

THE REVIEW KURDISTAN


REGION OF IRAQ

Speed Ahead

2014/1

Issue 5





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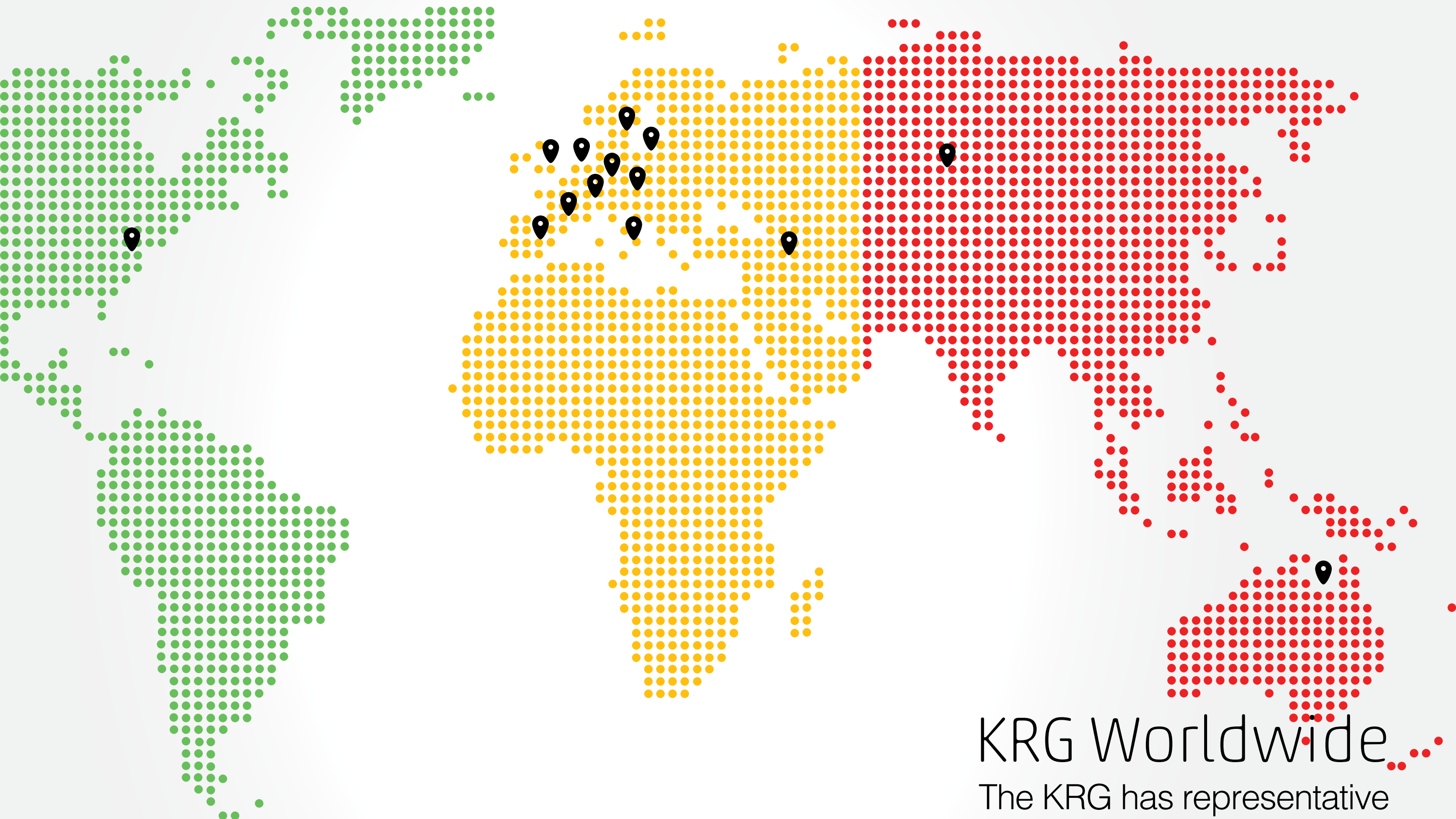
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CONTENTS

2014/1



Diplomacy & Politics

31

Kurdistan's Shifting Political Economy
Henri Barkey

Long-term Collaboration
Dilshad Barzani

Promoting Spanish Investment
Daban Shadala

Promoting Opportunities for Growth
Rezan Kader

Notes from Westminster
Gary Kent

Economy

41

Iraq-Britain Business Council
Baroness Nicholson of Winterbourne

Investing in Long Term Growth
Paul Bailey

Turkish Economic Expansion
Dr. Anwar Anaid

Building Bridges
Bakir Lashkari

Focus: Expanding Trade Ties
Dubai / Kurdistan



Investor Highlights from the Sulaimani Forum

25

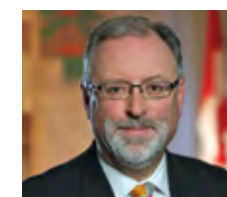
The Sulaimani Forum brought together many of the most influential and distinguished figures shaping the modern Middle East, and set a high standard for conferences in Kurdistan and Iraq.



Pursuing Common Interests: AmCham Slated to Open in Erbil

44

The US business community will soon find additional support in the Kurdistan Region. This spring, the KRG's first AmCham office will open in Erbil, and Kurdistan will become the latest addition to the AmCham network.



Briefing 17-29



Energy BAZIAN OIL REFINERY

Refined Petroleum of International Quality
The refinery is currently one of two refineries in the Kurdish region, consistently producing refined petroleum products of the highest order. This remarkable growth and productivity has enabled Qaiwan Group to expand the refinery and increase its output to 34,000 barrels a day. Located 25 km from Sulaymaniyah, the refinery is currently one of only two refineries in the Kurdistan region and produces 34,000 barrels a day. Bazian Oil Refinery is currently undergoing an expansion programme, to increase its capacity to over 80,000 barrels a day by 2018.



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.

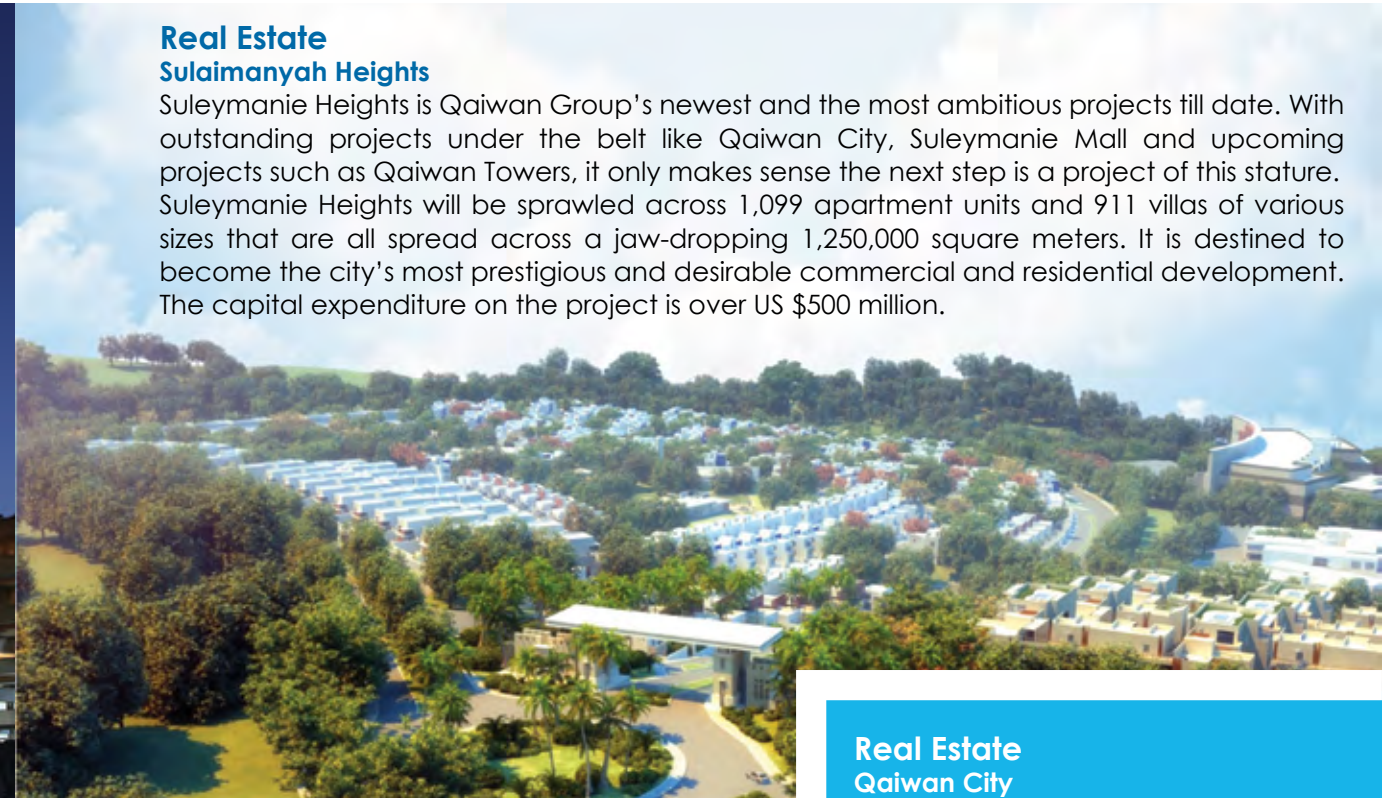
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Real Estate Sulaimanyah Heights

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.



CONTENTS

2014/1



Finance

59

Energy

66

Facilitating Investment
Shwan Ibrahim Taha

First Mover
Saad Hasan

Expanding Local Market Share
Navzad Jaff

Global Ambitions
Alexander Dodds

Financing Development
Chawki Badr

Shifting to Production
Majdi Ahmad

Bringing Global Standards
Nejdet Polat

Securing Industry
Botan Osman

Real Estate & Construction 78

ICT

82

Luxury Landmark
Rasheed Abu Hamad

Leadership and Coordination
Hiwa Afandi

Applying Insight
Edward Carnegie

Building an IT Enabled Society
Antoine Kawkabani

Expanding Access
Aram Daro Noori

FOCUS



65

Standart Chartered in Kurdistan—Seizing Growth Opportunities

The opening of its new branch in Erbil has made Standard Chartered first major international bank to establish 'full-fledged and on-the-ground' operations in the Kurdistan Region.



MNR Annual Report 2013

In a major step forward for the transparency of the Region's energy sector and finances, the report details all revenues, as well as all of the MNR's reinvestment and expenditure.

76

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CONTENTS

2014/1



<i>Higher Education</i>	88	<i>Transport</i>	104
Bringing Best Practices <i>Carl Bistany</i>		Establishing Erbil as a Regional Hub <i>Oliver Mathwich</i>	
Progress in Higher Education <i>Khaled Salih</i>			
<i>Human Capital</i>	92	<i>Tourism</i>	106
Building Capacity <i>Allegra Klein</i>		Slemani's Landmark <i>Heimo Leitgeb</i>	
Taking the Long View <i>Mazen Turk & Maya Khouri</i>			
<i>Health</i>	98	<i>Life</i>	110
Lifting the Baseline <i>Dr. Firya Peryadi</i>		Chalak's Place D.C. Steak House Tangram Hotel Erbil	
Success Story <i>Andreas Ahnlund</i>			
Innovative Approach <i>Dr. Rang Shawis</i>			



In a region where high-ranking positions are often dominated by men, the Kurdistan Region is gradually opening its eyes to the benefits of women's participation in society. 2013 saw female leadership in a number of sectors, including education, business and politics.



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The Review Kurdistan

Region of Iraq

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

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Following the successful completion of our project in 2013, Invest in Group (IIG) and the KRG Department of Foreign Relations (DFR) renewed their partnership agreement for 2014. According to this partnership agreement, IIG will continue creating awareness of the alluring leaders, emerging sectors, leading companies, rising trends and opportunities shaping the future of this promising Region through its quarterly issues, *The Review: Kurdistan Region of Iraq*, and annual issue, *Kurdistan Review 2014*.

We are living in a period of rapid change, with increases in growth as well as improvements in the health of the global economy. The Kurdistan Region of Iraq, as a rising frontier market, has remained steady and flourishing. Kurdistan has undergone an exciting stage in its economic and social development. The KRG is committed to creating the best possible business environment for the companies operating in the Region. These efforts have created results: each year sees a rise in the number of foreign companies opening their doors in the Kurdistan Region.

In our fifth issue, we focus on the private sector, which has played an increasingly effective role in the economic and social development of the Region. The leading private sector giants in this publication's Economy, Finance, Energy, Real-Estate, ICT, Health, Transport, and Tourism sections describe their success stories, future plans, and the business environment in Kurdistan, in exclusive interviews with IIG, as well as analysis pieces. We are privileged to have met these remarkable individuals, who are committed to strengthening the private sector and believe in the future of the Region.

In 2014, IIG will continue to provide fresh business perspectives from Kurdistan, and feature new leaders, companies, and tremendous opportunities rising 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.

We hope you enjoy the issue.

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BRIEFING

DIPLOMACY

Canada's Trade Office in Erbil

Canadian companies are already present in Kurdistan, particularly in the oil and gas sector. However, KRG officials are more enthusiastic about employing Canadian experience, innovation and investment to redevelop the Kurdistan Region's agricultural sector. Canada's Ambassador to Iraq, Bruno Saccomani hopes that Canada can play an increased role in educational exchanges with the Kurdistan Region, and visited the KRG Ministry Agriculture and Water Resources to work on developing agricultural cooperation between Canada and Kurdistan.

"The new office signals Canada's commitment. The commitment to do even more business in Iraq and the Kurdistan Region."

Lynne Yelich, Minister of State, Canada



FINANCE

FransaBank in Erbil

Fransabank, a Lebanese bank with an increasingly international footprint, inaugurated its first branch in the Kurdistan Region. The bank has the largest branch network in Lebanon, and Fransabank follows several Lebanese banks into the Kurdistan Region, including BBAC, Intercontinental Bank of Lebanon, Credit Libanais, Byblos, and BankMed.

Bank Audi, Lebanon's largest bank, and BLOM Bank have plans underway to enter the Kurdistan market as well.



"Erbil is considered to be an investment destination, a solid commercial and economic base, and a gateway to the promising Iraqi market. With its potential and wealth, Iraq is exploiting and attracting a list of strategic projects from all over the world."

Adnan Kasser, Chairman,
Fransabank Group

TOURISM

Erbil Invests in Tourism

Erbil is investing heavily in tourism related infrastructure ahead of its role as Arab Tourism Capital for 2014. The Kurdistan Region's capital city has spent \$6 billion over the past two years in infrastructure upgrades, expecting a substantial rise in foreign and domestic tourism in 2014 and beyond. \$950 million was invested in 47 tourism projects in 2013, and revenues reached \$1 billion the same year—a number that is projected to jump by 50% by 2015. Among the most prominent projects to be established recently in the Region is the Korek Mountain Resort, a **\$95 million** ski resort to the north of Erbil. Korek Mountain, the country's first ski resort, opened to great fanfare in February 2014 and has plans for



"We aim to make the tourism sector a sustainable economic resource to diversify the Region's economy."

Hamza Hamed, Spokesman for the Governor of Erbil

accelerated growth and development throughout this year. The coming years are expected to bring similar projects to the Region, including a resort and golf course near Dohuk, and a **\$2 billion lakeside retreat** on Lake Dukan, near Slemani, developed by Emaar Properties and Faruk Group.



DIPLOMACY

Austrian Visa Application Center (VAC) in Erbil

The VAC is the first to process Schengen Visas for Iraqi nationals in Erbil. Schengen visas allow recipients to travel within the 25-country Schengen Zone, which covers most of Europe, for up to 90 days within a 180-day period. The office is targeting the European tourism market, by making it easier for Iraqis to visit European destinations. Austrian leaders hope that the new VAC will also encourage increasing business ties between Austria and the KRG.

“We see that Kurdistan is an emerging Region. As we have good relations also with the Kurdish business community, we hope that this center can make travel easier and facilitate business contacts.”

Karl-August Lux, Director of the Visa Department at Austria’s Ministry of European and International Affairs

ENERGY

TAQA in Kurdistan

Taqa, Abu Dhabi’s state oil and gas company, plans to invest \$1.2 billion in the development of the Kurdistan Region’s Atrush field. Taqa, which formally opened a major office in Erbil in February 2014, has high hopes for its production in the Region. The company, which received approval to develop the Atrush field from the MNR in 2013, intends to begin production by early 2015 at a pace of 30,000 bpd at the block. In the following years, Taqa plans to more than triple its initial capacity, through ongoing investment and development of the field.



“The investment in the next three phases will be similar to the first phase, and production should be around 100,000 to 120,000 bpd in four years.”

Leo Koot, Managing Director, TAQA-Iraq

Focus: Iraqi Parliamentary Election

328 seats to the Council Representatives

Key Issues: Security situation, Baghdad-Erbil disagreement over federal budget and oil export.

Iraqis went to the polls on April 30th to elect a new federal parliament. The election, which was commended by the UN and US, is only the first step in the longer processes of government formation. However, the elections results are likely to have major implications for Iraq and the KRG in coming years. Leaders in the KRG are hoping that Iraq’s next Prime Minister will be a willing partner who can solve issues such as the KRG’s right to independent energy exports through Turkey, and the related budgetary dispute between Erbil and Baghdad, whereby the KRG has been receiving less than the 17% of federal oil revenues they are owed. The KRG’s political parties also have their own political ambitions. Unlike the previous federal election where the KRG’s major parties ran together under a Kurdistan List, in this election the parties ran independently, suggesting that the KDP felt emboldened enough to go it alone.

The Comment

Regardless of who wins the election, having the elections in the rear view will, in itself, improve progress in Iraq and the KRG. With the political stresses of the election out of the way, the KRG will be able to focus increasingly on its own delayed government formation, and the federal government will be under less pressure to disrupt the KRG’s energy exports.

The Quote

“WE ATTACH GREAT IMPORTANCE TO THE CREATION OF STABILITY IN THE GREATER REGION. FOR THAT REASON, WE HAVE WORKED WITH DETERMINATION TO ESTABLISH BETTER TIES WITH NEIGHBORING COUNTRIES BASED ON MUTUAL UNDERSTANDING AND MUTUAL BENEFITS, JUST AS WE CONDUCT OUR TIES WITH ALL OTHER COUNTRIES.”



PRIME MINISTER NECHIRVAN BARZANI HIGHLIGHTS THE KRG’S REGIONAL POLICY

EDUCATION

AUIS Graduates in High-Demand by the Private Sector

According to a recent alumni survey conducted by the Communications and Institutional Development Office at the American University of Iraq, Sulaimani (AUIS), graduates from the university are highly demanded, and experience exceptional freedom to pursue employment options related to their field of study. The study found that “nearly 80 percent are employed full-time, 7 percent part-time, and the remainder is pursuing graduate studies in the Kurdistan Region, Turkey, Europe and the United States.” By most metrics, the survey found 100% graduate employment. Perhaps more importantly, as the KRG is pushing for increasing private sector employment, nearly all graduates are employed at prestigious firms in the private sector: “While 60 percent of jobs in the KRG are in the public sector, all but one respondent works in the private sector. Many AUIS graduates work in large, well-respected companies.” Wages are also high, averaging \$1380 per month—above average for the Kurdistan Region—with some earning over \$5000 per month.

“For new entrants into the labor force, the results are impressive. The vast majority of our alumni works in the private sector and is satisfied with their career path.”

Chase Winter, Institutional Development Officer at AUIS

Did you know ?

In 2014, Kurdistan is expected to host more than 20 international fairs from a variety of sectors.

FINANCE
Erbil Stock Exchange (ESX) to Open in 2014

ESX is making major strides to open its doors this year. The bourse is planning to open with initial public offerings in six local companies, and a market capitalization of \$4.5-8 million, and intends to list 25 firms on the exchange by the end of 2014. The ESX has partnered with the Louis Berger Group, a US-based consultancy, and Nasdaq OMX to establish the Nasdaq X-Stream trading platform at the exchange. In March, the ESX announced that it is also partnering with KITS Company, a local ICT firm, to develop its IT infrastructure. The exchange hopes to be in full operation—providing investment opportunities to locals, and lowering the cost of finance in the Kurdistan Region—by the end of the year.



“We hit a new production record of 129,000 bpd at the Tawke field on March 5 which is close to the limit of what we currently can deliver by pipeline and road tanker. With the exceptional results from these latest wells and the installation of early production packages and a new 24-inch pipeline, we are on track to meet our ambitious deliverability goal of 200,000 bpd in 2014.”

