adapt to the 5-star environment. I think we are among the few companies with foreign investments that have managed to recruit and maintain a large number of locals.

**IIG: Rotana is looking to manage a second property here in Erbil. Can you tell us about this hotel?**

**GD:** We have a strong belief that the Kurdistan Region will flourish within the next few years, and that there is going to be high demand for both hotels and furnished apartments. This idea is still fresh and one of a kind, whereas the need for it is imminent. Arjaan is new in the market and contains studios, as well as one-bedroom and two-bedroom apartments. It will cater to long-stay guests coming for over a month who need hotel services, but in an apartment setup. The Arjaan concept will be an added value to the Kurdistan Region. It is already under construction and expected to open within a year. Arjaan is owned by

the same company as the Erbil Rotana, Malia Group, which is also extremely active with plenty of projects in Slemani. Malia Group has been helping the Kurdistan Region flourish for many years and continues to strive for excellence. ☺

## Check In & Enjoy



**Martin Kolb** —  
General Manager, Divan Erbil

Martin Kolb explains Divan Erbil's concept of hospitality, his staffing policy, and the hotel's future projects.

### About

Martin Kolb has over 20 years of experience in international travel, tourism, and the hospitality industry. Prior to joining Divan Erbil, Kolb held several management positions in R Hotels, Kempinski, Radisson, Golden Tulip, Holiday Inn, Sheraton, Wyndham, Coral Beach Resort, Kuoni, and United Airlines. He studied Business Administration and speaks three languages.

**IIG: How would you define the concept behind Divan Erbil?**

**MK:** Divan is known in Turkey as a good hotel brand. We at Divan Erbil are striving to be a five-star international business hotel. Business means catering to what the business traveler wants. We have large guest rooms, meeting rooms, two ballrooms, break-out rooms, several bars, choices of restaurants, a fitness center and indoor pool, and— as of next summer— a large outdoor pool area. We have an average of 40 square meters per room, and 30% of our rooms are suites. Some have kitchens, so they are like serviced apartments. I define our hotel as very much dedicated and geared to the international business traveler, with a twist on Turkish hospitality, Kurdish mentality, and a European hotel management background.

**IIG: What projects do you have planned in the short term?**

**MK:** We opened a new spa with a large fitness center, a Turkish bath, a steam bath, a sauna, and a 20-meter long indoor swimming pool. It is indeed very luxurious. We have opened a ballroom for 900 people and added four more meeting rooms, for a total of twelve meeting rooms in brand new condition. We also have a new steak house. We are going to redo our 21st floor Asian restaurant with terraces overlooking the city. There will also be a bar with a huge terrace on one side of the 23rd floor, and we will have Erbil's highest shisha lounge on the other side. It will be enclosed by glass in winter

with heaters. We will also be building an outdoor swimming pool, which we are lacking at the moment.

**IIG: What is your staffing policy?**

**MK:** We tell people that this is a nice, safe place to work with more freedom compared to other destinations that have more restrictions. We are paying higher salaries than in the Gulf to overcome the perceptions that come with being in Iraq. I have been speaking to the Ministry of Education about introducing a hotel training program for local people. There would be a one-year program and a two-year program. After training for one month in every department and

getting to understand the concept behind the hotel in the one-year program, there would be a guaranteed job with us as a normal employee – a waiter, receptionist, or a housekeeper. In the two-year program, they would be trained two or three months in every department, in addition to training in accounting and sales. After the successful completion of those two years, we would guarantee them a supervisor job.

**IIG: What challenges do you see in the Kurdish market?**

**MK:** The main challenge is training staff. We have local staff applying, but they are not trained in the hotel business, so they apply to become a driver, a bellboy, or to work in security. These are all jobs where it is not necessary for you to have hotel experience. Some applicants cannot speak English, which is a big issue. ☹

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**I have been speaking to the Ministry of Education about introducing a hotel training program for local people. There would be a one-year program and a two-year program.**”

