

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

# THE REVIEW KURDISTAN

REGION OF IRAQ

June 2013

## Exclusive Interview

### Minister Dr. Ashti Hawrami

Exclusive insight on the recent achievements, developments, and policies relating to the Kurdistan Region's oil & gas sector.



*Sinan  
Çelebi,  
Boosting  
Trade*



*Dr. Ali  
Saeed,  
Reforming  
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*Bayan Sami  
Abdul Rahman,  
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## The Review Kurdistan Region of Iraq

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

Invest in Group (IIG) is pleased to release the second edition of its bi-monthly series, titled "The Review", on the Kurdistan Region of Iraq.

In this issue, we put a spotlight on the oil and gas industry in the Region, KRG's Good Governance and Transparency Strategy, the higher education sector in Kurdistan, and the KRG's bilateral relations with the UK, Korea, and Italy. We also present the lucrative business and investment stories in the real estate, telecom, industry, and water sectors.

The IIG team based in the Kurdistan Region has met with the leading government officials to find out the recent achievements, developments, and policies in various sectors. Our team also met with leading CEOs in the Region to explore their success stories, the opportunities from which they have benefited, and the challenges they have faced.

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

Through "The Review" series, IIG aims to update its readers on the recent developments in various sectors by highlighting the policies and projects of the leading actors and companies that shape the future of the Kurdistan Region of Iraq. In the third quarter of this year, IIG, in partnership with the Department of Foreign Relations of the Kurdistan Regional Government, will produce the most comprehensive and updated annual business and investment guide on Kurdistan for the prominent and engaged global audience.

Invest in Group



**In partnership with**  
Department of Foreign Relations (DFR)  
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**Special thanks to**  
Aziz Ahmad, Niyaz Barzani (DFR)  
Kurdistan Board of Investment (BOI)



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

# BRIEFING

## Breaking the Ice

In late April, a high level Kurdish delegation headed by Prime Minister Nechirvan Barzani paid a visit to Baghdad to hold meetings with Iraqi Prime Minister Nouri al-Maliki and key officials. PM Barzani and PM Maliki signed a seven-point agreement relating to the two sides' most pressing differences. Amongst other elements, PM Maliki and PM Barzani agreed to compensate Kurdish victims of Saddam Hussein's Anfal Campaign, form a joint security committee for disputed territories, re-draw provincial boundaries that had been altered by the former regime, reassess Iraq's 2013 budget, and form a committee to oversee legislation relating to revenue sharing.

**“Kurdistan Region is always seeking for dialogue to treat problems within the Federal Constitution’s frame, and the Region has never turned down any opportunity for dialogue and talks.”**

PM Nechirvan Barzani regarding the recent agreement signed by Baghdad and Erbil



## PM Barzani meets German Chancellor Merkel

KRG Prime Minister Nechirvan Barzani and German Chancellor Angela Merkel met in Berlin to discuss expanding relations between the Kurdistan Region and Germany. On the topic of natural resources, the Prime Minister noted that the KRG and Iraq could play important roles in helping Turkey, Germany, and Europe diversify their energy usage while at the same time ensuring continued supply.



Anwar Nahas, Brazilian Ambassador to Iraq, announced that his country has plans to open a Consulate in Erbil.



## Focus: Sweden & Kurdistan Region

Sweden, one of the largest European trading partners of the Kurdistan Region, opened an Embassy Section Office and a Trade Council Office in the Kurdistan Region last year. Full diplomatic representation in Erbil is expected to come later in the year. Mr. Louise Calais and Mr. Roland Sosei were announced as the Head of the Embassy Section Office and the Swedish Trade Council Office, respectively. Sweden has a long history with the Kurdistan Region, dating back to its establishment as a safe haven for Kurds fleeing oppression under Saddam Hussein. There are currently seven Kurdish MPs in the Swedish Parliament, which recently voted to recognize the attacks against the Kurds in Iraq as an act of genocide.

The KRG officially approved **Halabja** as the **fourth province** of the Kurdistan Region. Currently, the Region is composed of the three governorates of Erbil, Duhok, and Slemani.

At present, the KRG has welcomed more than **141,000 Syrian refugees**.