Bijan Mossavar-Rahmani, DNO's Chairman

ENERGY
Genel Forecasts Jump in Production for 2014

Genel Energy has projected a significant increase in its oil production and export volume in 2014 as a result of the new pipeline infrastructure from the Kurdistan Region to Turkey's Ceyhan export terminal. Genel's 2013 production averaged 44,000 bpd, accruing revenues of about \$350 million. The company, which relied on trucking exports in 2013, was the first to begin exporting through the new Kirkuk-Ceyhan oil pipeline. Genel expects that the pipeline will allow the company to increase production to **60,000-70,000 bpd**, generating revenues of \$500-\$600 million. Challenges persist, however. Exports from the controversial pipeline have still not departed the Ceyhan oil terminal to international markets, as discussions between Baghdad and Erbil regarding the KRG's right to independent energy exports continue.



DIPLOMACY
The 4th Province — Halabja

KRG Prime Minister Nechirvan Barzani formally declared Halabja to be the fourth province of the KRG, after Erbil, Slemani and Duhok. PM Barzani noted that the decision was not merely because of the Halabja's tragic history, but was of genuine importance to the KRG and had been voted on by Kurdistan's parliament in 1999. The move was made in coordination with the Federal Government of Iraq, ensuring that Halabja will enjoy the same status as all other Iraqi provinces.

ENERGY
Record Output at Tawke

DNO has announced record production rates at the Tawke field following the launch of two successful new horizontal wells. The new wells, Tawke-21 and Tawke-22 add a combined production rate of 37,000 bpd, bringing the field's total production to 129,000 bpd. DNO expects to have 9 producing wells in the field by the end of 2014, raising production to 200,000.



“The fact that this is a senior delegation visiting from the UK Export Finance Department underscores the level of commitment from the UK towards enhancing relations with Kurdistan.”

UK Consul General, Hugh Evans

ECONOMY
Increased UK investment

A delegation of the UK Export Finance Department paid a visit to Kurdistan to seek opportunities for trade and investment promotion between the KRG and UK. The UK Export Finance Department is an export credit agency, which assists UK exporters and investors by providing credit insurance policies, political risk insurance, and guarantees on bank loans. The Steve Dodgson, the Business Group Director of the agency, expressed his interest in initiating activities in the Kurdistan Region, which will be a new market for the agency.

EDUCATION
University of Leicester Partners with Soran University for Natural Resources Research Center

The University of Leicester developed a partnership with Soran University in the Kurdistan Region to establish an International Center for Natural Resources Research. The center will target research in the areas of sustainability, crop production and food security monitoring, geographic information systems and water resources, and encourage the collaboration of researchers from both universities. Additionally, the two universities will collaborate together in order to develop course curricula and improve teaching practices at Soran. This endeavor represents the first major partnership between a British university and a Kurdish public university.



“The agreement marks a very significant moment in the growing international collaboration between the two universities and a significant investment on behalf of the University of Leicester in capacity building in the Kurdistan Region.”

Professor Martin Halliwell, Deputy Pro-Vice Chancellor of the University of Leicester

MNR Pushes Energy Industry Localization

The Ministry of Natural Resources' (MNR) third monthly report on the Region's energy sector presents key facts & figures from December 2013. The 'local content' of the Region's oil and gas industry was particularly notable in the report, which indicated that 63% of international oil company employees are local, comprising 2,877 of the 4,532 total employees. Rates of local employment vary by position, with fewer locals serving in executive or managerial posts (1 of 9 total executives from the Kurdistan Region is local, and 5 of 54 total managers), and more in skilled and unskilled worker positions (451/510 and 696/792, respectively).

‘Oil and Gas Workforce Capability Development Program’
As part of an initiative to increasingly localize the workforce, the MNR is rolling out an for locals seeking employment in the energy sector. The MNR has targeted 90% local employment in the energy sector by 2016, up from 70% now.

Commenting on the initiative, the KRG's MNR stated: "We believe that localization, the transfer of scarce skills from experienced expatriate staff to nationals living within the Kurdistan Region, benefits not only the people but also companies. Localization remains the only solution to meeting rising demands for skilled staff while keeping training costs to a minimum. The pillars of successful localization are mutual gain, fast results and productive collaboration." Localization remains the only solution to meeting rising demands for skilled staff while keeping training costs to a minimum. The pillars of successful localization are mutual gain, fast results and productive collaboration."

ENERGY

Expansion of Bazian Refinery

Qaiwan Group released a call for bids to expand its Bazian refinery.

The refinery, just south of Slemani, is one of two active refineries in the Kurdistan Region, and currently has an output capacity of **35,000 bpd**. The expansion plans mark a third phase of the refinery's expansion, and will increase output capacity to **84,000 bpd**, adding several processing units to the refinery. Technip SA, a French engineering firm, is currently carrying out the expansion's design. The anticipated completion date for the additions is the end of 2017. Qaiwan Group is also in the process of designing an 110km, 125,000 bpd oil pipeline from nearby oil fields to supply the refinery. The refinery produces gasoline, kerosene, and diesel for consumers, as well as naphtha and fuel oil for the industrial market.

ENERGY

WesternZagros to Begin Developing Sarqala Field

WesternZagros announced that it would begin developing its discovery at Sarqala Field. The move comes after a Declaration of Commerciality of the field was accepted by the KRG's MNR. WesternZagros is now awaiting approval of its Field Development Plan (FDP) by the MNR, and projects that production should reach 10,000 bpd of light, sweet oil from its Sarqala-1 well by mid-2014, once the FDP is approved. WesternZagros is continuing its exploration of the Sarqala field by developing additional wells, including Hasira-1, which is currently being tested. The company plans to submit an FDP for its Garmian block to the MNR by July 2014, and is in earlier stages of exploration at its Kurdamir block.

"After 10 years of rewarding exploration in the Kurdistan Region, WesternZagros is turning its discoveries into production that is destined for the domestic market and potentially the Kurdistan Region's export markets via the new pipeline. This monumental step marks a new era in our company history that was recently defined by the KRG's approval of our declaration of commerciality on the Sarqala discovery."



Simon Hatfield, CEO, WesternZagros

ENERGY

Exploratory Drilling in Halabja

Gazprom Neft, a Russian oil and gas giant, plans to begin drilling exploratory wells in Halabja beginning in June 2014. The company, which signed production sharing contracts for exploration of the Halabja block with the MNR in 2013, already has a 40% interest in the Garmian block, and an 80% interest in the Shakal block. Both are expected to begin production by 2015. Full development of the Halabja block will likely be a longer-term project, with geological research in the field projected to last as long as seven years.

Gazprom Neft's management is optimistic about their long-term investments in Kurdistan, and project that the company will be producing roughly 71.5 million barrels per year by 2021-2022.

Did you know ?

Oil Search has announced that it will expand its exploratory activities to a total of four wells at its Taza block in Kurdistan. The company intends to determine the size of the hydrocarbon reserves at the field by the end of 2015. Oil Search holds a 60% operating interest in the Taza block, in partnership with Total (20%).



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Investor Highlights from the 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 and 5th, 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 Syria, Turkey and Iran, and thematic 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 the Prime Minister Nechirvan Barzani, prominent American, European, Turkish, Iranian, and Iraqi politicians and diplomats, and several prominent members of the academic, business, media, and NGO communities.

PM Nechirvan Barzani delivered the opening keynote speech, remarking on what he saw as the challenges that the Kurdistan Region would face through 2014 and beyond. The PM discussed the KRG’s relations with Baghdad amid ongoing challenges over energy revenue sharing, and the KRG’s right to independent energy exports. PM Barzani was resolute in his convictions, stating that while Kurdistan is committed to following the Constitution of Iraq, that “We have a constitutional right to use the national resources of this Region, and we have made it clear that we will neither regress nor relinquish our rights.”

However, Prime Minister Barzani



was much more optimistic regarding the KRG’s relations with Turkey, and described the partnership as strong. He went on to address the formation of the KRG’s new government, stating that the 8th Cabinet would be “inclusive,” “broad based,” and “representative of the election results.” Speaking on the role of the US in Middle East, PM Barzani was again mildly critical, describing the current US Administration as problematically disengaged in the region.

“We have a constitutional right to use the national resources of this Region, and we have made it clear that we will neither regress nor relinquish our rights.”

Prime Minister Nechirvan Barzani



Following PM Barzani, the initial panel featured Hoshyar Zebari, the Iraq's Minister of Foreign Affairs, and Ahmet Davutoglu, Turkey's Minister of Foreign Affairs, and was moderated by Dr. Barham Salih, former Prime Minister of the KRG and current Chairman of AUIS. The Forum took on an optimistic tone when Foreign Minister Davutoglu took the podium and began his speech in Kurdish. The symbolic gesture was met by the audience with delighted surprise. The Foreign Minister went on to affirm PM Barzani's confidence in relations between the KRG and Ankara, in a professorial and diplomatic address. While FM Davutoglu would prefer to see an oil sharing agreement unify policy across Iraq, he said that Turkey would import oil and gas from the partners he had available to him, suggesting that he supports bilateral energy collaboration between his government and the KRG. The FM also stressed his optimistic outlook regarding the economic potential of Iraq, noting that between its vast energy supply and quickly expanding human resources, "Iraq has more economic potential than any other country in the region."

"We want to work together to further develop the democratic process in the Kurdistan Region, and this encourages us to continue our dialogue with all other political parties to achieve an outcome that is in the interest of our people ."

Ahmet Davutoglu,
Turkish Foreign Minister



"It is one thing for us to talk about the Middle East outside of the region, in Davos or elsewhere, but it is something else for us to bring together so many distinguished guests and have this real discussion and debate about our future."

Barham Salih, Chairman of AUIS, Former Prime Minister of the KRG



Energy

“The new pipeline infrastructure being built to export to Turkey will allow for increased export of Iraqi oil, benefiting all Iraqis with increased revenues, and lead to a boost of billions of dollars to Iraq’s treasury. Success in the KRG will also mean success in Iraq.”

Michael Howard, Advisor to Dr. Ashti Hawrami, the KRG’s Minister of Natural Resources

As an issue that is central both to Iraq’s economy and politics, much of the Forum focused on Iraqi and Kurdish energy policy. While oil policy was a recurrent theme throughout the Forum, a panel that focused specifically on oil policy in Iraq brought several influential speakers together to address the issues directly. Michael Howard, an advisor to Dr. Ashti Hawrami, the KRG’s Minister of Natural Resources, provided a summary of the actions, as well as goals and targets, of the KRG’s Ministry of Natural Resources. Howard then provided a technocratic analysis of the Iraqi Constitution, concluding that oil production and export is decisively within the federal rights of the Kurdistan Region. He noted that oil exports from the Region will surge, as new export channels are opened and production gets underway from the Region’s oilfields: “The Kurdistan Region is in the process of rapid transition—a positive transition—to develop its natural resources.” Exports will reach 400,000 barrels per day (bpd) by the end of 2014, and the MNR is targeting 1 million bpd by the end of 2015, and 2 million by 2020. Gas exports, which are particularly important for Turkey, will commence in 2016. As such, Howard noted, “The KRG has proven that it can be a crucial partner to Turkey and the broader international community.” He also stressed

that export earnings from the KRG will lead to billions of additional revenue for Iraq’s treasury, stating that, “success in the KRG will also mean success in Iraq.”

Murat Ozelik, Turkey’s former ambassador to Iraq, and one of the central figures in Turkey’s rapprochement with the KRG, spoke about the process of increasing his country’s ties to the Kurdistan Region of Iraq. While the Turkey/KRG relationship is often framed in terms of energy cooperation, Murat Ozelik stressed the broadness of the relationship, and the several non-energy related reasons for the close ties. These include cooperation in security and non-oil trade, as well as regional stability, and domestic improvements with Turkey’s Kurdish population.

Moving into energy policy, Murat Ozelik discussed how the difference between Iraq’s Technical Service Contracts (TSCs) and the KRG’s Production Sharing Contracts (PSCs) made sense to Turkey’s diplomats and oil companies, as the TSCs serve southern Iraq’s mature fields well, and PSCs brought new investment and exploration to the Kurdistan Region. The way that Turkey understands the situation, stated Ozelik, is that export of oil from Iraq, with or without a national hydrocarbon law, enriches all of Iraq through the revenue produced. “We should not allow the Iraqi people to lose out,” he stated.

Investing in Iraq

A panel on “The Realities of Investing in Iraq” brought together foreign and local investors and businesspeople to discuss Iraq’s investment environment. Perhaps the most influential panelist in the discussion was Faruk Mustafa Rasool, Chairman of Faruk Group Holding, one of the largest companies in the Kurdistan Region and Iraq. Rasool discussed the radical transformation that he and Faruk Group have contributed to in the Kurdistan Region. Beginning as a small telecommunications company in the 1990s, soon after the Kurdistan Region’s attainment of autonomy allowed the company to begin operations, Faruk Group now holds Asiacele, the largest publicly traded company in Iraq, in addition to several companies in industry, healthcare, insurance, finance, and other sectors. He was also excited to announce the imminent opening of Faruk Medical Center, which will bring healthcare provision in Iraq and Kurdistan to impressive new highs. In addition to these projects, Faruk Group is committed to further developing Slemani and the Kurdistan Region through new investment in emerging sectors such as agriculture, tourism, and the improvement of infrastructure.

Faruk Mustafa Rasool believes in hiring the most talented workforce he can, and argued that finding talent is more important, and often more challenging, than finding financing for his projects. While this has led him to repeatedly bring

foreign expertise into the Region to lead and staff his companies, his goal is to further develop the Kurdistan Region’s human capacity. Faruk Group is accomplishing this through staff training, as well as the maintenance of best practices and international professional standards in his companies.

Ziad Badr, Iraq Country Manager at the World Bank’s International Finance Corporation (IFC) discussed some of the opportunities and challenges of investing in Kurdistan and Iraq, and demonstrated that many of those challenges could be overcome. As manager of the IFC’s portfolio in Iraq, Badr has invested heavily into many of Iraq’s and the Kurdistan Region’s premier companies, including the Erbil Rotana Hotel, Lafarge/Faruk Group cement operations, Zain Telecom, the Credit Bank of Iraq, the Commercial Bank of Iraq, and others. While Badr noted that he does face challenges related to weak accounting standards at many local firms, finding human resources, and firm transparency, these challenges can be overcome through use of independent auditing of businesses, and improved training in international business practices. Overall, he is optimistic regarding the country’s investment climate: “Iraq has a healthy economy, with a healthy inflation rate and increased foreign direct investment into the country. There is substantial upside potential for investors and government is keen to support the private sector.”



“We are committed to further developing Slemani and the Kurdistan Region through new investment in emerging sectors such as agriculture, tourism, and the improvement of infrastructure.”

Faruk Mustafa Rasool
Chairman, Faruk Group Holding

[illegible]

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Henri Barkey provides IIG exclusive insight into the Kurdistan Region's democratic consolidation, the KRG's strategic relationship with Turkey, as well as the ongoing role of the US in the Region.

Henri Barkey is a Professor of International Relations at Lehigh University and a leading expert on Turkey, Iraq, and the Kurdistan Region. He has taught at several universities, and has authored and edited several books on Turkey and the Middle East. He served on the State Department's policy planning staff from 1998 to 2000, primarily focusing on issues related to the Middle East.


Kurdistan's Shifting Political Economy

HB: The KRG is still far too dominated by the two main political groups—Gorran's recent successes notwithstanding—and is far too reliant on petroleum revenues coming from Baghdad for its wellbeing. There is not enough wealth being generated independent of the state in the KRG to sustain a healthy economic and democratic future. This will change and needs time. There is no question that the KRG is in much better shape than the rest of the Middle East. For one thing it is unencumbered by a sense of hostility towards the West and this will, in the long run, help it.

HB: I am pessimistic about the role of the US in managing the Baghdad-Erbil divisions over oil. This is not for lack of trying. This has more to do with the absence of concern in the years past in the KRG by the administration, and its unwillingness to pay attention because there were “few problems” in the north. As a result, US policy has been somewhat unbalanced within Iraq. Washington did not appreciate the sensitivities and needs of the north.

HB: This is complicated because the US has always wanted better relations between Erbil and Ankara. Now, it seems to have been caught unprepared by the speed and extent of the developments.

HB: Kurdistan is still far too dependent on oil rents. This is a bad omen for both economic development and democracy. Unsurprisingly, the non-Turkish companies most interested in Kurdistan remain those in the hydrocarbon business. The KRG needs to improve its domestic economic base by improving its agricultural base devastated by Saddam's policies, create niche enterprises in the industrial or service sector, get more people to make a living off their own work and not government service. It also needs to deal with its environment.

In answer to the second question, yes there is more interest in the KRG in Washington. Turkish companies have discovered the Kurdistan Region, and it is a matter of time before American ones do as well. Proximity has its advantages, and Turks will continue to dominate consumer goods industries, but other areas could see greater American investment, especially in infrastructure and, of course, oil and gas. 

Long-term Collaboration



Dilshad Barzani —
KRG Representative in Germany

Dilshad Barzani provides IIG with insight into the ways in which the KRG's Representative office in Germany has brought the KRG and Germany together over the past two decades, and discusses the progress to come from German private sector investment in the Region.

IIG: Could you provide our readers with a brief history of your Mission?

DB: Our Mission was established in 1992, upon request by the German government of the time, as the first KRG foreign mission ever. The primary task was to coordinate the significant humanitarian and development aid from Germany to the Kurdistan Region. Another responsibility was to inform the public and the media in Germany about the highly precarious situation of the population of Kurdistan, which was suffering under the dual embargo. Our work was based on three pillars from the start: Direct contact with the German government, the regular exchange of information with the relevant members and commissions of the German Bundestag and the state parliaments, as well as the major religious organizations and NGOs. We then incrementally assumed the function of a consulate, offering the usual services (powers of attorney, legalizations, visas, etc.) to the Kurdish and non-Kurdish residents in Germany. The Mission's objective is to cultivate and intensify the political, economic, and cultural relations between Germany and the Kurdistan Region.

IIG: How would you assess current relations between the KRG and the German government?

DB: We have maintained excellent, friendly relations with Germany for decades. A German Consulate General was opened in Erbil in 2009, and a German business office funded by the Federal Ministry of Economics opened in 2010 to support German companies that want to enter the market. We are in constant dialog. President Massoud Barzani has met with high-ranking government representatives, Chancellor Merkel and Foreign Minister Westerwelle, and this year with the new Foreign Minister Steinmeier. Prime Minister Nechirvan Barzani met Chancellor Merkel for talks last year, within the framework of the resource conference held by the CDU/CSU Parliamentary Group.

IIG: Can you tell us about the delegations you lead between Kurdistan and Germany?

DB: The number of business and political delegations visiting Kurdistan has increased. We collaborate with Bavaria, Baden-Württemberg, and various trade and business organizations such as the Chamber of Commerce and Industry, the Near and Middle East Association, the German-Arab Friendship Society, and others to organize trips to the Region. In 2010 we established a German-Kurdish friendship circle. Politicians, members of parliament, and German companies involved in Kurdistan can cultivate and intensify their traditional relationships in this circle. In addition to the connections between Kurdistan and Germany, which have grown over decades, the large number of Kurds living in Germany is an excellent foundation and also a reason to promote bilateral relationships.

IIG: In what ways are the German government and semi-governmental organizations affecting social and political development in Kurdistan?

DB: A number of international political organizations hold board meetings in Erbil. Our Mission has made it possible, for example, that the International Young Leaders Conference will take place in Erbil in May. Moral support like this is highly important to us and shows that we are on the right path in the process of democratization and reform in our Region. Important government and semi-government organizations, such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and others, are active locally and advise our government in many areas. The German Federal Agency for Technical Relief (THW), funded by the Federal Foreign Office, is supporting the establishment and expansion of Syrian refugee camps. We also work together closely with the political foundations of the major parties, with the aim of actively promoting and strengthening civil society and civil rights organizations in the political sphere.

IIG: In what ways does the large Kurdish diaspora in Germany affect relations between Germany and the KRG?

DB: Several thousand Iraqi Kurds live in Germany. Unfortunately, the vast expertise among Kurds from Iraqi Kurdistan in Germany is still largely unexploited. In the future, we want to intensify our efforts to capture this potential for the Region. It would be helpful, however, if our efforts at reintegrating technical experts were better supported by efficient institutions in Kurdistan. The Kurdish diaspora has a plethora of cultural activities and associations that are independently introducing Kurdish culture to Germany's population. Unfortunately, we have neither the funds nor the staff needed to promote this better.