LA CASA DEL HABANO

ERBIL - IRAQ

  
**COHIBA**  
*Habana, Cuba*  
 Pirámides EXTRA

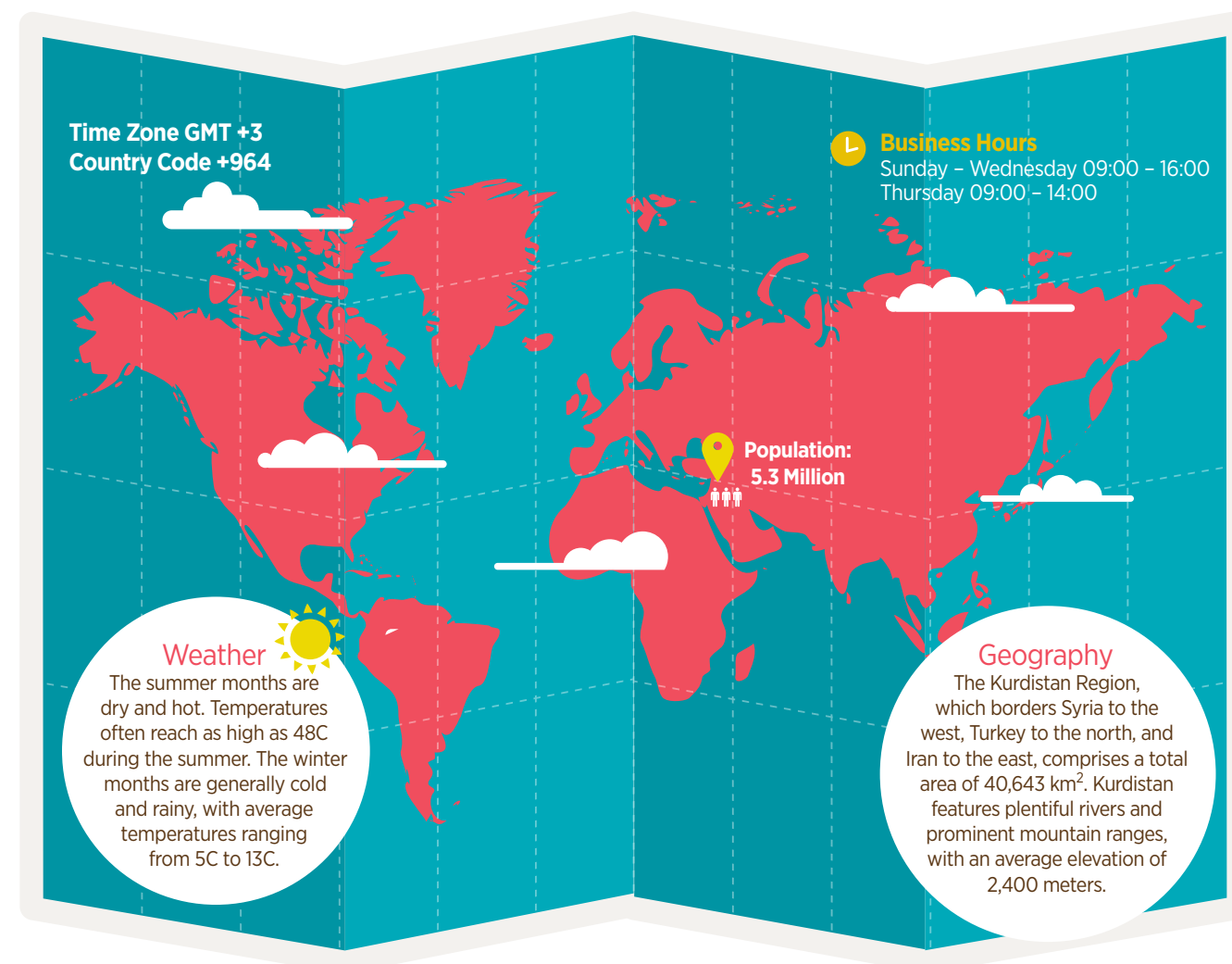


Shoresh Street, Lbc Center, Erbil, Iraq  
 Tel: 0750233 4444  
 erbil@lacasadelhabanoiraq.com

\*Health Warning: Smoking is a main cause of lung cancer, lung diseases and of heart and arteries diseases.