## Standard Chartered Expanding Into Kurdistan

Standard Chartered, the multinational banking and financial services company, announced plans to enter into the Kurdistan Region. A delegation from Standard Chartered recently toured the Kurdistan Region in preparation for the opening of a branch in Erbil later this year.



**“The amount of economic activity in Iraq now is substantial. We always wanted to be onshore in Iraq. It was never a question of if but a question of when. Iraq needs everything from pipelines, power generation, infrastructure and housing. All this needs financing.”**

Christos Papadopoulos, Regional CEO, MENA



## Erbil Stock Exchange (ESX)

The KRG signed an agreement with Louis Berger Group, a New Jersey-based consulting firm, to provide assistance for establishing the Erbil Stock Exchange (ESX). The stock exchange is scheduled to begin trading at the end of this year. It is expected that the ESX will grow rapidly thanks to the Region's strong economic environment, stability, and friendly Investment Law.

## KNOC Reports Oil Discovery

The Korean National Oil Corporation (KNOC) reported a significant oil discovery in the Hawler field of the Kurdistan Region. State-run KNOC, which owns 20% of the field, indicated that it yielded 10,000 boepd during initial testing. Controlling interest in the block belongs to Swiss company Oryx Petroleum, which has a 65% interest in the field. The KRG maintains a 15% share of the field.

## The World Bank delegation visited Kurdistan

A delegation from the World Bank visited the Kurdistan Region to hold meetings with officials from various sectors. Following the visit, the KRG Board of Tourism announced that the World Bank is eager to improve the Kurdistan Region's tourism industry, a sector that has been identified by the KRG Board of Investment as a priority investment area.

Ministry of Tourism allocated **\$950 million** to implement **47 projects** for 2013



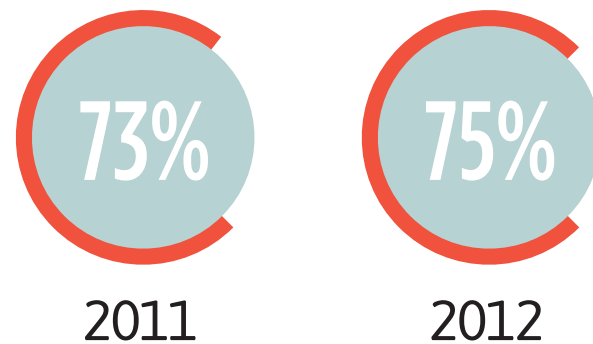
In 2012 **2.2 million tourists** visited Kurdistan

Airport passenger rates

**947,600** in 2012

**1.3 million** in 2013 (prospective)

## Hotel Occupancy Rates



## OMV Begins Production at Bina Bawi

OMV, the Austrian oil company, has begun pumping oil at the Bina Bawi field. The company announced that it had begun initial production of 5,000 barrels of oil equivalent per day (boepd), with a targeted increase to 10,000 bpd once a further two wells become operational. OMV, which is partially owned by Abu Dhabi's International Petroleum Investment Company, is the operator of the Bina Bawi block with 36% interest, but shares production rights there with Genel Energy and the KRG. The company has direct stakes in four other blocks with the Region, including 100% interest at both the Shorish and Mala Omar blocks.

### Bina Bawi

**Operator**  
Genel Energy (44%), OMV (36%)  
**Reserves**  
500-1000 mmboc  
**Area**  
240 square km



**“Our oil company already has an agreement with Exxon Mobil. This is a step with the KRG on exploration work.”**

Turkish PM Tayyip Erdogan

## Turkish Petroleum & Exxon Mobil to explore oil & gas in Kurdistan

Turkish Petroleum signed a contract with American energy giant ExxonMobil to carry out joint oil exploration in the Kurdistan Region. The recent agreement is a crucial indicator that Turkey will continue to boost its energy cooperation and will not ignore the strategic opportunities in the Kurdistan Region. Despite criticism from the Iraqi central government, Turkish and the KRG officials underlined that the contract does not conflict with the Federal Constitution.