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

DB: Unfortunately, the German presence to date is largely limited to the trade and service sectors. Several large German industrial firms are active in various areas of electricity supply, while others are active in water supply. A German company will be setting up its own production site for industrial pipes this year, which in addition to creating jobs, also represents a crucial transfer of knowledge and technology, one which we would also like to have in all areas. In the future, the energy security of Germany and Europe will play a major role for all of us. The vast oil and gas reserves discovered in Kurdistan since 2007 are important to Europe's future energy supplies. 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 and European companies that would enrich the Region with high quality and innovative products and services.

We are favorably disposed toward German companies and wish to benefit from their expertise and know-how, like we already do in other areas.

IIG: What is your representation's strategy to further encourage economic cooperation and German investment in Kurdistan through 2014?

DB: At this stage, our job is to tell German business and trade circles – especially SMEs – about opportunities in Kurdistan. Publications such as Kurdistan Review, as well as materials from the planning ministry, are an important factor. But even more important is to show interested businesspeople to local developments in the Region, in the form of delegations, appropriate events, and participation at conferences and trade shows, to help attract joint ventures and investments.

IIG: What is your key message to the German business community?

DB: 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, Our energy resource, Our stability, Our influence in the entire Region 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. ☞

“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.”

Promoting Spanish Investment



Daban Shadala —
KRG Representative in Spain

Daban Shadala provides IIG with insights into the KRG Representation in Spain's strategy to draw Spanish investment into the Kurdistan Region, as well as the quick and impressive results of this strategy.

About

Daban Shadala began his diplomatic career representing the Patriotic Union of Kurdistan in Vienna, Austria. He was posted to represent the Kurdistan Regional Government in Spain during the 6th cabinet. He was recently awarded the Order of Civil Merit from Spain and sits on the Board of Directors of Halabja Football Club. Shadala speaks Kurdish, German, Persian, English, and Spanish.

IIG: How have your mission's activities developed since its establishment, and how would you assess the current bilateral relations between the KRG and Spanish government?

DS: Compared to the UK, France, Germany or Sweden, Spain has an extremely small Kurdish community, and therefore little knowledge or connection to the Kurdistan Region. For that reason, when we opened the office in 2010, we developed a number of public diplomacy initiatives to spread the Kurdistan Region's name. Our activities at that point were largely focused on building confidence, trust and a friendship between the KRG Spain office and various government and non-governmental institutions. Spain was deep in an economic crisis that seemed to be worsening, and they did not have a large economic presence in Middle Eastern economies. We were constantly delivering presentations to many government bodies, the private sector and universities. We then led large trade missions to Kurdistan. The first was with the Spanish Institute for Investment & Exportation (ICEX), a government agency of the Ministry of Economy and Competitiveness focused on the internationalization of Spanish companies. The second was with Agragex, Spain's association for exporting agricultural machinery, equipment and irrigation systems. From that moment forward, Spanish private sector interest in Kurdistan grew and grew.

IIG: What progress has your mission made since 2010, and what milestones do you foresee in the near term?

DS: Since opening, we have since hit a number of important milestones. We have earned the trust of the Spanish central government and the regional authorities. When we arranged for a ministerial delegation to visit in 2013, Spain's

Ministry of Foreign Affairs arranged a meeting between the Minister of Foreign Affairs Jose Garcia-Margallo and Deputy PM of the KRG Emad Ahmad. Since that meeting, Spain has appointed an Honorary consul in the Region and the opening of a permanent consulate in Erbil is in the pipeline. Minister Falah Mustafa also recently completed a follow up meeting with Spain's Secretary of State for International Relations. Things are constantly developing. Where we stand today is completely different to where we stood when I first started.

IIG: Which of Kurdistan's economic sectors offer the most potential for Spanish investors and entrepreneurs?

DS: 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. We have to build some 59,000 housing units per year in the Region to meet the demand, with a projected total investment by 2020 sitting at around \$1.3 billion. As for agriculture, Kurdistan has huge potential with 35% of our total land area being arable. However the sector has suffered years of neglect and is in desperate need of revival. As for education, the KRG is determined to raise the bar to international academic standards. We currently have some eleven private universities and there is both room and desire to open more. Tourism offers huge potential. Last year alone the Ministry of Tourism and Municipalities allocated \$950 million, to complete a total of 47 new projects. The Region is constantly attracting new tourists, especially from the Middle East, and Erbil was recently voted Arab Tourism Capital of 2014.

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

DS: We will be organizing seminars in think tanks that are focused on economic matters. Also 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. We will be leading trade delegations to visit Kurdistan. ICEX has already scheduled Iraq investment initiatives for 2014, and will be making an annual appearance to the Region. 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.

IIG: To what extent has this strategy increased Spanish investment in Kurdistan?

DS: So far, this strategy has been working well, as many Spanish companies have now established branch offices in the Region, after having signed agreements to go into joint ventures with various local partners. In the past year our office registered more than eight new companies, which are now working in Kurdistan. The number is constantly increasing, although we would like to see it increase even more in the next few years. Spain's Repsol entered into a PSC with the KRG's MNR back in 2011 acquiring two exploration blocks. Another Spanish company, INES Ingenieros, worked on a one-year contract with UNESCO to help revitalize a number of houses within Erbil's 8,000 year old citadel.

IIG: Where do you see Kurdish/Spanish relations in the medium term, in terms of prospects and opportunities?

DS: We will work to develop even stronger bonds with Spain. We will touch upon the areas where we know 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 Spanish presence in Erbil. The previous Spanish Ambassador to Iraq, Jose Turpin, was crucial in laying the foundations and has played a pivotal role in solidifying the relationship; the new Ambassador has similarly offered his friendship and assistance. If he is able to play a part then I am sure we will see things develop even further between Spain and Kurdistan.

IIG: Your mission is also involved in increasing Portuguese investment in the Region. Can you tell us about this?

DS: Yes, we have recently been developing foundations for the KRG's relationship with Portugal. The Portuguese government approached us mid-2013 and were very eager to begin taking the first steps toward building a relationship with the Kurdistan Region. The company building Slemani Airport's cargo terminal is Portuguese, and there is also another Portuguese company supplying supermarkets in Kurdistan. There is an especially high interest in Kurdistan coming from engineers and the banking sector. During Minister Falah Mustafa's visit to Portugal in February of this year, I signed the declaration of the Portugal-Kurdistan Region of Iraq Business Association (AEPKI) and we now seek to strengthen ties with Portugal the same way we have done in Spain. 

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

Promoting Opportunities for Growth



Rezan Kader —
KRG Representative to Italy

Rezan Kader discusses the business and investment opportunities that the Kurdistan Region offers Italian companies, and provides insight into the ways which the KRG Representation in Italy supports Italian companies expanding to the Region.

About

Rezan Kader has been the KRG's High Representative to Italy since the Representation's establishment in October 2009. Dr. Kader holds a medical degree from an Italian faculty of medicine, and has, for several years, been heavily involved in women's issues in the Kurdistan Region.

IIG: How would you describe relations between the KRG and the Italian government?

RK: The KRG has established close and broad-based relations with the Italian Government, with extensive collaboration at political, diplomatic, economic, social and cultural levels. Since achieving autonomy, the Kurdistan Region has focused on strengthening its relations with its neighbors and with the rest of the international community. Within this framework, diplomatic representations abroad were opened in order to serve as operating arms of the government. I have established relations with several political forces in Italy to spread knowledge about the Kurdistan Region. In recent years, relations with Italy have become much stronger. This is demonstrated by President Barzani's many official visits to Italy, in order to meet the highest authorities of the Italian Government and the Vatican. Moreover, due to the exponential growth of the Kurdish economy, increasing numbers of Italian entrepreneurs are visiting the Region to identify commercial opportunities. As such, the Italian Consulate in Erbil now maintains a desk designed to promote and to increase the Italian commercial presence in the Region.

IIG: In what sectors in Kurdistan have Italian businesses found the most success? What sectors do you believe provide the most opportunity going forward?

RK: Italy has the highest number of commercial exchanges with Iraq of any European country, and is the third (after Germany and France) in terms of export volume to the Region. Italian exports to Iraq and the Kurdistan Region have, in recent years, followed a trend of growth that is continuing to increase. Italian entrepreneurs are increasingly interested in investing in the Kurdistan Region, largely thanks to the 2006 Investment Law. The main areas of interest and active participation of Italian businesses are construction, infrastructure and energy, as there is extensive demand for Italian expertise in these sectors. 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.

IIG: Can you tell us about the MOU signed recently by the KRG and Italian Society of International Organizations (SIOI)?

RK: The SIOI is the most well known Italian research and training institute for international professionals. The agreement signed between the KRG and the SIOI is the byproduct of a longstanding relationship of collaboration and exchange with the SIOI. The SIOI's current President, former Italian Minister



Our key message to the Italian business community is to exploit the huge investment opportunities in the Kurdistan Region. Italian businesses that enter the Region will receive extensive support from our Representation, as well as the Italian National Construction Association (ANCE), based in Rome, which organizes regular missions to the Region, and the Italian Consulate in Erbil, which provides Italian businesses with trade and insurance services.



of Foreign Affairs, Franco Frattini has close ties to the Kurdistan Region, having overseen the opening of the KRG's Representation in Italy and promoted the opening of the Italian consular office in Erbil. President Frattini and the SIOI are now working with the KRG Department of Foreign Relations (DFR) and Minister Falah Mustafa to provide technical support to the DFR's continued growth and expansion. Therefore, when Minister Falah Mustafa visited Italy in December 2013, a MOU between KRG and the SIOI was signed to establish various collaborative projects between the parties, from the organization of conferences and seminars, to the creation of a diplomatic institute in the Kurdistan Region, and training courses for international Kurdish officials.

IIG: What topics and sectors will your Representation focus on for 2014 and beyond?

RK: The Representations of the KRG abroad today have a considerable role in the continued development of the Region's international political-economic, social, and cultural outreach. In this regard, the Representation in Italy represents the KRG at the State of the Vatican, S. Marino, Malta, and United Nations Agencies. It will maintain diplomatic relations with the institutions of the Italian Government, but also will promote ever more investment opportunities in the Kurdistan Region for Italian entrepreneurs. For this reason, the Representation provides information

to Italian entrepreneurs regarding investment opportunities in Kurdistan, as well as assistance facilitating such investment. The Representation will also intensify its consular activities, including issuing visas to the Region, and will continue to promote Kurdish cultural activities in Italy, through the Italy/Kurdistan Association of Friendship and Cooperation.

IIG: Do you have estimated figures regarding the levels of Italian business and investment in the Kurdistan Region? What is your key message to the Italian business community?

RK: 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 the Kurdistan Region. Italian businesses that enter the Region will receive extensive support from our Representation, as well as the Italian National Construction Association (ANCE), based in Rome, which organizes regular missions to the Region, and the Italian Consulate in Erbil, which provides Italian businesses with trade and insurance services. As the economies of many western countries, including Italy, are still recovering from unprecedented economic crisis, growth in expanding markets such as that of the Kurdistan Region can provide a springboard for a new cycle of growth. ⑩

Notes from Westminster



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

The British Parliament has cross-party groups providing bridges of friendship with 133 countries and regions. The all-party parliamentary group (APPG) on the Kurdistan Region in Iraq has become one of the most active over the past seven years. It has sent several fact-finding delegations to Kurdistan to meet senior ministers and civil society organizations, and encourage commercial, cultural and political links. Parliamentarians from the major British parties have visited universities, hospitals, schools and seen the agricultural and tourist potential of Kurdistan for themselves. The group has also organized many meetings in the Commons in co-operation with the KRG's High Representation in London, Bayan Sami Abdul Rahman.

It is difficult to interest busy MPs, who receive many competing and compelling invitations to other countries in the brief parliamentary breaks, to join foreign delegations. However, we have won the enthusiastic support of MPs, including Kurdish-born MP Nadhim Zahawi, who have told their colleagues about Kurdistan. Many more parliamentarians are now keen to visit Kurdistan. In the beginning, few knew where Kurdistan was and were put off when told it was part of Iraq. We have increased awareness that Kurdistan is safe and stable, and that a base in the Region can serve as a gateway for commerce to the rest of Iraq.

Kurds have a deep regard for the UK, many having spent their formative years in exile in Britain, which played a decisive role in protecting Kurdistan with the no-fly zone in 1991 and liberating Iraq in 2003. English is the second language and many value the quality of UK goods and services, especially in education and health. Yet, as ministers and Chambers of Commerce regularly told us, few British

companies and public bodies attended the trade fairs in Erbil and Slemani. The APPG has increasingly focused on practical measures to encourage such connections. In 2010, we persuaded the British Government to dispatch an official trade mission and help signal that Kurdistan is open for business. They did, and the number of officially registered British companies has increased.

The report of a recent delegation was the basis of a detailed debate in the Commons where MPs pressed and secured many practical proposals the Government could take to increase British involvement in Kurdistan. Clearly, such interest has and will continue to soar thanks to the development from scratch of an energy sector in Kurdistan, a major rise in purchasing power, and demand for new infrastructure.

Articles and reports from parliamentarians have stressed that the Kurdistan Region is a dynamic and forward-looking place seeking to escape a terrible legacy of oppression. The APPG marks the anniversaries of Halabja and the Anfal. It joined the KRG in urging the British Government to formally recognize that Saddam had waged genocide against the Kurds. MPs secured an historic Commons debate last year and their passionate and detailed speeches convinced the Commons to unanimously recognize the genocide. The Government believes this is better done by a judicial decision but representatives of the Government and the Official Opposition acknowledged the power of the MPs' representations and moved towards them. The British Government will now play a more prominent role in marking Anfal Day. Given there is no likelihood of a judicial process that will pronounce on the genocide so many years on, a political determination is vital.



We have increased awareness that Kurdistan is safe and stable, and that a base in the Region can serve as a gateway for commerce to the rest of Iraq.



An opportunity to do this and to make other proposals to deepen and widen the British relationship with Kurdistan is provided by the decision of the influential Foreign Affairs Committee, which scrutinizes the policy and performance of the Foreign Office, to mount an in-depth inquiry into the Kurdistan Region in the coming months. The Committee is calling for detailed evidence and will question witnesses including the Middle East Minister before or after a fact-finding visit to Kurdistan. It will be online. It then produces a report to which the Government must respond.

Friends of Kurdistan can influence the development of British foreign policy, encouraging support for implementing federalism in Iraq, especially reliable

revenue-sharing, and ending damaging disputes over the right of the Kurdistan Region to export and sell oil and gas. MPs should also note the transformation of the once fraught relationship between the Kurdistan Region and Turkey. They could see how Kurdish energy can turn Turkey into a reliable energy hub for diverse and secure energy flows to Europe, a long-standing foreign policy desire, which has been accentuated by Russian actions in Ukraine.

Seven years ago, little of the potential of the Kurdistan Region seemed likely to be realized. However, a combination of work by the KRG, trade bodies and MPs has put Kurdistan on the map. The UK is seen as a "partner of choice" by the KRG. This should come to be seen as mutual.

- 1 President Barzani with British Parliamentarians
- 2 Minister Falah Mustafa with members of APPG
- 3 APPG members in Kurdistan Children's Hospital

About

Gary Kent has worked in the British Parliament since 1987 and has been the Director of the APPG since 2007. He is also a member of the board of the European Technology and Training Centre in Erbil. He has visited Iraq on 17 occasions in that time. He writes in a personal capacity.

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Insight Iraq-Britain Business Council

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

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.



About

Baroness Nicholson has served as the Executive Chairman of the IBBC since 2009. She has served as a member of the House of Lords in the UK Parliament since 1997, having also served as a Member of the House of Commons and, subsequently, served in the European Parliament.

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 Iraqi National Investment Commission. But the IBBC is more than a business initiator. It promotes best practice and international standards,

Iraq and the KRG. In Erbil, both the chairman of the city's Chamber of Commerce, Dara Khayat, and Minister Falah Mustafa, the Head of the Department of Foreign Relations, had positive things to say about British business. They both spoke of their eagerness for local firms to foster and develop their already solid relationships with UK companies.

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 ancient and some from newer universities and institutions, were included in the delegation. All were keen to revive the historic academic linkage of the United Kingdom 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 corporate 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 Oil and Gas, Professional and Financial Services, and 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. 

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.

An unprecedented 50 business leaders and academics accompanied us on the most recent delegation to the capitals of

Investing in Long Term Growth



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 Region's private equity market.

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 the London and the Abu Dhabi offices, and has worked in the Region, and wider Iraq, since 2007. Mr. Bailey holds an MA in Jurisprudence from Oxford University.

IIG: What activities and investments is Definitus engaged in?

PB: In the truest possible sense, we are a private equity firm in that we seek to invest our own private capital into projects here. In terms of strategy, we look to relatively small, low capital, low profile projects in Kurdistan. In an environment teeming with shopping malls, five star hotels and real estate developments, our portfolio might be described as unusual or even unexciting. This allows us to manage volatility and risk perhaps more easily than those involved in higher profile ventures. If one is investing in construction materials production facilities, for example, it does not matter if the final venture is a roaring success, a moderate success, or a complete failure; whether the mall is full or empty, or whether the houses are sold off plan or sitting empty. Basic goods such as adhesives, silicones and insulation must be bought regardless, and when gaps in the local market for production and manufacturing of such goods can be found, they can be stable, profitable ventures.

IIG: What investments does Definitus currently have in place in Kurdistan?

PB: Currently, our largest investment in Kurdistan is in agribusiness. We invest in the land of local farmers and landowners who may have the land but not the cash resources to develop and improve their farmland. We work with them to grow wheat and corn, and are exploring other cereals also. In terms of value-add, we have invested in the development of artesian wells, land and infrastructure improvements and irrigation technology to allow for year-round farming and more

intensive, effective use of the land. This sort of venture is not particularly flashy; it is low profile and low tech. However, by growing wheat and corn, the venture benefits the overall food security in Kurdistan and Iraq, it re-irrigates land that was previously unfarmed, which cuts down on dust, and it sits in the relatively low capital, low profile bracket that our portfolio targets. This also demonstrates that we intend to remain in this market for the long term, as investments in agriculture are invariably longer-term investments.

IIG: What are some of the challenges that local firms or foreign firms expanding into the 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.

Contributing to this problem is that western banks are slow to enter the market. This might be starting to change; some banks are coming here, such as Standard Chartered. But, many banks still do not want to deal with Iraqi business, whether that is an Iraqi company or a foreign company doing work in Iraq.



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 Kurdistan Region. In this regard, we believe that there is significant upside to investing here.



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 be 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. However, we are mindful of the fact that if our firm wanted to sell a business today, it would take time to complete the transaction, because Kurdistan is such a niche market, and the market still does not have a lot of visibility to global investors. Despite this, we are quite comfortable with the investment environment here, and we are optimistic that Kurdistan will become increasingly competitive and garner increasing attention from international investors. We find that the discount on equity, caused by the lack of competition here, makes the Region 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. 

Definitus

Definitus is a private equity firm based in Erbil. The firm, which was established in 2012, holds investments in a broad range of firms and sectors across the Kurdistan Region and Iraq. In addition to the development of its own projects, Definitus provides advisory services and transaction support to investors in and entering the Region.

Pursuing Common Interests: AmCham Slated to Open in Erbil

The US business community, increasingly finding its way into the growing sectors in the Kurdistan Region, will soon find additional support in the Region. The US Chamber of Commerce, a US-based business advocacy organization, operates foreign affiliate offices around the world under its American Chambers of Commerce Abroad program, or 'AmCham'. This spring, the KRG's first AmCham office will open in Erbil, and the Kurdistan Region will become the latest addition to the AmCham network. The project, conceived and executed by Kurdo Bebak Jaff over the past year, 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 at the Erbil Rotana, and is scheduled to open its doors in coming months. The opening of the AmCham, according to Jaff, "will start a new chapter in economic relations between the United State of America and the Kurdistan Region of Iraq." The project strives to develop a "robust and lasting economic bond" between the two, based on mutual economic and business interests.

According to Jaff, US investment in the Region, already noteworthy, is set to increase further in coming years. "There

are already US business interests, directly or indirectly, present in nearly every sector in the Kurdistan Region. However, there is still significant room for growth of US investment in many sectors, and we would like help facilitate that investment." The AmCham will build upon the growing interest in US brands and products in the Region, 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, consumer goods, environmental management and water treatment, hospitality and tourism, 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 Region." Once open, the AmCham will support businesses in a number of ways. The AmCham 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 represent the concerns and interests of the business

community at the highest levels of government and business." 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. Most recently, in support of the AmCham, he organized a delegation including KRG Minister of Trade and Industry, Sinan Çelebi, to visit commercial organizations including the US Chamber of Commerce in Washington, DC. Jaff intends to continue leading trade missions to the US, which will support the Kurdistan Region's businesses through increased ties with US firms, and among the AmCham's initial major activities is the facilitation of two delegations of US businesses to the Kurdistan Region this fall.