THE GUIDE

## Kurdistan Region



### Demographics

The Kurdistan Region is composed of an ethnically diverse populace that includes Kurds, Arabs, Assyrians, Chaldeans, Turkmen, and Armenians. The population of the Region is skewed young, with 36% aged 0-14 years and only 4% over the age of 63. The median age is just over 20.

### Language:

Kurdish, Arabic, Turkmen

**Traffic Flow:** Right 

### General Board of Tourism

One of the best digital sources for detailed information about tourist sites is the website of the General Board of Tourism. The Board has also produced a mobile app for tourists visiting the Kurdistan Region.

### Religion

The majority of Kurds are Sunni Muslims. There are also multiple Christian sects including Syrian Catholics, Syrian Orthodox, and Assyrians.

### ATM & Credit Card

Modern banking is only in its infancy in Kurdistan. As such, ATMs can be difficult to find. Additionally, most hotels receive commission from credit card payments. Some of the larger hotels and shopping malls house ATMs, as do more recently constructed banks.

### Mobile Operators:

Asiacell, Korek, Zain 

**Electrical Appliances:** 220V.

## Visa

Citizens of the US, Canada, Australia, New Zealand, Turkey, and EU countries are issued free, 15-day visa stamps upon arrival in the Kurdistan Region. Other nationalities are required to get a valid "Iraqi" visa from their local Iraqi diplomatic office. KRG Representations abroad do not issue Iraqi visas. Travelers wishing to remain in Kurdistan for a period longer than 15 days are required to visit an immigration office to obtain the necessary documentation. The entire process can take up to four hours to complete. Companies may expedite the visa application process by registering a new employee with Iraqi authorities and applying for all necessary permits on behalf of the individual prior to his or her arrival in Kurdistan.



## Airports

Erbil International Airport (EIA)  
Slemani International Airport (SIA)



## Airlines Flying to Kurdistan

Air Arabia, Air Berlin, Air Olympic, Al-Naser, Aseman Airlines, AtlasJet, Austrian Airlines, Azmar Airlines, Caspian Airlines, Cyprus Airways, Egypt Airlines, Emirates, Etihad Airways, FlyDubai, FlyGeorgia, Georgia Airways, Germania Airlines, Gulf Air, Hermes Airways, Iraqi Airways, Lufthansa, Mahan Air, Middle East Airlines, Olympic Airlines, Pegasus Airlines, Qatar Airways, Royal Falcon Airlines, Royal Jordanian, Transavia, Turkish Airlines, Viking Hellas, ZagrosJet

## Upon Arrival

There are two main ways for a traveler to get from Erbil International Airport to a destination in Erbil. The longer (but cheaper) route involves new arrivals taking an airport bus to a separate terminal, where passengers may then bargain with taxi drivers for a fare usually between 5,000-10,000 IQD. The more direct (and expensive) route is to book a private taxi for approximately 25,000-30,000 IQD. "Hello Taxi," a local company, has an agreement with the airport that allows its vehicles to access the terminal directly. Vehicles can be booked in advance via the company's website or by waiting in line outside the main arrival/departure terminal.



## Taxis

Taxis in Kurdistan do not have meters. Instead, passengers and a driver must agree on a price prior to departing for a destination. Taxis are readily available on most major roads in all large cities in Kurdistan. Rides within cities normally cost somewhere between 5,000-10,000 IQD. A private taxi between any of Kurdistan's three major cities will cost between 120,000-150,000 IQD. There are generally two types of taxis in major cities: those painted in white (private drivers), and others painted in a light tan color (government vetted drivers). The latter are generally newer and safer options.