**150-200 km** between Turkey's borders and the Kurdistan Region's oil and gas resources

**\$450** Average cost paid by Turkey for 1,000 cubic meters of natural gas from Russia, Iran, and Azerbaijan.

**\$200-\$250** Average cost Turkey will pay the Kurdistan Region for 1,000 cubic meters of natural gas.

**3.2 TCG** Natural gas reserves that could be transported to and through Turkey.



## Genel Confirms Discovery at Chia Surkh

In late April, Genel Energy announced that a second drill-stem test carried out on the Chia Surkh 10 well confirmed the existence of an additional oil bearing section. The successful second test on the Chia Surkh 10 confirmed the presence of a significant oil discovery. According to Genel, Chia Surkh 10 was drilled to a depth of 1,696 metres in the Oligo-Miocene section, and, in tests extending over several days, flowed at up to 11,950 barrels of oil a day and 15 million cubic feet of gas. The oil was 41 degrees API and well-head flow pressure 2,000 pounds a square inch. The pre-drill gross un-risked resource estimate is approximately 300 mmbœ. A second well, Chia Surkh 11, was spudded to further appraise the discovery. Genel, the Anglo-Turkish energy giant, intends to carry out a rapid appraisal and development program in order to have an early production scheme operating in the first half of 2014.

### Chia Surkh

#### Interest

Genel Energy (60%),  
Pet Oil (20%)

#### Reserves

300 mmbœ,  
15 million cfg

#### Area

240 square km

## Law Number 5 Shifts the Landscape of the Oil & Gas Sector

According to a new law recently passed by the Kurdistan Parliament, the Kurdistan Region could soon begin exporting oil if Baghdad does not agree to pay debts claimed by the KRG.

Law Number 5 also stipulates that Baghdad compensate victims of the Anfal Campaign in the Kurdistan Region. It has been estimated that the KRG is claiming that Baghdad must pay more than \$20 billion, including \$6 billion for the Ministry of Peshmerga, \$4 billion for the oil and gas companies operating in the Region, and at least \$10 billion for the victim's of the Anfal Campaign. If these debts are not repaid, then Law Number 5 provides for the KRG to begin exporting oil and gas abroad in order to raise the requisite funds.

## Pipeline Nearing Completion; Second on the Way?

The new pipeline linking oil fields in the Kurdistan Region with the Kirkuk-Ceyhan pipeline is expected to be operation by the third quarter of 2013. The new line will connect Genel Energy's Taq Taq oilfield with the existing pipeline at the Fishkhabur pumping station near the Turkish border. Once operational, the pipeline will enable the Kurdistan Region to export crude oil directly to world markets without the prior approval of the central government in Baghdad. The pipeline, which was initially designed for natural gas but was later converted to carry oil, is approximately 80% complete and will allow for the transportation of up to 300,000 bpd. Sources within the KRG have also indicated that construction of a second pipeline could begin in the near future. The new line would reportedly connect Turkey with oil fields in the Shaikan and Barda Rash blocks, and would reportedly have a capacity of 500,000 bpd.

Tawke field production has reached **100,000 bpd** by May 2013.

### Tawke

Discovered by DNO in 2006.

#### Operator

DNO (55%), Genel Energy (25%)

#### Reserves

771 mmbœ

#### Target

200,000 bpd  
by 2014

Producing wells  
17

Crude oil exports from Taq Taq field will reach **60,000 bpd** by the end of June.

### Taq Taq

#### Operator

Genel Energy (44%),  
Addax (36%)

#### Reserves

647 mmbœ

#### Target

200,000 bpd  
by 2014

Producing wells  
12



## Hilton Expands Operations

Already expected to open two hotels in Erbil by the end of 2015, Hilton recently announced plans for expansion into Slemani. The 223-room DoubleTree by Hilton: Slemani is now slated for grand opening in 2015 following the signing of a management agreement with Kurdonia Company, which is owned fully by Hiwa Rauf Company.

**“The Kurdistan Region of Iraq is attracting increasing numbers of international travellers which is fuelling demand for quality hotel accommodation, particularly in gateway cities like Sulaymaniyah.”**

Rudi Jagersbacher, President,  
Hilton Worldwide, MENA

# BRIEFING

## Dedeman Erbil Opens Its Doors

Turkish hospitality chain Dedeman has launched Erbil's newest hotel; Dedeman Erbil features 151 rooms and seven different dining and bar options. Recreational facilities include an indoor swimming pool, a fitness center, a steam room, sauna, Jacuzzi, Turkish bath, and Finnish steam bath. The hotel, located on 60 Meter Street roughly 10 kilometers from Erbil International Airport, also provides 8 meeting rooms, a meeting hall, and a grand ballroom.