The AmCham also has regional ambitions. Among the AmCham's 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 with leaders across the Middle East at one of the MECC's initial conventions in Jordan, and has taken steps for the AmCham to become an active member of the organization. The Center is working to improve the business and economic environment throughout the Middle East.



About

Kurdo Bebak Jaff, CEO of the American Chamber of Commerce in the Kurdistan Region (AmCham), has been working to establish the Chamber since March 2013. In addition to his leadership of the AmCham, Jaff is the founder and managing director of Eiger Ltd., a business development and public relations consultancy in the Kurdistan Region. Prior to this role, he served as a consultant to the US Government, focusing on foreign commercial affairs at the US Embassy in Baghdad.



Its initiatives include improving market access and the movement of goods through the Middle East, by developing trade corridors and improved supply chains; improving natural resource cooperation to ensure the region's food, water and energy security; developing Special Economic Zones (SEZs) in the region to encourage additional investment; and promoting entrepreneurship. The MECC also seeks to serve as a "platform for collective policy action to expand economic prosperity in the region and engage the international business community and government." These regional goals, believes Jaff, will improve business and increase investment in the Kurdistan Region, benefitting both local and American businesses in the Region. ☞

Building Bridges



Bakir Lashkari —
President, Kurdish-Dutch Business Club
(KDBC)

Bakir Lashkari provides IIG with insight into the opportunities and challenges that Dutch businesses find in the Kurdistan Region.

About

Bakir Lashkari has been President of the KDBC since it was founded in 2003. He studied at Nyenrode University (The Netherlands), INSEAD (France) and IMD (Switzerland). He has professional experience in finance, insurance and information technology.

IIG: What particular expertise can Dutch businesses or investors bring to the Kurdistan Region? What opportunities do they see in the Region?

BL: The Netherlands has some of the world's most advanced companies concentrated in its agriculture, food processing, and water management sectors. As agriculture is a major focus of the KRG's economic development plan, Dutch companies can make important contributions to these sectors. Dutch companies are also very innovative and adept in construction and infrastructure development, ICT, and the healthcare sector. The companies that we work with are very enthusiastic about the economic environment and potential for growth in the Region, and the Region's excellent record of security and stability. They understand the gaps in the market, and see opportunity in improving the quality of products and services available in the Region. They see a great opportunity in the transformation of Kurdish society, including growth in demand and increased potential for production in the Region. Dutch companies are also aware of the shift that is taking place in the Kurdish workforce from the public to the private sector, and hope to contribute to the development of the Region's human capital to facilitate this pivot.

IIG: What challenges persist in the development of increased commercial relations between the Netherlands and the Kurdistan Region?

BL: There is extensive potential on both sides for mutual economic benefit. In agriculture for example, as I mentioned earlier, Dutch investment and expertise could prove extremely beneficial to the

Kurdistan Region. However, the largest challenge that we face is a lack of coordination from both sides. The Trade and Agriculture ministries in the Netherlands and the Kurdistan Region are positioned such that building the necessary bridges for foreign investment into the sector can be challenging. Additionally, diplomats on both sides, while effective, are constrained in terms of time and resources to facilitate the level of commerce that could be realized. In these situations, calling on members of the Kurdish diaspora in the Netherlands, and groups such as KDBC, can prove helpful. Dutch companies are aware of the potential opportunities in the Kurdistan Region; they just need improved coordination to facilitate their entry to Kurdish markets.

IIG: How has the large Kurdish diaspora in the Netherlands helped to develop commercial relations between the Netherlands and Kurdistan?

BL: The Kurdish diaspora has contributed extraordinarily to building and sustaining commercial relations between the two communities. However, I believe that the Kurdish expatriate community could be mobilized to do much more for Kurdistan's economic diplomacy. The KRG could be making better use of the international Kurdish community by drawing on the expertise and qualifications of expatriate Kurds to further its foreign and domestic economic goals. This could be done relatively easily. For example, the establishment of a European-Kurdistan Task Force (EKTF) for fostering trade and business opportunities across Europe could be an excellent step toward mobilizing the Kurdish



The companies that we work with are very enthusiastic about the economic environment and potential for growth in the Region, and the Region's excellent record of security and stability. They understand the gaps in the market, and see opportunity in improving the quality of products and services available in the Region.



community abroad for the interests of the KRG. The KDBC would be happy to lead such an initiative, in cooperation with the KRG's EU Representative in Brussels, and Chambers of Commerce in the Kurdistan Region.

IIG: What plans or initiatives will the KDBC be focusing on throughout 2014?

BL: Throughout 2014 we will encourage Dutch businesses to take more aggressive steps into Kurdistan. We would like to see more local offices opened in the Region by Dutch businesses, and we would like to facilitate more joint ventures with local companies. We are also working with the Dutch Ministries of Foreign Affairs

and Economic Affairs to encourage the establishment of a fully equipped Dutch diplomatic office in Erbil. Such an office would work with Dutch and Kurdish businesses and individuals to streamline investment processes between the two communities and provide consular services. Additionally, there are no economic agreements between Iraq or the Kurdistan Region and the Netherlands. Trade agreements, for example, could help to facilitate additional economic interaction. As such, we will work with the KRG and the Dutch ministries this year in promotion of economic and trade agreements between the two governments. ⑩

KDBC

The KDBC works with Dutch and Kurdish businesses to facilitate and expedite business and investment in the Kurdistan Region. The KDBC organizes seminars and workshops for Dutch companies that cover business and investment opportunities in the Kurdistan Region, helps foreign companies to find local partners for joint ventures, helps companies to acquire financing for their projects, and leads business delegations to the Region.

Turkish Economic Expansion & its Regional Implications

Dr. Anwar Anaid —
Lecturer of Political Economy,
the University of Kurdistan-Hewler
(UKH)



About

Dr. Anwar Anaid received his PhD in Government and International Relations from the University of Sydney (Australia) in 2010 and his BA (Hons) from the University of New South Wales (Australia) in Politics & IR 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.

With increased business interactions between the Kurdistan Region and Turkey, socio-political bonds have strengthened in the recent years. Prime Minister Erdogan's visit to Erbil in March 2011, and President Masoud Barzani's visit to Diyarbakir in November 2013 brought Turkey-KRG relations to a new higher stage. While

be contained within its political borders without compromising the country's economic growth. Turkish regional and global foreign policies, therefore, must create conditions that are supportive of greater regional market domain for Turkish firms. For a better understanding of the evolutionary economic pressures that modern Turkey is facing, it is important to view the Turkish market from historical and evolutionary perspective.

Turkey inherited the legacy of the Ottoman Empire, which ruled a large part of the Middle East and Europe. Development of markets became central to the post-Ottoman Turkish state's modernization process. Turkey also had the blessing of not being blessed with a significant amount of oil. In the absence of the subsidizing power of oil revenues, which have inhibited development and value reorientation in many Middle Eastern countries, Turkey had to depend on its manpower for developing its economy. A gradual improvement of Turkish human capital followed and Turkish industrial output increased. In the modern times, the Ottoman heritage provides an Islamic charm to Turkish market expansion into Middle East and a sense of historical legitimacy to its regional economic expansionism. This regional economic expansion has led to an impressive level of economic growth in Turkey in the last decade. While Turkey's economic expansionism is vital in sustaining Turkey's economic performance, it also plays a central role in the growth of Turkey's political influence in the Middle East. Modern Turkey is gradually consolidating its position as a regional power. The rise of Turkey also enhances the credibility of its project for membership in the European Union. Turkish EU membership could add strategic and economic value to the European Union, and increase the economic competitiveness of the EU in global markets.

I intend to avoid unjustifiable economic determinism, the importance of the impact of Turkish national market expansion as a strong factor underpinning this strengthening relationship should not be underestimated.

Broadly speaking, market expansion is the driving force behind the processes of regional and global economic integration. Hence, the impact of the evolutionary pressures of national markets need to be taken seriously in assessing the foreign policy formulations in countries with matured market economies. The development of the Turkish national market has created an economic condition whereby Turkish market forces cannot



By adopting a free market economy, encouraging foreign investment in the Kurdistan Region, and promoting close economic ties with its neighbors, particularly Turkey, the KRG is aligning itself with Turkey's economic ambitions. These factors have potential to turn the Kurdistan Region and Turkey into long-term strategic partners.



What are the implications of Turkey's rise for the Kurdistan Region?

Recent Turkish economic performance is directly linked to its economic expansion into the Middle East, including the Kurdistan Region. This is of profound implication for Turkey, the Kurdistan Region and other market economies across the Middle East. It suggests that while the Kurdistan Region needs Turkey as a close regional economic partner, Turkey also needs Kurdistan and the wider region for the growth of its markets, and the strengthening of Turkey's sphere of influence. In addition to Turkey's need for access to regional markets, the Kurdistan Region is uniquely important to Turkey for its vast reservoir of natural resources, as well as its strategic geographic position. This encourages Turkey to follow foreign policies that engage the Kurdistan Region to achieve its regional economic objectives. Such factors leave Turkey with little room for short-term approaches to Kurdistan or Turkey's other economic partners in the region. Nor should such sound and responsible Turkish foreign policies be derailed by populist politics inside Turkey.

Gradual economic integration between Turkey, the Kurdistan Region, and other market economies in the Middle East benefits stability within the region as well. Such integration increases the interdependence between

the region's countries and, with its harmonizing impact, lowers the likelihood of conflict among them. The current Turkish government has recognized this fact, and is appropriately capitalizing on it. An increasingly assertive Turkey may even emphasize less its EU membership project, and lead the process of Middle Eastern economic integration as a more promising option.

The Turkish government is under pressure from internal political forces that favor the revitalization of the less tolerant Turkish state of the last century. These forces may even be able to delay the Turkish internal adjustment aimed at internalizing and solidifying the recent progressive Turkish foreign policies toward regional economic integration. However, any such distraction will undermine Turkish economic growth. Given the Turkish structural market pressures, this opposition is unlikely to prevent the realization of Turkish-led regional economic integration in the long run.

The Position of the Kurdistan Regional Government (KRG)

The KRG's economic and foreign policy position can be summarized in the following three key points. The KRG aims to:

- Align itself with the dominant global economic forces that are shaping the modern global political economy and benefit from regional and global economic integration;

- Increase the Kurdistan Region's security through closer economic links and political ties with other regional and global market economies and, in effect, support gradual regional economic integration;
- Seek greater international political and symbolic recognition of the Kurdistan Region by capitalizing on the Region's increased economic power and its stabilizing democratic political system.

By adopting a free market economy, encouraging foreign investment in the Kurdistan Region, and promoting close economic ties with its neighbors, particularly Turkey, the KRG is aligning itself with Turkey's economic ambitions. These factors have potential to turn the Kurdistan Region and Turkey into long-term strategic partners. The constructive, mutually beneficial, and modern economic policies adopted by Turkey and the Kurdistan Region suggest that Turkey can neither ignore nor bypass the Kurdistan Region in expanding its sphere of influence in the Middle East. Therefore, as long as the internal and external political forces intent on derailing the process are kept at bay, Turkish/KRG mutual economic and geopolitical imperatives suggest that the correct way forward is further economic integration and closer socio-political ties between the Kurdistan Region, Turkey and the other market economies in the Middle East. 

Women on the Frontlines

In a region where high-ranking positions are often dominated by men, the Kurdistan Region is gradually opening its eyes to the benefits of women's participation in society. 2013 saw female leadership in a number of sectors, including education, business and politics. From managing major investment into the economy, to the launch of new flight operations to and from Erbil, women are increasingly involved in the Region's decision making. IIG spoke to some of the women who, despite working in a largely male dominated arena, have found professional success and are helping shape the growing Region.





Bayan Sami Abdul Rahman —
KRG's High Representative to the United Kingdom

"I think people are often surprised that a woman is representing a part of the Middle East," says Abdul Rahman, whose family moved to the UK when she was 11. "In Britain they encourage you to think critically, to think for yourself, this forces you to be self-motivated and disciplined. To me that education was very important," she says of her British upbringing.

Following a successful career in journalism, Abdul Rahman transitioned into politics and was appointed High Representative to the UK in 2005. Under her leadership, the Kurdish community in the UK has seen significant steps forward, including an international conference on Al-Anfal, a parliamentary debate on the 25th anniversary of the Kurdish genocide, a parliamentary debate on the Kurdistan Region and more recently a UK select committee inquiry into UK policy on the KRG.

"I have seen more women taking prominent roles in the government, in ministries and in parliament," explains Abdul Rahman. Electoral quotas in the KRG have helped decreased the under-representation of women in politics, giving women a platform from which to speak up. "I think quotas do work, they're a base for nurturing and giving confidence to women. I would love for there to be a day when we don't need them, but right now we do," she concluded.



Suzan Shahab —
Member of Patriotic Union of Kurdistan (PUK)

The daughter of influential politician Shahab Sheik Nuri, Suzan Shahab grew up amongst politicians. Following her father's execution by the Iraqi government, she took it upon herself to realize her father's dreams, she says.

Shahab explains that while she strives to advance the Kurdish cause, her path has often been hindered by traditional ways of thinking. "It has been difficult because I am a woman, but when I was elected in parliament and when I headed the Kurdistan List, I did have an impact on lawmaking," she says.

In regards to the fast-paced development in the KRG, Shahab says: "I think economic development will help [change traditional ways of thinking] but the government must play a role in preparing people through education."



Nisar Talabany —
Senior Advisor to the PM and Head of the Office of Governance

Nisar Talabany returned to the Kurdistan Region in 2005 to work with the Kurdish government. "Although my family was in the UK we were taught that our mission was to establish Kurdistan," said Talabany.

In 2009 she formed part of a government initiative aimed at tackling corruption. In a joint effort with PriceWaterhouseCoopers, the KRG implemented its Good Governance and Transparency Strategy, which in turn resulted in an increase in civil society engagement, reports for oil and gas transparency and code of conduct for KRG employees.

Talabany explains that there have been steps forward for women in the public sphere, including government funding of bodies that protect women's rights. However, she says: "within the political framework of the country we have not come that far. In a political sense it's still a man's world."

But Talabany says that the challenges she has faced are not unique to women: "it is about personality and cultural clashes," she says in reference to the differences between local and 'returning' Kurds. However, she explains, these are trials that all transitional economies with a returning diaspora go through. The key problem for the young advisor remains youth unemployment and the 'brain drain' in the Region: "these are areas of concern that the government needs to focus on."



Talar Faiq Salih —
General Director of Erbil International Airport

In 2010 Talar Faiq became the first and only female airport CEO in the Middle East. Salih left the UK and returned to the Kurdistan Region in 2009, where she was initially appointed Deputy General Director and then promoted to General Director.

Erbil International Airport, previously a military base used by Saddam Hussein's forces, has played a key role in encouraging the Region's economic development. Following Salih's appointment four years ago, the growth in passengers has been substantial, with a 53% increase in 2012 and 26% in 2013.

As one of the first women to work for the United Nations in Iraq in 1991, Salih was confronted with challenges related to her being a woman. "At the time my father was criticized by neighbors and even family, surprised at how he could let me work alone together with foreigners," she explains. Today's challenges for the General Director go beyond gender exclusion: "Trying to keep a balance between the rules and regulations of the Iraqi Civil Authority, the Kurdistan Ministry of Transport and other KRG authorities," has been among Salih's more central concerns.

However, the benefits appear to outweigh the challenges as the growth of the airport increasingly reflects the growth of the Region and is testimony to the clear link between aviation and economic development, as well as a symbol of Kurdistan's commitment to strong international relations.



Dawn Dekle —
President of the American University of Iraq, Sulaimani

In September 2013 Dawn Dekle became the first female university president in Iraq. After 12 years in Singapore and two years as Provost of the American University of Afghanistan, she moved to the Kurdistan Region.

"There have been no problems here," says Dr. Dekle in reference to being a female leader in a patriarchal society. "I'm not doing anything a Kurdish or an Arab woman can't do, they are so capable, so fierce and so organized. It is just a matter of a few years and there will be so many more women in these positions," says Dr. Dekle.

The current male to female ratio at AUIS is 64% to 36% with the number of female students on the rise. "The number has been rising because we really reach out through the families. If we already have a son studying here we try to reach out through him," explains Dr. Dekle. Female students are also encouraged through the use of social media and admissions teams travelling throughout Iraq and the Kurdistan Region. "The teams travel to different parts of Iraq so they can meet high school students and show them that there are men and women studying here, both from Iraq and the Kurdistan Region. We try to let them know that it's a comfortable and tolerant place to work in."

Dr. Dekle has also been a key component of the successful second annual Sulaimani Forum, hosted by AUIS in March. "It has been exciting to see different countries coming together and listening to each other, the panelists have been wonderful and the ideas provocative. I think we are on the verge of something fantastic."



Frances Guy —
Head of UN Women in Iraq

After 25 years in the British Foreign Office and serving as British ambassador to Lebanon and Yemen, Frances Guy was made Head of UN Women in Iraq in 2012. "UN Women has three major targets: ending violence against women, helping women become more active economically and encouraging women to take on a more political role," says Guy.

In Iraq and the Kurdistan Region, the UN participates in the public sector modernization program. UN Women's role in this is to persuade both the central and regional government to introduce gender responsive budgeting. Guy acknowledges that there have been steps forward in the Kurdistan Region, including 30% plus female MPs in the last parliament, but stresses the need for further development when it comes to women in government.

"I think there has been some progress in the parliamentary context but not necessarily in government. Women who have been ministers in Kurdistan have had quite a hard time," says Guy. While only 14% of women in Iraq find employment outside the household, the fast-paced social and economic development in the KRG is likely to lead to a change in statistics. However, says Guy, the responsibility for advancing women's rights in the KRG should not lie only with the Kurdish Government. UN agencies can only make a change in gender issues if they ensure that they themselves do not have less than 40% of one gender in everything that they do.



Focus: Expanding Trade Ties – Dubai/Kurdistan



One of the biggest challenges for any economy is attracting and securing foreign investment. But Dubai – one of the Middle East’s most prominent financial actors – has only seen promise in the Kurdistan Region and is fast becoming a key facilitator for development.

Perhaps the best example of this relationship is Emaar Properties announcement in October 2013 to launch its \$3 billion “Downtown Erbil” development project.

With 541,000 square meters of residential and commercial space, world-class hotels, the city’s largest shopping mall, educational and healthcare centers and parks, Downtown Erbil’s hopes to be an

essential business hub not only for the city, but the entire region. Emaar chairman Mohamed Alabbar praised the initiative, stating that it would “promote the local economy, bring in investment and create hundreds of jobs” and that the company hopes to close similar deals in the future.

Keeping with Emaar’s tradition to create breathtaking skylines, Downtown Erbil will feature two twin towers hosting residential apartments – intended to be prominent, but still preserving the city’s architectural heritage.

And although Downtown Erbil will not directly benefit local property companies in the area, the project will be a significant source of income for many residents. The Emirati property giant

Downtown Erbil project, worth of \$3 billion, is being undertaken by Emaar. The project will include 15,000 homes, world-class luxury hotels, a central business district, and a major shopping mall. It is estimated that the project will create 35-45,000 new jobs within the Kurdistan Region.



In January 2014, the Dubai Chamber of Commerce and Industry (DCCI) opened its third international office in the city of Erbil.

estimates up to 45,000 jobs will be created as a result of the endeavor.

The project received the attention of KRG Prime Minister Nechirvan Barzani, who stated, “Emaar is one of the best developers in the world and the fact it has selected Kurdistan as an area to build in shows the economy is growing strong here.”

Downtown Erbil is just one of many projects being facilitated by Dubai and Kurdistan, whose mutual economic interests have fostered a significant partnership with greater bilateral benefits. In January 2014, the Dubai Chamber of Commerce and Industry (DCCI) opened its third international office in the city of Erbil. The goal of the new office is to encourage business and investment in Kurdistan, the second largest destination for Dubai Chamber members’ exports and re-exports in the first half of this year (following Saudi Arabia). According to DCCI president and CEO Hamad Buamim, “Iraq as a whole, given its rebuilding efforts, has significant potential for Dubai businesses to increase trade and investment and the stability of the Kurdistan Region offers a suitable base.”

Largely due to a rise in non-oil trade between Dubai and Iraq, Iraq has risen from 14th on the list of Dubai’s top trading partners in 2008 to 7th in 2011. As of 2012, non-oil trade between the two stood at a total of \$8 billion.

Dubai may be spearheading the endeavor, but the entire UAE is looking to expand upon the existing 134 Emirati companies currently operating in Erbil. And despite some voices of concern regarding the Iraqi economy, Buamim frequently stresses that the DCCI thoroughly analyzes all potential markets, studying the investment potential and opportunities available for UAE investors and the Emirati companies’ capabilities in extracting good returns from their investments.