## Diplomatic Missions

**Austria:** +962 (0) 6 462 4304  
**Belarus:** +964 (0) 750 445 0973  
**Brazil:** +964 (0) 750 446 7906  
**Czech Rep.:** +964 (0) 66 254 7983  
**Denmark:** +964 (0) 66 264 8299  
**Egypt:** +964 (0) 66 210 1730  
**France:** +964 (0) 66 257 3583  
**Germany:** +964 (0) 750 790 7909  
**Greece:** +964 (0) 770 640 8848  
**Iran:** +964 (0) 66 222 2444  
**Italy:** +964 (0) 770 144 9000  
**Japan:** +964 (0) 66 257 3661  
**Jordan:** +964 (0) 750 811 4442  
**Korea:** +964 (0) 750 793 4501  
**Netherlands:** +964 (0) 750 198 7002  
**Palestine:** +964 (0) 750 881 5420  
**Poland:** +964 (0) 750 173 4346  
**Romania:** +964 (0) 66 224 6715  
**Russia:** +964 (0) 750 134 8674  
**Slovakia:** +964 (0) 750 445 7412  
**Spain:** +964 (0) 750 630 0503  
**Sweden:** +964 (0) 770 045 9530  
**Turkey:** +964 (0) 66 224 6233  
**UAE:** +964 (0) 66 224 6710  
**UK:** +964 (0) 750 722 8178  
**USA:** +1 240 553 0590

## Public Holidays

1 January – New Year's Day  
6 January – Army Day  
5 March – Uprising Day  
11 March – Liberation of Erbil City  
14 March – Mustafa Barzani's Birthday  
21-23rd March – Nawroz (Kurdish New Year)  
9 April – Baghdad Liberation Day  
1 May – Labour Day  
14 July – Republic Day  
25 December – Christmas Day

## Religious Holidays

The dates for the holidays listed below are based on the Muslim calendar, and therefore change each year.

- Mouloud (Prophet Mohammad's Birthday)
- Eid-al-Fitr (End of Ramadan)
- Eid-al-Qurban
- Muharram
- Ashura

## Basic Expressions

### English

Hello  
Good morning  
Welcome! (on arrival)  
Goodbye  
Thank you  
You're welcome  
How are you?  
Are you well?  
I'm fine, thank you  
What's your name?  
My name is John  
Please  
Where is the bazaar?  
Where is the Hotel?  
Yes  
No  
OK

### Sorani

Rozh-bash  
Beyanee-bash  
Be kher bi(t)  
Khwa-hafees  
Supas  
Ser chaw  
Chonee?  
Bashee?  
Bashem, supas  
Naw-et cheeya?  
Naw-em John-ah  
Zahmat Nabe  
Bazaar le chweya?  
Otel la chweya?  
Aa / Balay  
Na  
Bale

### Kurmanji

Rozh-bash  
Beyanee-bash  
Be kher hati  
Khwa-hafees  
Supas  
Ser Chaava  
Chaawani?  
Bashee?  
Bashem, supas  
Nav-ey ta cheeya?  
Nav-ey min John-ah  
Bey Zahmat  
Bazaar la kidareya?  
Otel la kidareya?  
Aa / Balay  
Na  
Bale/Arey