## Cristal Group Entering Kurdistan

The Abu Dhabi-headquartered Cristal Group (CG), which is already operating in Baghdad, announced plans to expand its operations to the Kurdistan Region within the next two years. The company plans to open hotels in Erbil and Slemani in an effort to tap the Region's rapidly expanding hospitality industry. CG has signed two deals in Erbil: the \$13 million Cristal Hotel Erbil is set to open in October and the \$25 million Cristal Grand Erbil is expected to begin operations in 2014. CG is also reportedly in talks to open a new luxury facility in Slemani in the near future.

## Higher Education in numbers

Class Size

**62 students to 1 professor** <sup>(2013)</sup>  
**Targeted Goal 30 to 1**

Full Professors

**5%** **→** **20%**  
 Current Target

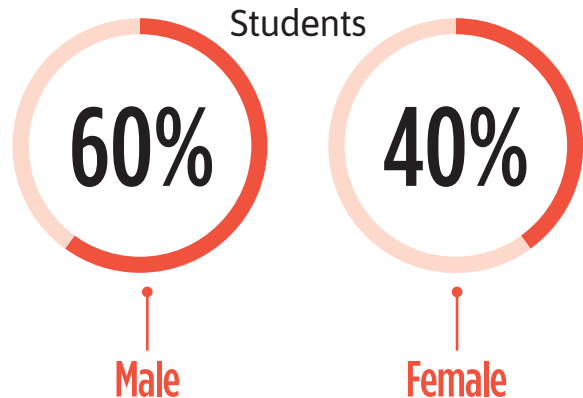
Enrolled students <sup>(2013)</sup>

**115,000**

Expected graduates <sup>(2013)</sup>

**5,000-6,000**

Top Majors: Medicine and Engineering



# FALCON GROUP



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## Good Governance & Transparency

**Nisar Talabany** —  
*Senior Advisor to the Prime Minister  
Kurdistan Regional Government*

Nisar Talabany explains the development of the KRG's Good Governance and Transparency Strategy and the inclusion of the Kurdistan Region in the Extractive Industries Transparency Initiative Report.

**IIG: Can you explain the background of the KRG's "Good Governance and Transparency Strategy" [GGTS]?**

**NT:** In July 2009, Prime Minister Nechirvan Barzani announced a comprehensive anti-corruption and transparency strategy. In his words, the goal of the program was, "to improve international and domestic confidence and increase investment and job development, while helping to raise living standards in our Region." This strategy is founded on four key principles that we have deemed central to improving governance: the rule of law, the idea that public service is a public trust, transparency in governmental functions, and the notion that public funds must always be used for their intended purposes. All of this information is public, of course, and is available on the Office of Governance and Integrity [OGI] website. It was widely distributed both locally and amongst the international community as well. The strategy was fully funded by the KRG, and it is based on leading international standards and practices, particularly, the United Nations Convention Against Corruption (UNCAC). It was designed to bring the Kurdistan Region closer to the global community with which we are

### About

Nisar Talabany has served as a Senior Advisor to the PM for the past four years. Prior to her appointment, she served as Assistant Director to the KRG's Head of Foreign Relations and as Communications Director at the KRG's London Representation. She holds two Masters Degrees, one in Pharmacy from the University of Brighton and the other in International Studies and Diplomacy from the SOAS - University of London.

working to safeguard integrity and improve transparency.

**IIG: What major achievements have been made in terms of good governance and transparency?**

**NT:** The key objective of the strategy was to have a government that is responsible, transparent, and accountable for its actions. We want a government that will spare no effort in order to serve the people in the best approach possible. The strategy is a multi-year effort. We have come a long way in the past few years and have faced multiple challenges. However, we still have plenty to do. Nevertheless, we are in a better position today than we were a few

years ago. This improvement is obvious in terms of the increased investment and steady progress that the Region has made. The safety and security, the investment law, and the progress made in the oil and gas sector were all contributing factors to these advancements as well.

We have been working closely with Members of Parliament, NGO's, and the international community, particularly the World Bank and UNDP, to follow through with the implementation of the strategy. Progress has been made in areas relating to budget transparency and oil and gas transparency. The Law for the Commission on Integrity was passed and will be a great support for the good governance efforts in the Region.