The DCCI’s report on investment in Iraq clearly views Kurdistan as a gateway to larger investment, as the Region provides “stability, improving infrastructure and logistics, a positive attitude to FDI and strong trade links with Turkey, while opportunities are being driven through the huge demand across all sectors, stable gateway to the larger Iraq market, Free Trade Zones and new focus on tourism and agriculture.” This is in no small part due to the privileges that the KRG offers to foreign investors, including the allotment of land at competitive prices, tax exemption and equal opportunities for local and foreign investors alike.

A number of major UAE companies are active in different sectors of the Kurdistan economy, including Dana Gas, Rotana, Majid Al Futtaim, and Abu Dhabi National Energy Company (Taqa). ①

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“Iraq as a whole, given its rebuilding efforts, has significant potential for Dubai businesses to increase trade and investment and the stability of the Kurdistan Region offers a suitable base.”

*DCCI President & CEO
Hamad Buamim*

FARUK HOLDING

FH is comprised of 27 operating companies in 12 sectors: Telecom and IT, Cement Industry, Construction, Energy, Development, Medical Services, Hospitality, Real Estate, Management, Trade & Commercial, Agriculture. FH is incorporated as a holding company, with the controlling shares and branch companies owned by the Chairman of the Board, Mr. Faruk Mustafa Rasool. FH has always been at the forefront of Iraq's development and has constantly aligned business opportunities with the objective of helping the companies of greater Iraq. This approach remains engraved in the company's culture to this day, and it is Iraq's largest and most respected private company, employing over 13,000 people.

FARUK MEDICAL CITY

Faruk Medical City is located in Slemani and provides a wide range of diagnostic and therapeutic procedures ranging in size and complexity. Faruk Medical City (FMC) is committed to improving the healthcare options of the Kurdistan Region, and is outfitted with the latest technology. The facility is staffed by the highest caliber of experienced medical personnel. FMC has taken considerable steps to gain accreditation at both the national and international level, and aims to cover every possible need of the Iraqi community. Faruk Mustafa Rasool hopes that FMC will help end the need of the people of the Kurdistan Region to travel abroad for healthcare and basic procedures.

ASIA INSURANCE

Asia Insurance Company is the Insurance Arm of FH. Asia insurance Company is working to restore and modernize the Iraqi Insurance market with the hopes of it becoming one of the largest in the region. As a market leader, Asia Insurance is committed to adding value to all of its clients' activities. The company places particular emphasis on building long term relationships with clients and associates based on exclusivity, mutual trust, transparency, and quality of service.



ASIACELL

Asiacell is a leading provider of quality mobile telecommunications services in Iraq, with over 10 million subscribers. Asiacell was the first mobile telecommunications provider in Iraq to achieve nationwide coverage, offering its services across all of Iraq's 18 governorates including the national capital Baghdad and all other major Iraqi cities. Asiacell's network covers 97% of the Iraqi population, making the company's national coverage the most extensive of any Iraqi mobile telecommunications operator. Asiacell's network is heralded as one of the most groundbreaking accomplishments in the history of Iraq.



GORAN NET

Goran Net ISP Internet and Broadcast Services was the first company to launch a DSL service in the Slemani region, and is one of the major Internet service providers. Since its inception in 2004, Goran Net has striven to be a leader in its field, which can be seen in the fact that the company has the majority market share for fixed-line Internet users. Goran Net seeks to provide its users with the highest Internet speed available in the country, and the company believes in utilizing and developing local staff and knowledge in order to ensure that the country has first-class individuals capable of undertaking the most complex of communication projects.



NIVA

Established in 2007, NIVA is the exclusive dealer/distributor for Ford and Lincoln vehicles in Iraq. NIVA has currently three main distribution centers, which are located in Baghdad, Erbil, and Slemani. All centers are fully equipped with state-of-the-art facilities providing maintenance according to international standards. More centers are planned to be opened in the short and medium terms to cover further Iraqi governorates. Vehicles sold by NIVA carry a three- year or 60,000 km warranty and free service with original spare parts, as applicable.



ZARYA

Zarya Construction Company is a full-service general construction firm, and is one of the industry's most reputable companies. It specializes in construction, management, design, and building services, as well as transportation, general trading (import and export), communication infrastructure services, and project modification. Zarya also provides all cement services such as quarrying, blasting, engineering, solutions (including design and instillation), re-factory maintenance services, and supply of all cement materials and heavy equipment.



CEMENT

The Bazian Cement and Tasluja plants [approximately 30 kilometers apart] enable the group to respond to the strong demand for building materials in the Iraqi market, a country undergoing massive reconstruction. The demand for cement grows 15% per year. FH seeks to provide for this increasing need by supplying quality materials for the construction of housing and infrastructure. One out of every four tons of cement in Iraq today comes from either Bazian or Tasluja plants.



RASAN PHARMACEUTICAL

Rasan Pharmaceutical is the first company of its kind in Iraq. The manufacturing of IV solutions is critical to the well being of the Iraqi people. With that in mind, Rasan was designed to meet top-quality international standards, an approach that is fundamental in guaranteeing the highest-quality production, manufacturing, and technology. The primary product line of the plant is standard, large-volume IV solution, which contains purified water (to facilitate injections) and then concentrations of different solutions, including dextrose, sodium chloride, ringer lactate, ringer solution, and sodium chloride/dextrose.



AZADY INDUSTRIES

Azady Industries' primary business areas are Galvanization and Steel Structure. Azady is quality driven and client oriented company located in Slemani. The company is managed by highly experienced and dedicated professionals who are fully committed to achieving ultimate customer satisfaction. All of Azady's plants are ISO 9001-2008 certified, and emphasize continual improvement. Azady possesses the largest galvanization pool (13x1.5x2.5m) in the Region, with all necessary pre- and post- treating baths. A quality assurance lab is also integrated into the same area.

GRAND MILLENNIUM SULAIMANI

Situated in the heart of Slemani, the Grand Millennium enjoys a breathtaking view of the city. The 32-story, five-star hotel consists of 253 guest rooms, 55 luxury suites, 7 executive suites, a presidential suite, and an executive lounge. Additionally, the hotel features three restaurants to accommodate all dining needs; Lebanese, an all-day international dining lounge, and a luxurious revolving restaurant at the top of the tower. Located next to the tower is a 362-seat auditorium, a ballroom with seating for up to 800 people, eight additional meeting rooms of varied sizes, and a parking space for 400 hotel guests and visitors. The Grand Millennium also includes a state-of- the-art health club, complete with on-hand personal trainers and luxury spa services. Recreation facilities include indoor and outdoor Olympic-sized swimming pool, tennis courts, squash courts, and jogging trails.





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Facilitating Investment



Shwan Ibrahim Taha —
Chairman, Rabee Securities (RS)

Shwan Taha provides IIG with insight into the growth and evolution 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 10 years 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 Bachelor's degree 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 was in my previous position, a fund manager working for the likes of Templeton and Soros, what type of intermediary do 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

"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."

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. ④

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, local trust in the sector, and building human capital.

About

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

IIG: How would you assess the challenges facing the private banking sector in Kurdistan and Iraq?

NJ: Our current challenges relate to integration with international banks and institutions. International financial institutions such as the World Bank stress the importance of 'know your customer' (KYC) compliance issues and procedures. We are advantaged in this regard, as the Iraqi business community is small and tight-knit. So, the matter of KYC here is easier than, for example, New York where transactions are more impersonal. Still we must upgrade our standards and requirements to become recognized by the international community. In 2004 and 2005 we were very keen to be recognized by the international community, and worked closely with the CPA to do so. However, results from these initiatives were disappointing. Most countries are still hesitant to partner with Iraqi banks, largely because political risk insurance is difficult to acquire for such partnerships. There are exceptions: the German government is considering asking Euler Hermes, an international political risk insurer, to insure German banks coming to Iraq, and the British government is considering similar actions. While this is encouraging, it means that full international integration for Iraq's financial sector is still a long way off.

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, and we do a lot of business with them. 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 and operations?

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 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 in the Kurdistan Region and Iraq. 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 for North Bank and the Iraqi market in general to broader markets.

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.

IIG: One of the major challenges in Kurdistan is a broad lack of trust in banks in general. How is North Bank addressing this challenge?

NJ: We inherited this problem, but we

are working to improve it. In 1991, after the Kurdish Uprising, money from Iraqi banks in the Region was looted, banks were burned, and the deposits that people had in the banks could not be paid back. This created deep-seated mistrust in banks. Of course, North Bank opened in 2004—long past the initial problems on the early 1990s—and had no role in any of the original problems. However, distrust is largely limited to smaller, individual depositors. Modern banking is now based around services for our corporate clients. The best trust, therefore, is the trust of our private sector commercial clients. Their example will help to garner the trust of smaller depositors who are still distrustful of banks.

IIG: What challenges does the Region's banking sector face in terms of human capital?

NJ: To build a bank, you need generations. Training staff so that our teams are qualified to provide quality services is one of our largest challenges. Much of our senior staff is composed of former employees of large, bureaucratic state banks, which means that much of their professional experience has been isolated to the Iraqi financial system under the embargo—they have completely missed out on the technological revolution and other innovations that finance has gone through in the past decades. So, we are investing heavily in training the next generation, and have established our own training center. We have been around for almost 10 years, and we have created a new generation of employees. We predict that in another 10 years we will be able to meet our human capacity challenges. The influx of international banks into the Kurdistan Region makes training of local staff all the more important. However, like many things, development of human capacity takes time. ☎

North Bank

North Bank opened in April 2004 as a modest commercial and retail bank. The bank has since grown its total assets 150 times over, operates 33 branches throughout Iraq and the Kurdistan Region, and employs a staff of over 1000. Based in Slemani, the bank is a pioneer in Iraqi finance, and among the country's premier financial institutions.

“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.”

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. ☞



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Nejdett Polat —
Manager, Erbil Branch, İş Bank

Nejdett Polat provides insight into 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 world-wide 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. 


Focus: Seizing Growth Opportunities



The opening of its new branch in Erbil has made Standard Chartered first major international bank to establish 'full-fledged and on-the-ground' operations in the Kurdistan Region. The expansion to Erbil follows the establishment of a branch in Baghdad, and precedes plans for a new branch in Basra, expected to open later this year. Standard Chartered has been operating in the Kurdistan Region since 2006, through a representative office in Erbil. However, the establishment of the bank's formal office in March widely expands the bank's operations and capacity in the Region. "Standard Chartered expects to play a key role in the development of Iraq's financial sector and be an active participant in the country's economic development," according to the bank management. This sentiment was echoed by PM Barzani at the opening ceremony, who remarked, "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." He added, "I have no doubt that the presence of

Standard Chartered will help us move forward in this regard." While the PM acknowledged that banking and access to finance in the Region has historically faced challenges, he expressed confidence that the entrance of Standard Chartered is a positive step in the development of the sector.

The bank provides services in transaction banking, project and export finance, structured trade finance, financial markets services, capital markets and corporate finance solutions. While the bank intends initially to offer its services primarily to its international clients operating in the Kurdistan Region and Iraq, the bank reportedly "sees increasing activity in the power, oil, telecoms and infrastructure sectors and aims to support large government projects."

In addition to PM Barzani, Rasheed Tahir, KRG Deputy Minister of Finance, Adham Derwish Barzani, Governor and General Manager of the Central Bank of Iraq in Erbil, and Hugh Evans, the British Consul General in Erbil attended the branch's opening ceremony, as well as a host of senior figures from Standard Chartered. 



By opening our second branch in Iraq, we aim to bring best international practice and unprecedented financial solutions to international companies operating in Kurdistan and Iraq in general. In addition to servicing our existing clients, we aim to support large infrastructure projects that are planned in the country.



Gavin Wishart, CEO,
Standard Chartered — Iraq

Is Bank

Is 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.

Recent economic research by Standard Chartered predicts that Iraq's real GDP will grow by 6% in 2014 and 8.5% in 2015.

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.

Qaiwan Group

Qaiwan Group is a major, international group of companies based in Slemani and Dubai with a portfolio including oil refining, energy trading, power generation, real estate construction and development, and hospitality. Qaiwan is among the most active, influential and fast-growing companies in the Kurdistan Region.

IIG: What has Qaiwan's strategy been to achieve such impressive growth? What are your targets for 2014? Will you face challenges in maintaining these numbers?

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 a capacity of 50,000 barrels per day (bpd) of crude distillation, 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 of this expansion will be over \$1 billion.

IIG: Qaiwan Group is also building a gas power plant at Bazian. Can you tell us about this project?

SH: We have recently been awarded a contract to build a 750-megawatt (MW) 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 (OEM), and have opened tenders for EPC contracts. The site preparation is in progress, and we target 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? What has been your strategy in this regard?

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: Can you talk about Qaiwan Group's major development projects?

SH: Qaiwan Group is a developer for many construction projects around Slemani. So far, we have completed Phase One of Qaiwan City, a 360-unit complex, and are nearly completed with Qaiwan City, Phase Two, which will include about 1000 units, 80% of which are already completed and filled.

A portrait of a middle-aged man with dark hair, wearing a dark blue pinstripe suit, a light pink shirt, and a dark tie with a subtle pattern. He is standing in front of a large window with vertical bars, looking directly at the camera with a slight smile.

**“Ultimately
you must
commit;
you must
perform
at the best
international
standards to
be recognized
worldwide.”**

We have also developed Qaiwan Towers. The project is the largest of its kind in downtown Slemani. It consists of two towers, with a mall between the towers. Commercial offices will occupy one of the towers. This tower is completed, and companies will be moving into the building soon. The mall is also largely completed. It is partially open, and will open fully soon. The second tower will house the Slemani Rotana Hotel. Our target is to complete the project in 20 months from now, in late 2015. This will bring the total development time to 28 months. The capital expenditure for Qaiwan Towers and the Slemani Rotana will be over \$150 million.

IIG: Sulaymaniyah Heights is Qaiwan’s largest development project. Can you tell us about it?

Sulaymaniyah Heights is a premium, luxury housing and commercial development project located in the Azmar Mountains overlooking Slemani, to the north of the city. When it opens it is slated to be the most advanced development project, not only in Slemani, but in all of Kurdistan. The project will offer its residents the highest quality of housing that will be available in the Region, as well as a mall and commercial real estate. The development will house 2,200 units including houses and apartments. The capital expenditure of this project will be \$500 million.

Finally, Qaiwan Group has historically targeted only premium, high cost, high profile development projects—Qaiwan Towers and Sulaymaniyah Heights illustrate this. However, Qaiwan Group would also like to develop Kurdistan in a way that benefits those in the mid-market economic bracket. Thus, we are developing a project that will be more affordable in terms of pricing, while still maintaining high quality, to serve Kurdistan’s middle



class. We have recently begun this project, called Qaiwan Heights Apartments. This development will also sit to the north of Slemani in the mountains. The project will eventually become an enormous 6,000-unit apartment complex. We have broken ground on the project, and it will be complete with residents within two years. We also have longer-term plans for major development projects similar to Sulaimani Heights in Erbil, but they fit into a longer timeframe for the company.

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 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. ⑩

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 MOL Group 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 for 2014, 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 step change. Our key focus areas are the Kurdistan Region of Iraq (KRI), Pakistan, the North Sea and CIS. With additions from our Akri-Bijeel and Shaikan blocks, production will be on the rise from the second half of 2014. 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. Notwithstanding we will carefully evaluate all upcoming opportunities and focus on value creation, not just volume growth.

IIG: What trends does MOL Group foresee for the global oil and gas market in coming years?

AD: We at MOL Group foresee the global oil and gas markets much the same as they have always been; we operate in a cyclical business. The cycles relate to supply/demand balance and price, both of which have proven through time to be very challenging to forecast. For MOL our focus is on becoming the "best of the rest" and designing our portfolio in a way that will allow us to manage the inevitable changes that will occur. This means we must employ, train and develop the best people, organize in a way that fosters teamwork and efficiency, and always anticipates opportunities to improve.

IIG: What is your focus, and what are your activities and accomplishments 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 the 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 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 Ministry of Natural Resources employees at two Hungarian universities is of national relevance, as is the training of 13 Kurdish diplomats last year in Budapest. We will soon be welcoming a second group of students from the Ministry of Natural Resources in September 2014.

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 in MOL Group. MOL Group as an operator can best benefit our partners if the 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 region is relatively good



and incidents in the KRI 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 the part of the developing story of the Kurdistan Region of Iraq, and is committed to facing and resolving the 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? Does MOL Group have any intention of investing in downstream in the Region?

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 a successful exploration activity in Kurdistan, the Downstream division is also going to evaluate the market conditions by preparing detailed market analysis and investigate the potential investment opportunities in the Region within our next strategy planning process phase, which will be finalized later this year. ⑩

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 / CEO / 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 has also worked as Drilling Supervisor for MOL Group's operations in Hungary, Tunisia, Syria and Yemen. Ahmad received an MSc in Petroleum Engineering from Miskolc University, Hungary.

IIG: How have the company's activities developed since your entrance to the Kurdistan 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 present that the production has been started from Bijell field using the existing surface facility at 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 Bijell-2, Bijell-4 and Bijell-6 wells, all of them will be tied in to the mentioned facility. The Field Development Plan is under preparation, and the submission date is 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 to develop the 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



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.



company provides local, international and in-house training to its employees.

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.

KURDISTAN PROJECTS

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Ministry of Electricity



Maulawy Jabar Wahab
Chief of the Board of Tourism
Ministry of Municipalities and Tourism



Nisar Talabany
Senior Advisor to the Prime Minister
Kurdistan Regional Government



Swar Aziz Ali
Director General of Planning
Ministry of Trade & Industry



Leo Koot
President
TAQA-Iraq

Why Kurdistan?

The region has attracted almost \$22 Billion in investment in three years

Gain insight into the investment opportunities available in one of the fastest growing economies on earth

Network with local project owners and investors, as well as government officials and ministers – KEY for forming the relationships you will need to succeed in the region

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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.

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. We are developing health and safety courses in Kurdish, and we employ interpreters and translators that are trained in HSSE. Our training personnel can then effectively pass on this knowledge to the Kurdish population, to improve the localization effort. The final focus is the strong belief that any company that operates here and uses our services has major, long-term support here.

IIG: What specific challenges does Restrata face in the Kurdistan Region?

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. International oil companies (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 have been the main focuses of Stirling Group 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 through 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 exactly can IT solutions improve the efficiency of the oil and gas sector?

BO: The Ras Laffan port in Qatar provides a useful case study from Restrata. We established comprehensive security systems in the port, the largest gas export port in the world, which was a \$170 million project. We established access control from the moment people arrived at the port, using cards as well as CCTV cameras to maintain perfect control over where everyone is within the facility. It included unmanned aerial vehicles (UAVs) to fly over areas that are difficult to manage, and look for changes that could suggest a security threat. It



For Kurdistan's workers to benefit from the work being brought to the Region through the oil and gas industry, they must develop a competency in the sector, and that is what we offer. As the government wants to slim public sector employment, our training for the private sector can prove very valuable.




used thermal imaging cameras, which can see through dust storms or in the dark. Each of these technologies can improve the efficiency of companies, whether it is Ras Laffan, or a processing facility in Kurdistan. You know what is happening, there are no blind spots, but there are also commercial benefits. With a card controlled attendance system, you know that contractors are submitting accurate invoices, because their activities can be checked against the system. Other areas include efficiency around specific equipment. Instead of having thousands of people patrolling a pipeline, you can have digital tripwires or cameras that can protect a frontier much more consistently, rigorously, and efficiently.

IIG: What, more specifically, do your companies do in Kurdistan to develop local human capacity?

BO: Every drilling operation requires a team of 80-100 people that must each be trained in 20-25 courses. We observe who needs what training by developing training and competency matrices, and we run the needed programs. We are

developing a permanent learning and development center in Kurdistan, carrying out courses, and will soon have our own dummy oil rig at our training center. We also provide certification through several international certification bodies, so that our training systems provide trainees the ability to work internationally. Fire training is another major strength of Stirling Group, and one in which British expertise provides significant value-add. We are an official agent for the fire college in Moreton-in-Marsh, the premier firefighting college in the UK, and we are currently training 70 Iraqi firefighters in the UK for them to run a full fire brigade for Gazprom. For Kurdistan's workers to benefit from the work being brought to the Region through the oil and gas industry, they must develop a competency in the sector, and that is what we offer. As the government wants to slim public sector employment, our training for the private sector can prove very valuable.

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. 

Stirling Group & Restrata

Stirling Group provides Health, Safety, Security and Environment (HSSE) services across the Middle East and Africa to the oil and gas industry. Restrata designs, implements, operates and maintains cutting-edge security, safety and technology solutions. Restrata also upgrades, operates and maintains legacy systems in complex environments worldwide. Restrata is a global company headquartered in the Middle East. With 20 regional offices, the company has a permanent delivery capability spanning five continents.