## Hospitals

**PAR Hospital**  
60m St., Erbil  
**T: +964 (0) 66 210 7001**

**Azadi Hospital**  
Nakhosh-Khana St., Duhok  
**T: +964 (0) 627224074**

**International Hospital**  
Salim St., Slemani  
**T: +964 (0) 770 384 4040**

**Handy-man**  
Erbil Maintenance  
**erbilmaintenance.com**

**House Cleaning**  
My Flavor Catering  
Ainkawa, Erbil  
**T: 0750-203-9337**  
**myflavorcatering.com**

**Dry-Cleaning**  
Comfortable Dry-cleaning  
Dream City, Erbil  
**T: 0750-861-9944**

**Post Office**  
PelePost  
30 Meter Street, Erbil  
**T: 066-222-3222**

## Pharmacies

**Pharmacy One**  
Bakhtiyari St., Erbil  
**T: 0750-330-5888**

**Hawler Pharmacy**  
60 Meter St., Erbil  
**T: 066-223-6633**

**Dental Care**  
**European Dental Center**  
Bakhtiyari St., Erbil  
**T: 066-210-0251**

**Travel Agency**  
Laru Travel  
Divan Erbil Hotel  
**T: 0750-455-4411**

**Grocery Stores**  
**Carrefour**  
Family Mall, Erbil

**Holland Bazaar**  
English Village, Erbil

**Food Delivery**  
B2B Restaurant  
**T: 0750-814-1444**

**Hardware Store**  
Ace Hardware  
**aceiraq.com**

+++++

## Emergency Services

Police: 144 / 124 / 104  
Ambulance: 122  
Fire Station: 066115

**English News Media**  
Rudaw News  
**www.rudaw.net/english**

**English Radio**  
Babylon FM – **99.3 FM**

**Rental car**  
Europcar  
Italian Village, Erbil  
**T: 0750-737-2288**

Avis  
Divan Hotel, Erbil  
**T: 0750-522-4986**

**Logistics**  
Aramex  
Ankawa, Erbil  
**T: 066-225-2299**

DHL  
5 Khabat Street,  
Ankawa, Erbil  
**T: 0790-190-9519**

## Banks

**BankMed**  
**T: +964 (0) 66 2579777**

**BBAC Bank**  
**T: +964 (0) 66 2574300**

**Byblos Bank**  
**T: +964 (0) 66 2560017**

**İş Bank**  
**T: +964 (0) 66 2100546**

**Kurdistan International Bank**  
**T: +964 (0) 66 2239149**

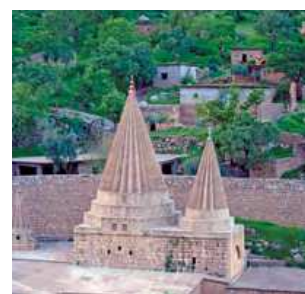
**North Bank**  
**T: +964 (0) 7702138349**

**Currency Exchange**  
There are formal currency exchange centers at airports and modern shopping facilities in Kurdistan. However, informal exchange booths in the traditional bazaar areas offer more favorable rates.

**Currency**  
**\$1= 1,200 IQD**

### Erbil—

The beginning of life in Erbil is associated with the creation of the historic Erbil Citadel, which has been continuously inhabited since at least 6000 BCE. The Citadel, which sits atop a plateau and is designed in a circular shape, has inspired the development of the city as a whole, which forms increasingly large, concentric rings expanding out from the structure. The size of the city has expanded dramatically in recent years as its population has grown from 500,000 in 2004 to 2 million in 2012. This rapid development has strained Erbil's existing infrastructure, particularly its road networks and sewer systems. The considerable amount of infrastructure development that has taken place within the capital over the past few years has somewhat alleviated these issues, though.



### Duhok—

The modern city of Duhok has historically served as a bridge to the Region's most strategically significant neighbor: Turkey. The city, which is home to approximately 1.3 million residents, has a comprehensive master plan that will guide development through 2032. The plan itself calls for a phased approach to address current and future issues, particularly the need for urban rehabilitation and infrastructure improvement. Duhok's proximity to the Tigris River (and the scenic mountain ranges that frame the waterway) make it ideally suited for Kurdistan's developing tourism industry.

### Slemani—

Nicknamed the "cultural capital" of the Kurdistan Region, the modern city of Slemani was founded in 1784. Today, it is well known for its open, relatively liberal, and tolerant society, as well as being a center for culture and learning. The city boasts a population of approximately 1.9 million inhabitants and is expanding at a rapid pace. Prior to 2003, the city was contained within a 60-kilometer ring road. Since then, however, rapid urbanization has led to residential and commercial development beyond this area. Without the benefit of a development master plan, this growth has resulted in urban sprawl. A master plan has since been implemented and is designed to improve functionality while supporting projected population growth. As such, Slemani currently has the capacity to accommodate its projected five-year population growth without the need for additional horizontal expansion.



## Where to stay

### Rotana Erbil

Rotana Erbil has been named "Iraq's Leading Hotel" for 2012, 2013, and 2014. The hotel features 201 lavish rooms and suites, five food and beverage outlets, a grand ballroom, five small meeting rooms, a health and wellness center, and multiple luxury boutiques. The hotel's dining options (notably Basilico, Italian restaurant, and Al Bustan, which offers authentic Lebanese cuisine) are known throughout the surrounding region.

Tel: +964 66 210 5555



### Divan Erbil

The 24-story Divan hotel features 227 guest rooms, ten meeting rooms, five restaurants, four up-scale boutiques, a cigar lounge, multiple bars, a gym, and a spa. The hotel seeks to redefine the business experience with its well-appointed rooms, gourmet dining options, luxurious décor, and spacious meeting areas. For its efforts, the World Travel Awards named the Divan "Iraq's Leading Business Hotel" for 2014.