**IIG: In terms of the GGTS Timeline, how far along is the KRG at this point? What are the plans for the future and what have been the major obstacles over the past 4 years?**

**NT:** We need to understand that corruption is not simply an issue of government, but rather an issue of society and the private sector as well. It affects us all and holds back our progress towards a better future. So, this awareness takes time: it's a process. However, we have been making steady progress and the priorities have now slightly changed. For example, Oil and Gas

Kurdistan Region are out-of-date. The OGI initiated this request and now a committee within the Council of Ministers is working on the issue.

**IIG: The strategy prioritizes "setting integrity standards for private sector entities doing business within the government". To what specific areas of the private sector does that apply and how are those standards being implemented?**

**NT:** This was intended for major contracts, particularly in public procurement and construction projects. However, we found that this was a highly technical element of the strategy. As such, we've determined that we need to modernize the law before being able to implement this particular element. Eventually, this "contractor integrity incentive" will be applicable across all sectors. The key message that we are trying to convey is that the KRG will only do business with reputable companies that have high integrity standards and are ethical and transparent in their conduct.

**IIG: There is also a provision within the GGTS for the creation of a Code of Conduct for all KRG officials. What does that Code of Conduct entail?**

**NT:** The Code of Conduct was another positive step that we are all quite proud of. The code demonstrates the KRG's commit-

ment to conduct themselves with the highest degree of integrity and ensure that their official duties are free from conflicts of interest. Currently, we are in the process of reviewing the code to make it more user friendly and easy to implement.

**IIG: Can you explain the significance of the Kurdistan Region being included in the most recent Extractive Industries Transparency Initiative [EITI] Report?**


**NT:** The KRG has always addressed the issue of Transparency for Natural Resources. It is mentioned in the KRG Oil and Gas Law and is a key element of the GGTS. Following the release of the first EITI report on Iraq in 2011, we engaged with the World Bank [the entity that funds and provides the training for the EITI in Iraq] and expressed our desire to be a part of the process. However, we also wanted to have a separate chapter in the report since our contracts are different: we have Production Sharing Agreements whereas Baghdad has Technical Service Agreements. There are other technical differences as well.

We have been working closely with the Ministry of Natural Resources, the World Bank, the EITI, and the team in Baghdad to develop this chapter. It was agreed by all parties that the KRG would have a separate chapter in the next report. Under immense

**"The Code of Conduct was another positive step that we are all quite proud of. The code demonstrates the KRG's commitment to governance, integrity, and transparency. This step showed that the KRG joined governments around the world in establishing leading practices of accountability."**

Transparency has been brought forward, whereas the review of the Penal Code is yet to come. We have been discussing these issues with Members of Parliament and other legal experts. However, there are many new laws pending and others that are currently being amended, so we were advised to wait for the time being. Other areas, such as public procurement modernization, have progressed significantly. This is a key development, as the laws for public procurements in both Iraq and the

ment to governance, integrity, and transparency. This step showed that the KRG joined governments around the world in establishing leading practices of accountability. These steps will not only enhance the quality of governance, but also create investor confidence and raise the international standing of the Region. These are key factors in increasing investment, growth, and employment opportunities for all of our citizens. The Code of Conduct clearly states that KRG officials are required

time constraints, we produced the chapter and all relevant groups approved it. However, this chapter vanished during the launch process. It seems that the report became highly politicized in Baghdad and the chapter was removed. We are still waiting for the official response from the EITI. The KRG's press release about this issue can be found on the KRG website, as can the KRG-specific chapter from the report. 



## Kurdistan in the UK

**Bayan Sami Abdul Rahman** —  
*High Representative to the UK  
Kurdistan Regional Government*

Bayan Sami Abdul Rahman provides exclusive insight into changing media perceptions of the Kurdistan Region, increased relations between the KRG and the British government, and advancements in the field of women's rights.

**IIG: Can you give us some information about your personal background and your professional history?**

**BSAR:** My family lived in Iraqi Kurdistan until the mid-1970s. Then we moved to Iran as refugees along with a large number of other Iraqi Kurds. When I was eleven, my family moved to Britain. My father of course stayed in the Middle East as he was in the leadership of the Kurdish movement. I studied history at Goldsmiths College, which is part of the University of London, and graduated with a Degree in History. I later gained a Diploma in Journalism and became a journalist in 1988. I worked in British newspapers for 17 years, including at the Financial Times for about 8 years. In 2005, I was designated as the KRG's representative to the UK.