Focus: MNR Annual Report 2013

The KRG's Ministry of Natural Resources (MNR) released a comprehensive Annual Report for 2013 in late April. In a major step forward for the transparency of the Region's energy sector and finances, the report details all revenues received by the MNR for hydrocarbons production, as well as all of the MNR's reinvestment and expenditure to other ministries and projects in the Region. The report details revenues from sales of crude for foreign and domestic use, as well as bonuses from international oil companies (IOCs) for capacity building in the Region, as outlined in the MNR's production sharing contracts (PSCs).

Overall, between 2007-2013, the MNR has received \$9.7 billion in total revenues and spent \$8.8 billion in costs (most of which finance other bodies and projects in the KRG), leaving the MNR with a current balance of \$920 million. In 2013, however, due to increased payments to KRG institutions, the MNR ran a \$1.2 billion deficit, making \$2.9 billion in revenues while spending \$4 billion. Operationally, however, the MNR became increasingly profitable in 2013, with operational profits jumping 47.3% from 2012 to \$1.96 billion.

The report also details the MNR's overhead costs, as well as one-off costs, and its payments to the KRG's ministries, governorates, and projects. The largest recipient of these payments in 2013 was the Ministry of Finance, which received nearly \$1.4 billion last year; \$1.1

billion of which was allocated to reimbursements for the fuel provided by the KRG to Kurdish citizens, and \$274 million of which was allocated to the easing of liquidity in Kurdish banks. Other major recipients of MNR funds include the Region's schools and universities,

IN NUMBERS

\$9.7 billion

2007-2013 Total MNR Revenue

\$8.8 billion

2007-2013 Total MNR Spending

239 million barrels

2013 Total KRG Oil Consumption (Sales and local use)

\$872 million

2013 Total Operational Costs and Overheads (-12% change on 2012)

\$2.8 billion

2013 Total Operating Revenue (21.2% change on 2012)

\$1.96 billion

2013 Total Operating Profit (47.3% change on 2012)

hospitals, and victims of the Anfal campaign. Significant funding has also been allocated to projects in electricity generation and provision, water purification, roads, agriculture and tourism projects.

Additionally, because this report is the first of its kind, data in the report goes back to 2007, providing an interesting look at how both revenues and public spending have risen since 2007. Annual revenue to the MNR jumped from just \$29.6 million in 2007 to nearly \$2.9 billion in 2013; spending from just \$6,382 in 2007 to over \$4 billion last year. To provide more insight onto this progress, the MNR has announced that it will release annual reports from each year since 2007 in coming months.

Another notable point in the report is that oil production and consumption from the Kurdistan Region did not reach the 17% of overall Iraqi consumption that the Region is entitled to. The Region produced 239 million barrels of oil, but is owed 339 million in total, leaving an annual deficit of 98 million barrels—a deficit that the MNR is attempting to close soon. The report also demonstrates the dominance of the Tawke and Taq Taq oil fields 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 last year's total sales. As additional fields come online for production in 2014, the number is likely to drop, as production becomes increasingly diversified. ☞



“Since the KRG passed its oil and gas law in 2007, MNR has presided over the impressive growth of the oil and gas industry in the Region, generating billions of dollars that have benefitted each and every citizen of Kurdistan, and also those of the rest of Iraq. Thanks to the progressive energy policies pursued by the KRG since 2007, oil and gas have become a key source of our future social, economic and political strength. Our policies will continue to ensure that management of the Region’s revenues and economic independence are firmly established and managed locally and professionally, as provided for under the federal Constitution.”

*Dr. Ashti Hawrami
Minister of Natural Resources*

Luxury Landmark



Rasheed Abu Hamad —
General Manager, Trillium Holding

Dr. Rasheed Abu Hamad discusses the major Arbil Mass City development project, as well as the Kurdistan Region's potential for further growth in the real estate sector.

About

Rasheed Abu Hamad has more than 20 years experience throughout the MENA region in Real Estate Development, General Contracting, and Oil & Gas trading services. He holds a PhD in Management, and M.A. in Civil Engineering.

IIG: There are several major new development projects taking root in Erbil. In what ways would you argue that Arbil Mass City is unique? What amenities will it offer?

RAH: Arbil Mass City is a large-scale luxury villas project. This development is not just a residential project, but a high-end gated community designed to foster a superlative, luxurious lifestyle with outstanding commercial facilities. 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. Furthermore, Arbil Mass City is the only project in Kurdistan of this mammoth scale that has beautiful landscaping, parks, and green areas that account for more than third of its total surface area.

IIG: Can you tell us about the collaboration between Trillium Group and Mass Group Holding on this project? How did this venture come about?

RAH: The values and ethics that Mass Group Holding and Trillium Group share have been central to the success of this venture thus far. Mass Group has, for years now, been a prominent, ambitious, and well respected actor in the Kurdistan Region. Trillium Group has an excellent reputation for being leaders in real estate development and construction of landmarks across the region. This track record of successful projects has distinguished us from other developers as pioneers in our



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.



field. Trillium Group hopes to make Arbil Mass City a reference point in Kurdistan in terms of quality, credibility, and creativity. We intend to set the new standards in Erbil for others to follow. Mass Group shares our ambition and vision, and as such has been an excellent role model with which to collaborate.

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 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-add 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 a major 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. 

Trillium Holding

Trillium Holding is a Lebanon-based giant construction, real estate, and trading firm with operations across the Middle East and Africa. In the Kurdistan Region, Trillium Holding is primarily focused on construction and real estate, having patterned with Mass Group to develop Arbil Mass City.



Applying Insight



Edward Carnegie —
Managing Director, IKG Property

Edward Carnegie discusses the factors that make the Kurdistan Region's real estate market unique, and provides insight into how the market may develop in coming years.

IIG: How do you foresee the evolution of available real estate in the local market? Will we see differences between residential and commercial real estate in terms of supply and demand in coming years?

EC: We see an increasing supply for both residential and commercial property in Erbil. We have projected future supply of the residential, office, industrial and retail sectors until the end of 2017. Although current built supply in all of these asset classes is starting from a low base, in both quality and volume, we anticipate a significant increase in supply of up to 700% across all sectors. IKG Property recently ran an office demand survey whereby we interviewed eighty of some of the largest local, regional and international occupiers. We found that without exception, the entire survey sample predicted headcount growth in the next three years. Accounting for this growth, the sample would occupy 100,000 sq m office space. Looking further into pent up demand and absorption of future office development we extrapolated that there is approximately 200,000 sq m of pent up demand in Erbil currently, assumed to grow at a similar rate or more to GDP growth per annum. We forecast Erbil office market becoming a 1,000,000 sq m market within 10 years. Currently there is only 50,000 sq m of graded office accommodation available for lease.

IIG: As there is significant new development in Erbil and Kurdistan in general, do you worry about oversupply in coming years?

EC: We believe oversupply in the Erbil market is a real threat across the residential, office and retail asset classes. However, it tends to be contained within certain quality parameters of each class. The majority of supply is concentrated in middle market product, leaving a potential development niche at the opposing ends of the quality spectrum. We also believe the market is undersupplied in certain sectors, one of which is industrial. There is a clear requirement for a master-planned industrial zone.

IIG: In previous years, property prices have skyrocketed. Is there any worry among investors about overheating in the market?

EC: With regard to residential property, one of the reasons for the increase in market prices, aside from local demand dynamics, could be attributed to developers having the opportunity to secure land on a cost free basis, significantly reducing overall development costs. In more mature markets where developers are required to purchase land prior to commencing development, overall delivery costs are substantially higher. It is common practice in the Kurdistan Region for developers to offer product at a lower price at the beginning of the development cycle to generate sales momentum and attract purchasers accordingly; arguably historic prices have started from an artificially low base.

IIG: Can you tell us what IKG's market research can tell us about real estate pricing?

EC: We are currently working on a project to track property price fluctuations over the past five years in order to contextualize where we are in the property market cycle and its drivers. Besides the obvious economic link, we believe there is a link in the Kurdistan Region between political/security fundamentals and market buoyancy and we would like to see how and if they correlate. Given historical year on year appreciation of property prices, investors will want to know how sustainable this trend is, moving forward. Our view is that the potential supply-demand gap will dampen further price inflation, not only because of the glut of supply but also because, in reality, there is a one dimensional investor base here. We recently surveyed a cross section of residential developers on sales demographics: typically the vast majority of investors are Iraqi, whether from the Kurdistan Region or otherwise. Another facet of this market is that it is almost completely a cash market – it is devoid of financing facilities; those that do exist are for specific developments only. To an

extent, this characteristic will prevent a more traditional overheated market where easy access to cheap money can engender more frenetic market activity. If we were to be drawn on “calling the market,” then we would advise caution because of a potential supply-demand gap.

IIG: For retail real estate, how would you describe the market for space in premium malls and hotels?


EC: We see a fairly broad base of demand for shopping center space, not only from local retailers, but more interestingly from major international retailers. There is increased market penetration from the latter, and seemingly increasing appetite. There are several international retailers with huge expansion plans for the Kurdistan Region, to test the market and also as a jump off point for further expansion into central and southern Iraq. Relatively speaking, there are three to four shopping centers that would be classified as “premium” in Erbil. Typically they have a more international retail mix, higher build quality, with additional attractions such as cinemas and playzones. They are Erbil's “destination” malls. We see rental rates vary from turnover provision only (normally for the anchor store) to \$18 – \$25 per sq m per month for the large format stores up to \$90 – \$100 per sq m per month for the smaller line shops. Moving forward, we see rental rates remaining relatively flat. There is a substantial development pipeline for shopping centers in Erbil, increasing from a gross leasable area (GLA) of 270,000 sq m currently to 745,000 sq m by the end of 2017. This is a conservative estimate and does not include community malls that we assume will be developed in the majority of master-planned developments.

IIG: What changes or improvements would your clients like to see in the Kurdish real estate market?

EC: It is to be expected that there is significant improvement required in how the real estate market in the Kurdistan Region is framed, as this is a nascent market. We would like to see a more robust

regulatory and legal environment: planning, building regulations, and building control need to be rigidly enforced in particular with regard to structural integrity and fire safety. A large majority of the buildings we have seen have not adhered to any form of international build code with regard to fire safety. There is also recent anecdotal evidence of slabs and retaining walls collapsing in projects currently under construction. In order to improve this situation, building regulations need to be issued and enforced – typically the standard of construction is left to the individual developer with limited municipal oversight, building control or completion sign off procedures. These are quality control basics that should be addressed.

IIG: How would you assess the Region's financial and legal infrastructure, as it relates to the real estate market?

EC: Our clients would like a more defined legal and financial framework behind the real estate sector – including the enactment of tenant-landlord legislation that protects the interests of both parties; transparent title registration, land zoning, and centralized Land Registry; potentially the creation of freehold investment zones for foreigners and an easier investment process for the individual investor; enforcement of building insurance and improved project finance and mortgage facilities. In addition, we would like to see a more transparent flow of information, which helps our clients make real estate related decisions. To date, IKG Property has spent the best part of a year performing its own market research in the absence of any centrally sourced coherent data. These are all natural steps to be taken for a maturing frontier real estate market for which the government authorities will have to take a leading role. The upside is a more transparent and investment-friendly environment, and increased connection to international investment markets through improved mitigation of the associated physical, legal and financial risks. 

IKG Property

IKG Property is a leading independent real estate service and advisory firm based in Erbil, with clients across the country. The company offers individuals, investors, businesses, and developers insight and market intelligence to inform real estate decisions across Iraq and the Kurdistan Region.

“There are several international retailers with huge expansion plans for the Kurdistan Region, to test the market and also as a jump off point for further expansion into central and southern Iraq.”

About

Edward Carnegie has lived and worked in the Middle East since 2005 and his experience includes advising Multi-National Companies on office, land and industrial lease acquisitions, investment disposals and acquisitions and development advisory and funding. Carnegie holds an M.A. from the University of St. Andrews.

Leadership and Coordination



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 broad 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 DIT's key projects for 2014?

HA: Before you can provide any government-to-government (G2G), government-to-citizen (G2C), and government-to-business (G2B) services, you must build the crucial and critical infrastructure. 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 calculate that by March 2015 we will have both the data center and access network ready. 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, including G2G, G2C and G2B services and communication. At the same time, we are building an internationally recognized testing center, so that the people of the Kurdistan Region can become certified in different fields, partially focusing on IT. We are also rebuilding our IT academy to facilitate training courses for government employees.

IIG: What initiatives is the DIT pursuing regarding IT training and capacity building?

HA: We have divided our initiatives regarding IT training this year into two areas. The first is to identify the perceived needs of the KRG ministries and departments. We have provided the governmental entities with questionnaires, and are in the process of conducting a survey. The second track is to apply what we think is

important for the government, including issues that they might not come to on their own—things that they do not know they need until they experience it. In this regard, we provide IT education. We need highly trained IT personnel within ministries, so that the ministries are able to successfully execute their IT projects without coming back to the IT Department. The DIT cannot be responsible for all of the government's IT projects. The ministries, therefore, must build their own capacity. We should be playing the role of coordinator, and drafting the master plans for long-term IT development, policies and regulations in the Region. We will train them based on what they need, as well as what we think is important for them to master. Our training facility is already established, so based on their requirements, our trainers can develop and carry out training courses quickly.

IIG: Can you tell us about how you are building the KRG data center?

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. 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 benefit 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.



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: Do you have any cooperation with other countries to enhance the project?

HA: When we talk about IT, we are talking about a science, which is geographical location and vendor-independent. It is a question of where in the world we find successful implementations. 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 UAE, in Kurdistan, we do not have sufficient expertise in the country to accomplish everything ourselves. Smart outsourcing, meaning to be aware of what can be outsourced and what is the core business has benefited 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 is the DIT involved in promoting private investment in the ICT sector?

HA: We believe that private/public partnership in IT and 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. Except for some core projects, for the majority of other projects we should be setting policies, master plans, enterprise architecture and frameworks. 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.

IIG: Can you offer any success stories of 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. ④

DIT

The primary objective of the DIT is to prepare government and society to embrace IT as an enabling tool, as a technology that is cross-functional, and that is everywhere. In order to do so, the DIT concentrates on several domains, including capacity building, infrastructure development, applications, policies, investment, and others. These domains are addressed and developed simultaneously, in order for IT as a science to transform the Kurdistan Region's society into an IT-enabled one.

Building an IT Enabled Society



Antoine Kawkabani —
General Manager, CIS Iraq

Antoine Kawkabani discusses the steps being taken towards the maturity of the ICT market in the Kurdistan Region, and the role that CIS Iraq is playing in the development process.

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.

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 data-center 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: How do you see the opportunities in 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 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 take time and investment. It takes an interested and engaged new generation before the market for ICT can truly mature. While progress is being made in the Kurdistan Region, the ICT market is maturing slowly.

IIG: How can the KRG expedite the maturity of the ICT market?

AK: The KRG must play a very important role in the development of the Region's

ICT infrastructure. However, before this will happen, developing the infrastructure must become a priority to policymakers. Ultimately, I believe that the KRG should look to countries that have successfully developed their ICT infrastructure and markets, such as Dubai or Qatar, and attempt to replicate their strategies. This process could be initiated by the development of a high-level ICT committee that brings together business leaders in communications and technology, academia, and members of the public sector, ideally chaired by the Prime Minister of the KRG. The committee could prioritize the development of improved ICT infrastructure from the top levels, and then develop a framework for the system's improvement. In terms of raising ICT as a priority, the committee could sponsor events to promote ICT development broadly, to different sectors in the Region. Additionally, it could promote technical education in schools. For full maturity in the sector, you must build a society that is IT enabled, in addition to building the infrastructure. A broad ICT system cannot be successful without educating students in information technologies, and this must begin at a young age.

IIG: How can the Kurdistan Region's ICT infrastructure be better developed?

AK: The solutions are relatively easy, but require coordination. For example, it is currently nearly impossible to make credit card payments in the Kurdistan Region. With improved cooperation between the public sector and local private sector partners, as well as major IT vendors, solutions could be easily reached. This would carry major benefits for the economy. For example, public sector salaries



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.



and pensions are currently paid through national banks, using bank tellers. A simple, integrated network of ATM machines could solve this problem entirely, allowing employees to withdraw their paychecks easily from local ATMs. Improved, reliable, communication networks could solve equally significant problems. Basic ICT upgrading could improve the functioning of the public sector. Upgraded hardware could make their work much faster and more efficient. The potential is truly enormous, and could be realized easily if a coordinated strategy is developed.

IIG: What role does CIS play in improving Kurdistan'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 which including 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 well 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.

IIG: What role does CIS play in developing local capacity in the ICT sector?

AK: There are no other foreign IT companies in Iraq or the Kurdistan Region that invest in human capacity like CIS. We have a permanent presence in Iraq and we have over 37 employees here after just two years of operations. This is a major investment, as our training process for new employees is rigorous and time consuming. Each of our employees goes through at least six months of training with CIS before they interact with clients. CIS runs a certified training center in Lebanon, where new employees are sent for training in technical areas, sales, and language skills. Of course, training must be continuous in IT, as technology continuously changes, so we also send our employees to our vendors' training centers around the world for additional training and certification. The rigor of our training standards has slowed our ability to expand in the Region. However, the time and investment ensure a high level of expertise in our employees, which is important for the integrity of our company. 

CIS Iraq

Established in 1979 in Beirut, CIS Group has become one of the largest IT companies in the Middle East and Africa, with a presence in over 32 countries throughout the region. Involved in both distribution and solutions, CIS Group partners with premier IT equipment manufacturers and vendors to bring high-level ICT and security solutions to the Middle East and Africa. Present in the Kurdistan Region since 2012 and headquartered in Erbil, CIS Iraq has a presence in Baghdad and Basra, with an office in Slemani opening soon, and plans for an additional office in Duhok.

Expanding Access



Aram Daro Noori —
General Director, GoranNet

Aram Daro Noori provides IIG exclusive insight into the possibilities, opportunities, and challenges presented by the deployment of fiber optic and wireless communications networks in the Kurdistan Region.

About

Aram Daro Noori has been General Director of GoranNet since 2005, initially joining the company in 2004 as Co-Technical Manager. Aram holds an undergraduate degree in Computers and Statistics from the University of Sulaimani, as well as an MBA from the American University of Iraq, Sulaimani.

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 five or six trial projects within 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), as well as VDSL in these building complexes. Our projects have thus far been quite successful and we have received very good feedback from our customers, so we now have a plan to expand these technologies. 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 within the boundaries of Slemani. We are currently in the process of establishing a joint venture between the two companies, GoranNet and KurdTel. We have not yet signed the deal, but things are going ahead as planned, and we are optimistic that we will sign the contract within a month or less.

IIG: Can you tell us about the specifics and scale of this project?

ADN: We plan for FTTH deployment in Slemani to be a five-year project. Within the five years, 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. Instead of KurdTel installing the traditional copper cables, we have decided to skip this step and move directly to fiber. 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 the 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: This issue is a bottleneck; thus far, 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 the 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. There was a plan for the government to issue a fourth license, also going through Iran, but we understand that the plan has been scrapped, and the ministry does not have a plan to issue a fourth license. However, I do not think that the decision to limit connections, as appears to be happening, is healthy for the market.

IIG: For 4G/LTE wireless networks, can you provide a background of the regulatory and licensing structure within the KRG to operate these networks, as well as your take on the technology's future in the Region?

ADN: Basically, there is an informal understanding between the MOT in the KRG and the Communications and Media Commission (CMC) in Baghdad, whereby the CMC handles the major



In terms of growth of subscribers to GoranNet, we are seeing very quick growth. Before last year, our growth rates were somewhere around 15-20%. However, since last year, from June last year until this year, we have seen an increase of 100-110%, and we expect growth at these rates to continue for some time.



GSM operators, Asiacell and Korek, and the MOT has some level of jurisdiction over the fixed line operators and local ISPs in the Region. The only obstacle that the CMC has created for local ISPs is that they have issued a statement to all of the vendors operating in Iraq that it is illegal for them to sell any LTE equipment unless the operator is licensed by the CMC, or if they get formal approval by the CMC. However, some companies are working in LTE, including FastLink, which suggests that there are work-arounds for those regulations. Overall, I do feel that the CMC could create much more opportunity for the whole country if they opened these markets for other Internet providers. Regardless, within the KRG at least, I am quite optimistic that we will see major growth in the LTE market soon.

IIG: Reliable data on Internet penetration rates in the Region is difficult to find, perhaps because it is growing so quickly. Do you have reliable data?