Tel: +964 66 210 5000



### Tangram Hotel Erbil

Located in Erbil, the Tangram hotel has emerged as a favorite destination for business travelers in the Kurdistan Region. Each of the hotel's 118 rooms features a comfortable bed, a flat screen TV, a working desk, and a spacious bathroom; high-speed Internet and a lavish breakfast buffet are included at no additional charge. The Tangram also offers multiple gourmet dining options, and the most well appointed gym in Erbil.

Tel: +964 66 229 6900



### Jouhayna Hotel

The Jouhayna hotel offers the specialized service and attention to detail that only a smaller, more intimate facility can. The majority of the rooms are suites that include a bedroom, living room, dining space, and balcony. In addition, the hotel features Sidon (a Lebanese restaurant), a breakfast buffet, and modern spa and gym facilities.

Tel: +964 750 7120777



### The Grand Millennium

The Grand Millennium offers 253 guest rooms, 55 luxury suites, 7 executive suites, and a presidential suite. The hotel offers large conference facilities, a grand ballroom that accommodates 750 people, and an auditorium that seats 350 people. The hotel has an indoor/outdoor swimming pool, a gym, and a spa.

Tel: +964 770 700 0000



### The Copthorne Hotel Baranan

The Copthorne Hotel Baranan offers the finest hotel and dining options for visitors to the city of Slemani. The facility's 78 luxury rooms and suites are finished with contemporary décor and modern luxuries, and its four stylish restaurants offer a variety of both local and international cuisines.

Tel: +964 770 6000000



## Where to eat



### Al Bustan

Al Bustan brings authentic Lebanese cuisine, entertainment, and atmosphere to its customers in Erbil. The restaurant features indoor seating as well as outdoor dining areas surrounded by pools and gardens. The Al Bustan menu includes a variety of cold appetizers, salads, hot mezzes, grilled meat platters, seafood entrees, and regional desserts. Dinner service commences at 19:00 and extends until 23:30, with lunch offered on Friday from 12:00 to 16:00.

Where: [Erbil Rotana Hotel](#)  
Tel: 066-210-5555



### Qi 21

When people think about the Kurdistan Region, sushi isn't usually one of the first things that comes to mind. However, that may be changing thanks to the delicious offerings currently being served up at "Qi 21," a Japanese sushi restaurant located on the 21st floor of the Divan Hotel. Dining service begins at 6:00pm and runs until 11:30pm, with bar service until 12:30am.

Where: [Divan Erbil Hotel](#)  
Tel: 066-210-5000

### Al-Safadi: Highly Recommended

The Al-Safadi brand is one of the foremost international fine dining establishments in Kurdistan. Al-Safadi, known to customers in Dubai for its Lebanese cuisine, opened in Erbil in October 2013. The restaurant has the capacity for nearly 600 guests and boasts VIP rooms, as well as a large, landscaped garden that can accommodate around 360 diners. From an original core of 40 international staff, the restaurant has grown to employ around 120 workers.

To win over local customers and the expat community alike, Al-Safadi utilizes a detail-oriented approach that tries to combine a focus on food with an emphasis on things like the restaurant environment, the manner in which customers are greeted and served, and the value of its cuisine for the price guests pay. As the restaurant industry in Kurdistan becomes more saturated, Al-Safadi looks to this holistic focus on customer satisfaction to set it apart. Al-Safadi is open all week from 10:00 AM to 11:30 PM.

Where: [100 Meter Street, Opposite Baharka Road, after Ankawa traffic light, Erbil](#)  
Tel: 0750-598-9898



### Chopin Bar

Chopin Bar has the rare distinction of being both an excellent meeting location and a superb late night destination. During the day, Chopin features a variety of lighter dining selections. In the evening, the space transforms into a lively jazz bar featuring live music, with a wide variety of the finest imported beverages available for selection. Chopin begins service at 11:00am and closes at 1:00am.

Where: [Divan Erbil](#)  
Tel: 066-210-5000



### Basilico

Basilico is the first Italian restaurant in Erbil offering authentic Italian cuisine in a modern setting for an ideal experience. The restaurant introduces the various cuisines from Italy through its wide range of famous appetizers, antipasti, soups, Panini and pastas in addition to a well-designed desserts menu.

Where: [Rotana Erbil](#)  
Tel: 066-210-5555



### Chalak's Place

Those looking for excellent food and local charm outside of Slemani's international hotels are urged to try Chalak's Place. Mirroring the east/west dynamic of its décor, the restaurant fuses Italian and Kurdish cuisines. The cafe offers some of Slemani's best pastries for breakfast, salads, pizzas and pastas for lunch, and Italian and Kurdish entrees for dinner.

Where: [Salim Street, Saholaka, Slemani](#)  
Tel: 0770-151-2976



### DC Steakhouse

The DC Steakhouse has clearly raised standards for premium international dining in Erbil. The restaurant's elegant and comfortable décor, coupled with excellent steaks and side dishes, and a broad range of drinks, make the DC Steakhouse unique, even amid the ever-broadening range of dining options now found in Erbil and Kurdistan.

Where: [Dream City, Erbil](#)  
Tel: 0750-138-8377



**Casa Del Habano Erbil**

Since opening in 2013, Casa Del Habano has been the main center of attraction for cigar aficionados in Kurdistan. As the sole provider of Cuban cigars in the Kurdistan Region and Iraq, Casa Del Habano Erbil is the only one-stop-shop for cigar lovers. The shop offers an extensive collection of Habanos, coupled with a wide selection of various limited edition Cuban cigars. You can also find all kinds of cigar accessories, including humidors, lighters, cigar cutters, and ashtrays. You can visit the shop between 10.00am-8.00pm any day except Friday.

**Where:** Shoresh Street, Erbil  
**Tel:** 0750-233-4444

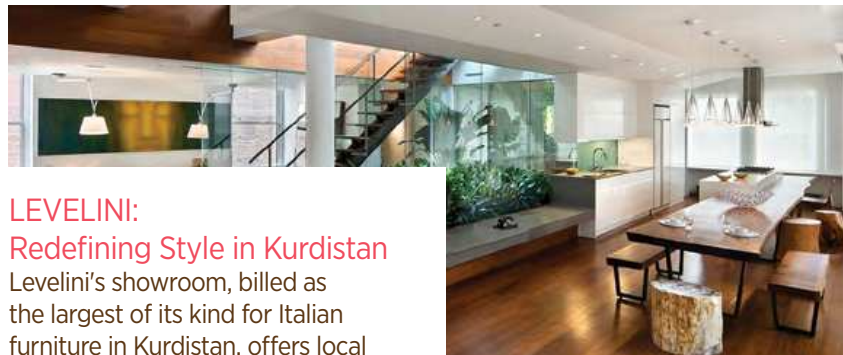


**Cigar Brands Available at Casa Del Habano Erbil:**

- Bolivar
- Cohiba
- Cuaba
- Diplomaticos
- Fonseca
- Hoyo De
- Monterrey
- Juan Lopez
- H. Upmann
- Montecristo
- Partagas
- Punch
- Quai D Orsay
- Romeo y Julieta
- San Cristobal

**Casa Del Habano Cigar Lounge at Divan Erbil**

The Divan Erbil Hotel, in partnership with the House of Cigar, is set to open the first cigar lounge in Erbil. The House of Cigar will offer a great selection of cigars and drinks, as well as a small, upscale menu. The House of Cigar seeks to become one of Erbil's newest "hot spots." Open from 5 PM until midnight on the first floor of the Divan Hotel, the House of Cigar is worth a look for cigar aficionados in Erbil.



**LEVELINI: Redefining Style in Kurdistan**

Levelini's showroom, billed as the largest of its kind for Italian furniture in Kurdistan, offers local customers a taste of the company's eclectic mix of styles sourced from European manufacturers. Levelini's clients benefit from a range of tools the company offers to help them visualize interior spaces that meet their design needs. To meet client needs, Levelini puts great emphasis on smooth logistics, maintaining a large inventory of furniture in its showroom to ensure short waiting times for the fulfillment of orders and providing both transportation and on-site assembly for customers.