ADN: We primarily use the data provided by the Ministry of Planning (MOP). However, it seems that the data from the MOP are understated, at least within Slemani and Erbil. In general, the numbers that we see vary wildly, and we do not know which are reliable—we have seen estimations from 5-6% up to 40%. However, in terms of growth of subscribers to GoranNet, we are seeing very quick growth. Before last year, our growth rates were somewhere around 15-20%. However, since last year, from June last year until this year, 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. At the same time, we feel that there is a huge waste of frequency resources within the Region. We see some companies that hold licenses for upwards of 50-60 MHz in a spectrum that are using only 20-30% of it. But because it has been issued and registered, much of the frequency is sitting unused. 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. ⑩

GoranNet

GoranNet is an Internet service provider (ISP), based in Slemani. The company, founded in 2004 as part of Faruk Group Holding, is among the largest providers of broadband Internet access in the Kurdistan Region, and is actively making Internet connectivity faster, more affordable, and more accessible.

Bringing Best Practices



Carl Bistany —
President, SABIS

Carl Bistany provides IIG with insight into SABIS's major entrance into the Kurdistan Region's market for education, and the ways in which SABIS® is transforming all levels of the educational landscape in the Kurdistan Region.

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 as a board member of several organizations and serves in leadership and advisory capacities at several professional and academic organizations.

IIG: What opportunities drew SABIS so decisively to the Kurdistan Region?

CB: Our first visit to Kurdistan was in 2005 and came about in response to an invitation by PM Barzani and the Minister of Education at the time, both of whom had a clear vision and saw education as the key to the future of Kurdistan. As such, they wanted to start by establishing a fee-based, private school that delivered high-quality education. During our visit, their vision was validated by what we saw; it was also clear that SABIS's own drive to make a difference in the world through education could be furthered by involvement in Kurdistan. SABIS decided to put its resources to work for Kurdistan and we've never looked back. Last year, when our private school, ISC-Erbil, graduated its first class of students, we were all very proud that some of the best universities in the world accepted our students. We are very honored to be playing a role in helping to rebuild Kurdistan through education.

IIG: Can you describe the differences between the different educational systems that SABIS operates in the Kurdistan Region?

CB: When we first started in Kurdistan we did so with a fee-based private school. It was not long after we opened the International School of Choueifat – Erbil that HE Prime Minister Barzani shared his wish to provide a high standard of education to all children in Kurdistan, including those who come from financially disadvantaged families and thus are unable to pay private school tuition and fees. He asked SABIS to operate public schools in Kurdistan based on SABIS's experience in operating public schools in places like the US or the UAE. These Public-Private-Partnership (PPP) schools

do not require students to pay tuition, yet they offer students the same high-quality SABIS education that is offered to more than 63,000 students attending SABIS® member schools in 15 countries around the world. In addition to helping to raise the overall education standards of the masses, SABIS's approach to PPP schools in Kurdistan has the added benefit of building the capacity of local teachers who are trained to deliver education at a consistently high standard.

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. However, to do that we needed to be able to build our own supply of local teachers who had the competencies, skills, and the knowledge base necessary to successfully undertake the job. And this is where the idea to establish a college of education came from. By establishing SABIS University and the College of Education, we could cater for 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 lately added the College of Engineering, all designed to provide high quality tertiary education



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.

and build capacity in Kurdistan for the purpose of shaping the nation's future.

IIG: How would you argue 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: How do SABIS member schools differentiate themselves in terms of developing the Kurdistan Region's human capital?

CB: SABIS is actively engaged in building human resource capacity in the Kurdistan Region. We do that not only through the ongoing professional development that is offered to individuals working in SABIS PPP and private member schools in the Region, but also through the SABIS University Continuing Education Department (CED). Through the extensive array of professional development programs offered as part of the CED, we offer high-quality professional programs to any interested individuals,

whether or not they are employed in schools affiliated with SABIS® in Kurdistan. The SABIS University Continuing Education Department currently offers programs in business, computer science, English, management and leadership, and Information Technology.

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 currently implement 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 the Region 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. The demand also comes from communities that recognize the effective role that a SABIS PPP school can play in stemming the tide of migration of people from rural to urban areas. 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 Region and thereby providing a high-quality education to more students who will become the driving force behind the rebuilding of Kurdistan.

SABIS

SABIS is an international education management company, active in 15 countries around the globe, with 36 institutes operating in the MENA region. 11 of SABIS's member schools are based in the Kurdistan Region, including three private schools, seven public/private schools, and SABIS's first and only active university.

Progress in Higher Education



Khaled Salih —
Vice Chancellor, University of Kurdistan, Hewlêr (UKH)

Khaled Salih provides IIG with exclusive insight into the progresses and challenges of the Kurdistan Region's higher education system, and describes the ways in which UKH is reshaping thought and honing skill 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 Gothenburg, Sweden.

IIG: How does UKH differentiate itself from other universities in the Kurdistan Region in terms of developing the Kurdistan Region's human capacity?

KS: The University's mission and objectives relate fundamentally to the initial idea and conception of the University. In 2006, the Prime Minister, 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 to the demands of the Region's labor market.

We are a young university. We have only graduated roughly 200 students. The most significant difference between our students and the rest, are that none of our graduates are unemployed. We are unique in that our students have language skills, but also in that we provide a modern education. We focus on independent and critical thinking, along the lines of internationally accepted best practices. This is confirmed by the feedback we receive from companies that employ our students. They say that our students are remarkably different from other students educated in the area, because they know how to communicate, they think critically and independently, and they know that they need to continue to learn once employed.

IIG: How is UKH integrated into the Kurdish local economy? Does UKH have internship schemes or graduate employment partnerships with companies active in the Kurdistan Region?

KS: Our students complete internships,

and UKH maintains significant integration with industries here. Instead of starting with theoretical topics and moving toward the practical, as is the case in most universities, we reverse the trend. We take our students to different companies and job sites to give them hands-on experience with different industries. This way, students do not have false perceptions of, for example, what a career in engineering involves. It can be a dirty job. One must be very practical and must be prepared to work long hours in a noisy environment. If you do not love it, you will not last long in the industry. So, we try to give our students realistic ideas of what to expect from their education and careers. The goal is not just to give out diplomas; we want our students to invest their time very seriously.

IIG: Can you tell us about UKH's relations with companies in the Region?

KS: To ensure that our education is as dynamic as the Region'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 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. Instead of us sitting down and imagining what is interesting, we ask: what are the questions our students will face? What sources of data do they have? How can that be used in our educational system, so that our students' capacities will be immediately useful for employment upon graduation? That will strengthen the kind of education that we would like to pursue.

IIG: What changes—cultural, economic, or otherwise—have you observed between past and present generations of graduates?

KS: Generally, the transition has difficult, but progress is certainly being made. Kurdistan has opened up to the outside world. We see a massive influx of products, from cars to electronics to food. New consumer goods quickly find their way to Kurdistan, so we can buy almost anything that shows up on global markets within a week or two. That expectation is translated to education; that modern education can quickly be implemented here, like the rapid modernization of our retail operations. Of course, with education, development takes much longer. There is no easy way to develop a modern and effective educational system. While you can accelerate the learning process, you cannot just easily buy an education. It requires a lot of training and repetition. You need to practice frequently before mastering a subject. Generally, that is happening, but also there is a high expectation that there is a fast-tracking possibility; that if you get a degree quickly you can quickly get a job because the market is booming.

IIG: What role is the private sector playing in improving education and human capacity?

The companies that are coming to Kurdistan and employing young people are different and more demanding than those that historically have been in Iraq. My guess is that many graduates will be shocked by the extent to which they have to compete once they join the job market. 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 to 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. This affects many facets of life, as well as academics for our students: How do you think about your life, studies or research methods? Critical thinking becomes a tool. It is useful in meetings and research, but also in debate and discourse. That will help them to sort things out much more easily than just memorization. Once one has developed those critical faculties, it will also strengthen his or her academics. And we have already seen improvement in this regard.

IIG: What challenges, would you argue, does Kurdistan's higher education 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 government 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 to evaluate what we will end up with. I am optimistic about the 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 on the entire system a generation later. So, keeping in mind that it will take time, the first steps taken are in the right direction. ⑩

“We try to give our students realistic ideas of what to expect from their education and careers. The goal is not just to give out diplomas; we want our students to invest their time very seriously.”

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.

About

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 on behalf of the Iraqi Government, international organizations, and multinational businesses. Klein holds a Bachelors degree from Harvard University and pursued Master's studies at New York University in Global Affairs.

IIG: What skills are most in demand, and where are the gaps?

AK: Written communication skills are in very high demand. While locals can often speak fairly well and communicate verbally without issue, their written skills are sometimes below what is demanded in professional settings. To address this gap, we offer courses in business writing. For example, while many locals use email often for informal purposes, our courses bring their writing and structure to a much more businesslike level. Intermediate computer skills are also in demand. While almost everyone has basic computer skills, we target our courses to move employees beyond basic word processing and emailing. Our language courses in Kurdish and Arabic for expats are also popular.

IIG: Can you tell us about your cultural awareness courses?

AK: Cultural awareness is very important, particularly to the oil and gas industry, and cultural awareness has become the most demanded 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 or misunderstandings. 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 and Kurdish values to expats. Related to this, we offer popular courses for expats and their spouses combining cultural awareness with basic information on integrating socially and living in Kurdistan, such as where to buy groceries and supplies, find schools for their children and how to develop social support and social networks.

IIG: Can you tell us about some of the MNR's large-scale training programs that MSelect is involved in?

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 production-sharing contracts (PSCs) with the MNR. The program will be comprehensive, and include internships and summer study 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 international oil companies to gain hands-on experience.

“Cultural awareness is very important, particularly to the oil and gas industry, and cultural awareness has become the most demanded subset of courses we teach.”



IIG: MSelect is also involved in the International Finance Corporation's 'Business Edge' training program. Can you tell us about it?

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 or standalone training company?

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. ⑩

MSelect's Training and Development Center

Founded in September 2013, MSelect's Training and Development Center offers tailor made courses in languages including English, Kurdish and Arabic, computer skills, soft skills such as cultural awareness, leadership, communications and personal productivity, technical skills in HR, accounting, marketing, hospitality and the oil and gas industry, and Health Safety and Environment (HSE) to local and international companies and organizations. The company offers classes tailored to both expats and locals, and operates throughout the Kurdistan Region and much of Iraq, with full-service offices in Erbil, Slemani, and Basra. In addition to training and development, the company offers translation and retreat planning services.

Taking the Long View

By Mazen Turk & Maya Khouri

Aamina is a social investment advisor focused on advancing the Corporate Social Responsibility (CSR) practice in the Kurdistan Region of Iraq (KRI). Our goal is to ensure the CSR vision in the Region is aimed at building sustainable social development initiatives that are impactful for host communities and in line with the Kurdistan Regional Government's development plans.

Aamina's strong local network is centered on first developing and conducting well-planned impact assessments studies while engaging key stakeholders in a participatory approach. Building multi-stakeholder relations with

government bodies on a national, governorate, district, and sub-district level, and deepening our local knowledge and understanding of the pressing socio-economic needs of the Region, allows us to identify areas where the private sector can add social value and impact.

In addition, we believe in building strategic partnerships with NGOs, community based organizations and academia to ensure the right mix of tools, methods, and programs are thoroughly rolled out in a wide array of focus areas. Aamina's team is trained to offer a methodical and culturally appropriate approach to community engagement and implementation of outreach programs.



Mazen Turk
COO, Aamina

As Chief Operating Officer of Aamina, Mazen Turk has been working in Kurdistan for the past four years to promote and develop socially responsible projects with major international companies. A Professional Civil Engineer with over 17 years' experience in the Infrastructure, Oil & Gas and Industrial sectors, Mazen joined Aamina from Future Group where he held several senior positions. Prior to this, Mazen worked at Vollmer Associates based in New York City as a Transportation Engineer, and as a Consultant Engineer at Dar Al-Handasah, an engineering firm.

Kurdistan Region of Iraq Current Outlook

The leadership of Kurdistan has demonstrated a clear vision for the Region and has proven their decision-making abilities. The KRI has successfully embarked on its journey to democratic and institutional building. The path to attaining an inclusive culture of democracy, strong governance, and a process of decision-making is beneficial to the Kurds, and the oil sector represents a security token for this process.

The tensions and lack of trust between the Central Government and the KRG threaten the Region's socio-economic prosperity. The budgetary sanctions and halt to Kurdish oil exports for instance are economic problems linked to political problems with a bleak "lose-lose" end result: an oil pipeline together with a reconciliation pipeline would guarantee and secure the economic progress of the Region.

Debate over Oil and Gas Resources

This current political stalemate is manageable and can be solved with mutual compromises. Kurdistan has a constitutional right to extract the natural resources of this Region, and has no intention to relinquish those rights, as reaffirmed by Prime Minister Nechirvan Barzani's recent statements.

The stakes facing the Kurdistan Region in reaching a power sharing and revenue sharing agreement with Baghdad are key to achieving its own

growth and development vision, and ensuring that the oil is in fact a "blessing" rather than a "curse". The inability to agree on a common hydrocarbon law and disagreements over interpretations of the Constitution's articles over natural resource administration and management have steered the attention away from the vital question: how will the oil and gas wealth be used to achieve sustainable and progressive socio-economic growth for the KRI?

The Role of CSR

The oil and gas sector is exposed to a wide range of reputational risks and controversial implications: environmental, economic, cultural and social concerns and their impacts on host communities.

In this context, CSR underpins a company's commitment to the host country, and aligns corporate strategic goals to regional economic development and environmental sustainability. This isn't to say that the responsibilities falls on the shoulders of just the government, or the private sector. In fact, all stakeholders must share the burden of re-building the Region, and securing the future of coming generations. Encouraging private sector investments is key to securing a

self-sustainable and vibrant economy that is not solely dependent on oil.

Regulating CSR is counter-intuitive since CSR is inherently based on voluntary action. Nevertheless, a coordinated CSR framework, supplemented by best practice standards, would incite companies to participate in broader and more impactful CSR initiatives. So far, International Oil Companies (IOC) operating in Kurdistan have not taken notice of the importance of collaborating and putting out the necessary resources. Rather than waiting for the issuance of guidance and standardized regulations, IOCs have the opportunity to act as pioneers and thought leaders in the Region.



Maya Khouri
CSR Program Manager,
Aamina

As CSR Program Manager for Aamina, Maya devises bespoke CSR strategies and implementation plans, executes social investment and sustainability programs, and manages on-the-ground field research and assessment studies. Maya came to Aamina from Roche Pharmaceuticals and PricewaterhouseCoopers. Maya obtained a Bachelor's degree from McGill University in Montreal, Canada, and subsequently obtained her US CPA.

Human Capacity Building

Building the educational pipeline is as important as building the oil pipeline. Developing capabilities ought to be at the forefront of CSR agendas in KRI. Building local capacity is a responsibility of the IOCs as it is included in the Production Sharing Contracts. Due to some political, logistical, and economical challenges, most IOCs are compelled to focus on operational and technical challenges before building local capacity and addressing the shortage of skilled labor.

In addition, the mismatch of skills between jobs supply and demand is one of the most compelling business issues facing today's economy. On one hand, there is heightened pressure from a growing labor force that largely comprises of young people under the age of 29. On the other hand, the skills available do not coincide with market requirements. Particularly, a growing youth population increases youth unemployment. The abundance of oil income has led to large public sectors as the principal destinations for educated youth. The education system has been more focused on

issuing diplomas rather than relevant skill formation.

Aamina's field research and assessments in various parts of the KRI indicate the heightened pressure on oil operators and oil and gas service companies to hire locally. The Ministry's guidance on localization quotas are increasingly difficult to comply with; local jobs have been provided mainly to low skilled laborers who in turn feel frustrated that they are offered the "bad" jobs. The levels of disconnect amongst expats and local staff is expected to deepen unless serious efforts and programs are put in place to address this challenge.

Whether it is a function of lagging educational infrastructure and outdated curriculum, limited vocational training programs, and the "new to oil culture" syndrome, the skills gap can be addressed through a mix of specialized local content programs and targeted high school and university initiatives, aimed at advancing the local supply chain and increasing the technical and soft skills levels of local talent.

Platform for Collaboration

The skills gap resonates across the whole oil and gas industry, and is closely related to the needs of the business from a long-term perspective. The social responsibility challenge is an opportunity to operate on a broader scale and engage with all levels of the education system. What is required is an integrated and collaborative approach to bridging the skills gap.

The first step would be to establish a multi-stakeholder coalition in Kurdistan that would initiate a serious and constant conversation and form a unified voice for the industry, where knowledge, ideas, and best practices are shared. The objective is to create a platform for dialogue with companies facing similar corporate responsibility challenges. They are able to leverage more resources, skills, influence and attention focused on addressing particular priorities.

A multi-stakeholder coalition would:

- **Focus on Industry Demands:** business leaders join forces to make the business case and drive the agenda of building human capital to reach cost effective and comprehensive solutions; designing specialized and multidisciplinary training and apprenticeship programs for a larger impact, reach and economies of scale.
- **Identify and disseminate best practices:** providing examples of what has worked and how to embed a company's corporate goals with society's sustainability requirements; meeting of the minds on common cause and goals through regular brainstorming sessions.
- **Elevate norms and standards:** members working jointly to advocate for progressive industry guidelines and standards that create a level playing field, and achieve a sustainable industry.
- **Develop future leaders of the oil and gas industry:** provide a space to establish strong internal and external mechanisms and strategic partnerships that would build a strong reputation about the industry; attract more talented people to it, and make young students consider this a career choice.

The oil and gas industry has a vested business interest and a social responsibility to tackle the workforce capability challenge, through transparent and open dialogue, and steering of collective resources and attention. Companies all over the Middle East are putting a renewed focus on building capabilities, not just finding them. The "war for talent" is shifting to what is now the "war to develop talent." CSR initiatives can act as the catalyst for economic growth and prosperity. ④

In fact, all stakeholders must share the burden of re-building the Region, and securing the future of coming generations. Encouraging private sector investments is key to securing a self-sustainable and vibrant economy that is not solely dependent on oil.



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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 sector's future.



We hope that by offering world-class medical services to the country, that 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: FMC is creating real change in the health sector. 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, that 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?

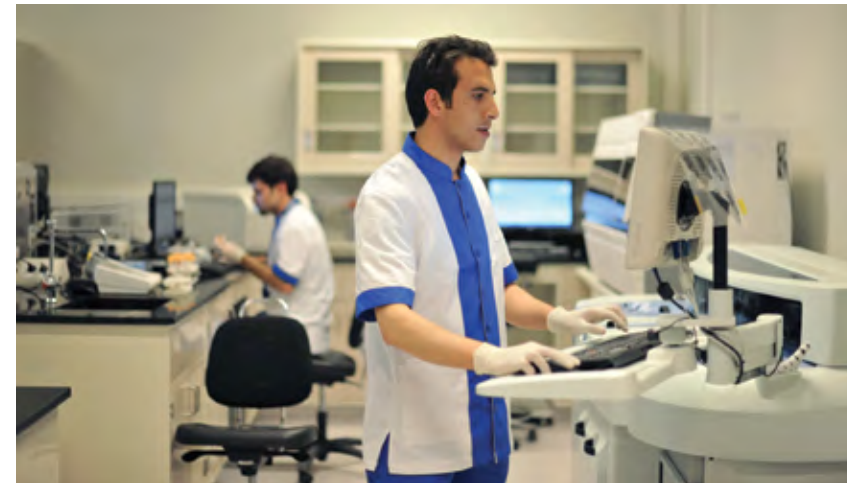
FP: Over the past two years, we have worked very hard to hire well-qualified nurses to work here for long timeframes. Our nurses all have university degrees from nursing colleges, master's degrees, or specialty degrees, as well as years of experience in nursing. As such, we have hired nurses from all 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 are people like myself, who moved abroad, studied and worked in Europe or the US, and are now coming back, experts in their fields, 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: Because the practice of medicine in this country is, generally, not up to global standards, we face challenges in local staff from not following standard protocols, to issues as basic as showing up to work on time. However, we are addressing this. Our strategy is to work closely with nursing and medical schools in the 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. The owner of the hospital, Mr. Faruk Rasul, is very keen to invest in, and give back to the community, and is very keen to increase local staff while maintaining the hospital's quality.

IIG: How do you see healthcare in the Region evolving, more broadly, in the medium-term?