**Where:** 100m St., Opposite Hoger Petrol Station, Erbil



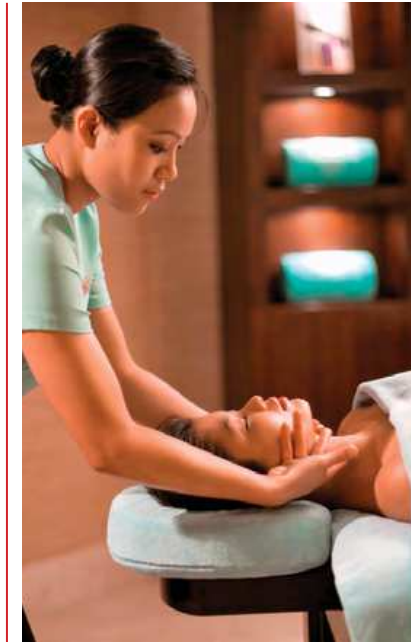
**Health & Wellness**



**Fitness Time**

Located on Kirkuk Road in Erbil, the Tangram Hotel has already established itself as one of the premier hotels in Kurdistan. Tangram Fitness Center is one of the most well equipped facilities in Erbil. Featuring numerous pieces of Technogym equipment, the spacious Tangram Hotel Fitness Center also includes a sauna.

**Where:** Tangram Erbil



**Zen the Spa**

Zen the Spa provides premier therapeutic treatments offered by certified spa therapists. The facility, the first of its kind in Kurdistan, features five massage rooms, as well as dedicated sauna and steam rooms.

**Where:** Rotana Erbil



**Poolside Living**

Every day in the summer from 07:30 to 22:30, guests at the Rotana Hotel are invited to take a break from their busy schedules and indulge in a bit of relaxation courtesy of the finest swimming pool in Erbil. The facility, which is surrounded by a lush, green garden, also offers outdoor dining options and fresh drinks at the Aquarius Pool Bar.

**Where:** Rotana Erbil



**Tony Sawaya in Divan Erbil**

Well-known Lebanese hairdresser Tony Sawaya will open a branch in the Divan Erbil Hotel in February 2015. The Center, which will be a first-rate beauty center for women and men, will provide an extensive range of beauty and wellness services, including manicures, pedicures, peeling, and botox treatment. The center will also have a certified dietary expert.

**Luxury Recreation & Fitness**

The Divan Erbil has added an expansive spa to its portfolio of luxury amenities. Hotel guests and Erbil residents alike can take advantage of the spa's state-of-the-art fitness facilities. The spa also features a 20-m semi-Olympic indoor pool, sauna, and steam room, as well as message suites and a Turkish bath.

**Where:** Divan Erbil



## Inspire your guests and meet at Erbil Rotana!

Conveniently located 10 minutes away from Erbil international Airport, the main international fairground and business center. The hotel is adjacent to the English and Italian villages and opposite of the beautiful park Sami Abd Al Rahman; one of the largest parks in Iraq.

Erbil Rotana is an ideal venue to serve your business needs, meetings and events. The hotel provides state-of-the-art conference and seminar requirements spread over 2 floors. The banquet area includes 7 fully equipped and flexible meeting rooms offering daylight with the latest audio-visual equipments addressing the needs of business conferences, meetings, wedding parties or gala dinners. A professional catering & events team is available all the time to make your event a success.

Business travelers can enjoy our wide variety of facilities ranging from 5 restaurants to our enchanting Zen the spa by Rotana or Bodylines Leisure & Fitness Club.

To learn more about Erbil Rotana ongoing promotions, please visit [rotanatimes.com](http://rotanatimes.com).




# Erbil Rotana

## Iraq's Leading Hotel

Erbil Rotana was bestowed with the prestigious honour of being Iraq's Leading Hotel in 2011, 2012, 2013 & 2014, consecutively by the World Travel Awards. This five star hotel offers 201 well-appointed rooms and suites, 7 fully equipped meeting & events venues, 5 restaurants that suit all tastes, a fitness club, spa and pool bar & terrace.

To book your stay at the best available rates, visit [rotana.com](http://rotana.com) or call us +964(0)662105555.

Rotana Rewards  Join now at [rotanarewards.com](http://rotanarewards.com)  
privileges of life





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SHOULD BE A  
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**WE AGREE.**

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