FP: As I have said, and as has been repeated in many occasions by the Prime Minister of KRG, healthcare in the Region is starting from a very low base. As with many sectors in Kurdistan, development is progressing quickly, and 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, within our own hospital, 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

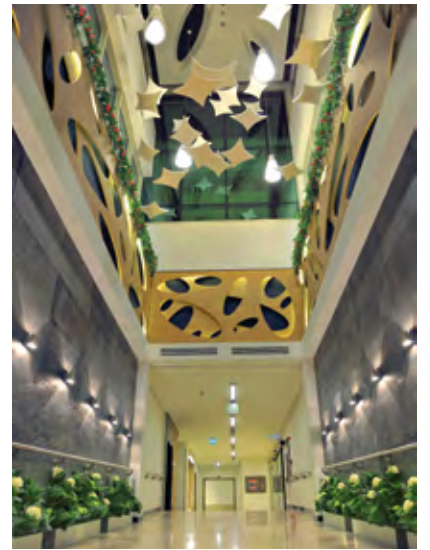


investment is absolutely necessary for the Region and Iraq. Access to quality healthcare truly affects all of us, socially and economically. Currently those who can afford to go abroad for healthcare do, which is costly and problematic. FMC relieves that need. Healthcare is a key sector for all economies; in western countries healthcare tends to be the second biggest element of the public budget after social spending, which is telling of the sector's importance.

IIG: Will FMC be integrated into the international or local health insurance markets?

FP: Yes, Faruk Group, our parent company, holds Asia Insurance, an insurance company with global ties, which will use FMC

to deliver healthcare for its health insurance plans. Many companies already use Asia Insurance to insure their employees. However, some diseases and treatments should be covered by public spending, especially when treatment provides a broad public good. Different countries range on this scale, from proving full universal coverage for all healthcare expenses, to using public-private partnerships, where healthcare is covered by a mix of private health insurance and public subsidies. We expect from the government to solidify its policies regarding what it will and will not subsidize in terms of healthcare. We hope to be a part of this system, and we will provide the best services we can within the government's healthcare system.



FMC

Faruk Medical City is a world-class medical complex in Slemani. Opened in April 2014, FMC is owned by Faruk Group Holding, and managed by Acibadem Healthcare Group, a Turkish healthcare management firm. As the most advanced hospital in Iraq and the Kurdistan Region, FMC seeks to bring new standards to Iraq's healthcare system.

IN NUMBERS

Doctors: **120**, Nurses: **500**, Technicians: **200**, Specialized Clinics: **53**, Operating Theaters: **11**, Intensive Care Unit Capacity: **38**, Single Rooms: **120**, Suites: **21**, Presidential Suites: **3**, Total Beds: **220**, Total Cost: \$200 million, Conception to Completion: 5 years

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.

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 onto 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 approved 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 into the Kurdistan market by acquiring Nordic Medical Solutions in 2013.

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 10 years ago is striking. While things are still not perfect, the speed in 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 in NGOs in the Kurdistan Region. NMS is partnered with International SOS, which operates in 83 countries, with 23 integrated call centers and 12,000 employees, and RMSI Medical Solutions, which is International SOS's Dubai-based subsidiary. The company maintains air ambulances based in Dubai, which 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.

Innovative Approach



Dr. Rang Shawis —
Chairman, Kurdistan Children's Hospital (KCH)

Dr. Rang Shawis provides insight into the state of pediatric healthcare in the Kurdistan Region, and the ways in which he hopes that KCH will serve as a model for the healthcare sector's further development and improvement.

KCH

Kurdistan Children's Hospital (KCH) is a major, state-of-the-art pediatric hospital, hoping to revolutionize pediatric care in the Kurdistan Region. The Hospital will have a phased opening, first opening its doors in July 2014, and developing full capacity by mid-2015.

IN NUMBERS

4 Years

Conception to Opening

\$65 million

Capital Expenditure

\$15 million

Operating Costs

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 centre and will provide training to meet international standards of care. The Hospital will have an organization to manage clinical risks and make

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.

sure that policies and procedures to provide the highest and safest standard of 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 healthcare and donor organization?

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 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 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 will be 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. 

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Establishing Erbil as a Region Hub



Oliver Mathwich —
General Manager - Kurdistan, dnata

Oliver Mathwich discusses dnata's role in transforming the 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.

About

Oliver Mathwich has over 20 years experience in international aviation and travel industry with a variety of major aviation companies in numerous stages of development. Prior to working for dnata, Mathwich worked for Air Astana as a senior manager.

IIG: EIA has expanded significantly in capacity since dnata has joined in 2010. How has dnata dealt with this rapid expansion?

OM: dnata has invested significantly into equipment and people over the past four years. We bring considerable expertise to Erbil and believe we have supported the growth of the EIA as a strong partner to EIA. 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 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, 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 the Kurdistan Region as a whole, generating income and creating jobs.



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, and positions Erbil as not just a local airport, but as a larger regional hub.



IIG: What strategy will dnata follow to keep up with EIA's continuing expansion in volume and capacity? 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 into infrastructure improvements, such cold storage for perishables, and we will continue investing millions of dollars into equipment, facilities and personnel each year.



IIG: EIA is an import hub for much large-scale industrial equipment for the Region's development. How has dnata contributed to this development in handling large-scale industrial cargo?


OM: dnata has the ground service equipment required to load and offload any type and any size of aircraft. We are proud to say that all cargo transiting to and from Erbil has done so efficiently.

IIG: What makes dnata's operations unique in the Kurdistan Region in terms of logistical procedures?

OM: The Kurdistan Region is relatively young and is still evolving, so many processes and regulations are new, while some still need to be established. Also, the security processes are different.

However, security is a cornerstone of the Kurdistan Region's success, and dnata does everything we can to support and work together to ensure that security is never compromised.

IIG: What are your projections and goals for the medium-term? Does dnata have any plans for expansion into new services at the EIA?

OM: dnata constantly explores new opportunities and in Erbil, we have ideas to increase our range of services, but it is too early to talk about them. 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 the Region's continued growth. 

dnata

dnata is among the world's largest air service providers. Since March 2010, dnata has provided the Erbil International Airport with a wide range of services and operations including customer, baggage, and ramp services, cargo handling, and ground support equipment maintenance.

Slemani's Landmark



Heimo Leitgeb —
General Manager,
Grand Millennium, Sulaimani

While the ways in which the Grand Millennium Hotel have reshaped Slemani's skyline are clear, Heimo Leitgeb, the hotel's General Manager, discusses the ways in which the hotel is also reshaping the landscape of the Region's hospitality sector.

About

Heimo Leitgeb joined the Grand Millennium Hotel as General Manager in 2013, and oversaw the hotel's opening in March 2014. Originally from Austria, Leitgeb has extensive experience managing premier hotels throughout Asia, Europe and the Middle East.



IIG: What can the Grand Millennium offer its guests that might not be available in Slemani's other hotels?

HL: Our hotel is clearly a landmark in Slemani, which makes it very unique among other hotels in the Region. In terms of facilities and services, we offer a fantastic, large conference and banquet facilities, a grand ballroom, which accommodates 750 people, and an auditorium which seats 350 people. All of this is unique for this city. We also have a great gym and a spa, which is equipped with all of the latest technologies. In addition, we have a fantastic indoor/outdoor swimming pool, two squash courts, and two tennis courts. It is a resort within the city.

IIG: What challenges have you faced in establishing such a massive project here?

HL: Since many foreign hospitality professionals are not familiar with the Kurdistan Region, staffing is the primary challenge to opening a hotel like this. Once you get people to come here it is much easier—people do like it here, and as more people in the hospitality industry are finding themselves

in Kurdistan, the Region's reputation is becoming further established and fielding staff becomes easier. This is already happening: we are already receiving more and more job applications. The hospitality industry in the Region is still young, and not the first choice for people to work in. In coming months, as the hotel becomes increasingly established, we will increase our staff and ensure that our service standards remain high. Ten percent of our current staff is from Slemani. We have been very happy with our local staff, because many of them have lived abroad and recently returned to Kurdistan. These employees are major assets for us, as they are familiar with international standards as well with local habits. This cross-cultural understanding is a great benefit for us, being new in the country.

IIG: To what degree does training play a role in dealing with staffing shortages?

HL: To address some of these issues, we have set up a training department to train all new staff. We have an in-house training manager, and we had a good task force of trainers from other Grand

Millennium properties fly in and help us to train our staff in international best practice. This included both lectures and on the job training. It is important that our staff operate in a way that is in line with our brand. When we employ people that come from different companies and different countries, it is important that we train them to work in a manner consistent with our brand.

IIG: How would you describe Millennium Hotels' role in developing the Kurdistan Region's tourism sector?

HL: The hotel itself will contribute to the tourism sector by hosting large, prestigious meetings and conferences in Slemani. We provide a unique and desirable venue where companies, governments, and other institutions can meet and entertain. With a landmark property like ours, people want to be associated with us. The Grand Millennium is and will continue to be a venue for people within Iraq and for visitors from outside Iraq. We have a secure and comfortable environment, with all of the amenities of a luxury resort.

The Grand Millennium, which opened in March 2014, is Iraq's tallest hotel, and an unmistakable central landmark in Slemani.



IIG: Millennium's strategic partnership with Faruk Group Holding (FGH) has been key to its entrance to this market. Can you tell us about the dynamics between Millennium and FGH?

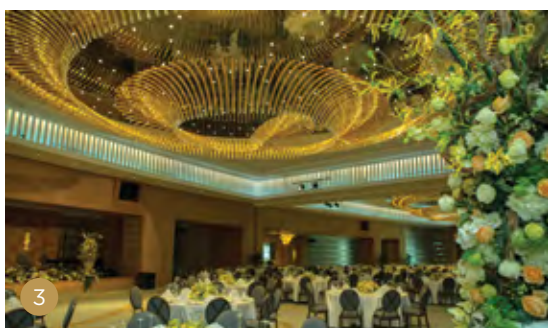
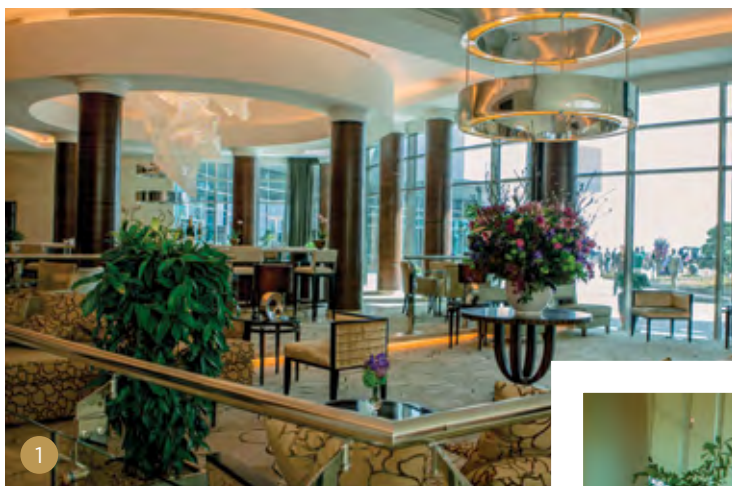
HL: Our partnership with FGH has allowed us to establish ourselves very deeply and broadly in Slemani—without them, we would not have been able to operate the three hotels within the city. Through the FGH, we were able to target the Slemani market very centrally. This helps us in many ways. First, due to the economies of scale, we are able to operate very efficiently. Our purchasing power is increased, as we can buy necessary goods and imports in large quantities. There are synergies in staffing between the three properties, and there are synergies in marketing which result from the scale. Also, of course, it allows us to accommodate a broader number and a variety of guests, at different price ranges and with differing priorities. All of these synergies are important to us, and as such, our partnership with FGH is instrumental. Our partnership is very powerful.

Grand Millennium

The five-star hotel offers 253 guest rooms, 55 luxury suites, seven executive suites, and a presidential suite, in its 32 stories. The hotel offers several bars and restaurants, a ballroom and auditorium, and state-of-the-art fitness, recreation, and spa facilities. The hotel is one of three premier hotels in Slemani operated in by Millennium and Copthorne Hotels, and developed by Faruk Group Holding.



Our hotel is clearly a landmark in Slemani, which makes it very unique among other hotels in the Region. When you then enter the hotel, the lobby and overall environment gives the impression of being a decidedly unique place.



IIG: Millennium and Copthorne now operate three major luxury hotels in Slemani—is there any concern regarding oversupply in Slemani's hospitality industry?

HL: Oversupply is a concern in the short term. However, we believe that over the medium to long term, it will become less of a liability, largely related to the synergies I mentioned earlier. As we attract conferences, events, and an increasing number of visitors to the city, all of our hotels will benefit. Perhaps our guests will initially stay with the Grand Millennium the first time they come, because of its prominence in the city. When they return, perhaps on business-related visits to the

Faruk Medical Center, they will stay in the Millennium Kurdistan, next door to the hospital. Then, if they return in a more price-sensitive capacity, they might stay at the Copthorne Baranan. It really is a win-win for all of our hotels. As our brand is attached to all three hotels, we can provide the hotel of choice regardless of the guest's needs.

IIG: Does Millennium has any plans for expansion outside of Slemani?

HL: We are always looking for new opportunities for expansion. Particularly within Kurdistan and Iraq, we are very well positioned to expand, given our strong presence here already.

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Chalak's Place

Where

Salim Street, Saholaka, across from City Star mall, Slemani. Open 10:00 am to 11:00 pm

Those looking for excellent food and local charm outside of Slemani's international hotels are urged to try Chalak's Place (Maly Chalak in Kurdish). Elegant and warm, the restaurant's design and ambiance are evidence of the passion that Chalak Salar, the restaurant's owner, has invested in the establishment. "There is a thirst in Slemani for western décor and cuisine," said Chalak, and Chalak's Place answers that demand: The café could fit as comfortably in most major western cities as it does in Slemani.

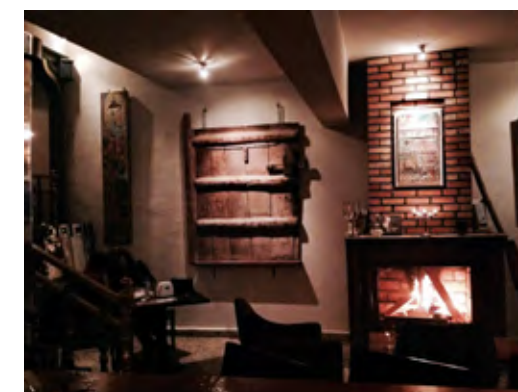
The café is a clear reflection of Chalak Salar's background. Originally from Kirkuk, Chalak spent 21 years in London before moving to Slemani to found his restaurant in 2012. In London, he worked in restaurants before establishing his own cafe in London's Finsbury Park neighborhood. Then, in 2003, he sold the café to become an independent interior designer.

Chalak's years as a London designer are on display at his restaurant in Slemani. Liberal use of stained glass and natural wood give the café charm. The restaurant's walls are covered in a colorful mix of European and Kurdish artifacts and oil paintings, many of which have come from Chalak's own personal collection and background. An antique Kurdish door, for example, that hangs beside the café's fireplace had been used at his family's

home in Kirkuk for over 150 years before being brought to its current home in the restaurant. An antique gramophone and Louis Vuitton suitcase decorate one wall, across from oil paintings of presumably prominent Kurdish men, Kurdish tapestries, and an antique peshmerga rifle. Mirroring the east/west dynamic of its décor, the restaurant fuses Italian and Kurdish cuisines. The café offers some of Slemani's best espresso and pastries for breakfast; salads, pizzas and pastas for lunch; and Italian and Kurdish entrees for dinner, with gelato, cakes, and custards for dessert. Evenings in the upstairs bar tend to bustle with mixed crowds of locals and expats, young and old, enjoying the bar's impressive selection of libations. Unique, lively and cozy, Chalak's is worth checking out. 



Originally from Kirkuk, Chalak Salar spent 21 years in London before moving to Slemani to found his restaurant in 2012.






DC Steakhouse in Erbil

Where


Dream City, Erbil

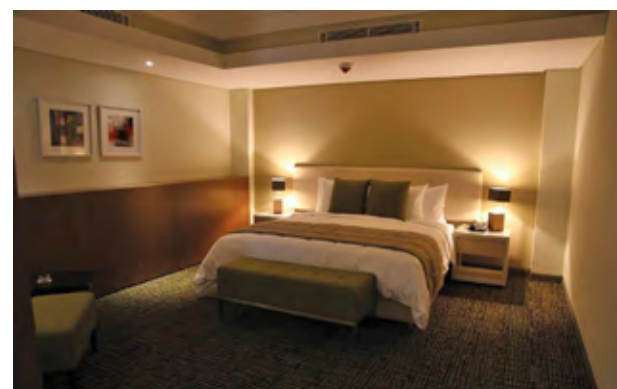
Having first opened its doors in August 2012, DC Steakhouse was the first American-style steakhouse to open in Erbil. However, it was not just its first-mover advantage that has made DC Steakhouse something of an institution in Erbil, even as new restaurants continue to expand the market. The restaurant's elegant and comfortable décor, coupled with excellent steaks and side dishes, and a broad range of drinks, make the institution unique, even amid the ever-broadening range of dining options now found in Erbil and the Kurdistan Region. The restaurant was founded and is owned by Allam Karkafi, a Lebanese businessman who spent considerable time in the US, before establishing the steakhouse. Karkafi has clearly raised standards for premium international dining in Erbil, and DC Steakhouse will likely hold its place as an institution in the city for years to come. DC Steakhouse is located off Gulan Street in Dream City, and is open all week from 1:00 PM to 1:00 AM. 

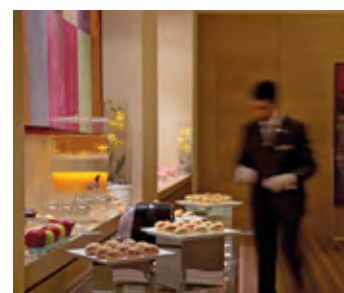


Tangram Hotel Erbil

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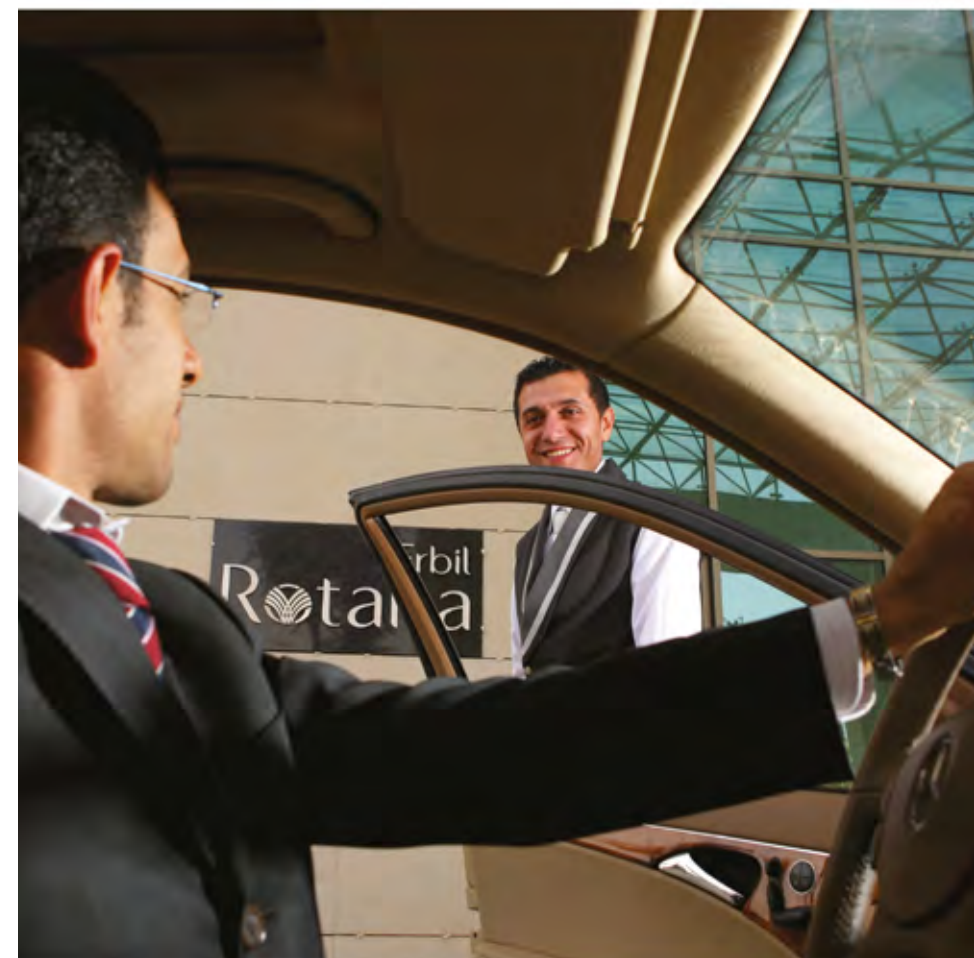
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