**IIG: What were the initial difficulties you faced during your first years in office?**

**BSAR:** Frankly speaking, it was very difficult to get any attention. In 2005, Britain didn't have a consulate here in Erbil. The KRG had a relationship with Britain because of its military presence in Iraq, but that was it.

In 2005 and 2006, we set out with a focus only on a few areas: providing services to the Kurdish community and promoting

trade with the UK. At that point, the goal was mostly to build trust. The other area of focus was to establish relations with Members of Parliament in order to keep our relationship with the British establishment strong.

At that time, the British media perspective was different and very negative. Nobody was interested in a success story in Iraq, so it was very hard to be heard. My aim was to be involved in the British media as a representative of Kurdistan. I simply wanted the words "Kurdistan" and "stability" to be heard. That was my very basic aim at the beginning. I believe in this regard we succeeded.

I was, at the same time, knocking on the doors of trade organizations since Britain is a country whose economy is based on trade and finance. They were very hesitant because they did not differentiate the Kurdistan Region from the rest of Iraq. Nobody in the UK was interested in coming here or doing business in the Region. As such, we have tried to build confidence amongst the British business community about Kurdistan. We have encouraged Kurdish trade organizations to come to the UK and to meet people and try to find partners. By 2006, we managed to get two different organizations, British Expertise

and the Middle East Association, to come here, see the Region themselves, and meet the Prime Minister, the individual ministers, and the Chambers of Commerce. That's how we've progressed in terms of the business community.

Since those early days, we have been able to place emphasis on many other areas too. We focus, of course, on our relationship with the British Government, Parliament, think tanks, and the international media. We also focus a great deal on the Kurdish and the Iraqi community in general. So, we have branched out quite a bit.

**IIG: How would you characterize current relations between the KRG and the UK?**

**BSAR:** Where we are today is totally different. There are several major British trade organizations that we liaise with on a daily basis. The Middle East Association, British Expertise, UK Trade and Investment, and the Iraqi-British Business Council. Of course, there are many more private business organizations that we speak with and individual businesses that come to us. Promoting trade and investment is a very big part of our office's work and it's on a different footing. They come to us rather than us having to knock on everyone's door.

In 2005, I felt that perhaps there was only myself and a few others who spoke up for Kurdistan in terms of trade. Today, there are many businesspeople who have visited Kurdistan who have subsequently become our ambassadors and helped us promote the Region.

The media situation has also changed. I think a majority of the media have accepted that Kurdistan is different from the rest of Iraq. The trade and investment situation, as well as the understanding amongst the business community, has changed. So, our relationship with the British government is better and much more detailed. They have a Consulate here and our representation there has expanded in terms of number of staff and a better geographic location. Another area of our operation that has expanded dramatically is our work with Parliament. A group of British parliamentarians established an "All Party Parliamentary Group" (APPG) on the Kurdistan Region, and we support this group as much as we can. This APPG is one of the most proactive APPGs in the whole of Parliament. There are hundreds

of these types of groups, perhaps 600 or 700 in the British Parliament. From what we have seen, the Kurdistan APPG is in the top five in terms of how proactive it is. This is fantastic for us. We've been able to show the MPs that we have shared values, that we believe in democracy, and that we believe in women's rights. Of course, we still have issues and problems to iron out. However, we look to Britain as an example for resolving all of those issues and we therefore welcome British advice.

**IIG: How much engagement is there between the two sides?**

**BSAR:** There is quite a lot of engagement. We have people from Britain that advise our government on how to train the police, to deal with women who feel threatened, to train firemen to an international level, to properly test the medicines that come to Kurdistan, and to train our civil servants and Members of Parliament. In terms of education, a large number of Kurdish students who study abroad via the KRG scholarship program choose to do so in the UK. There are over 1,700 scholarship students currently studying there. Our relationship with the UK is detailed and widespread. Our office also liaises with Northern Ireland, Scotland, and Wales, not just Westminster. So, overall, there's a lot of interaction.

**IIG: You're in a strong position of authority, in that you represent the KRG in London. You're also a woman and a mother. So, we are curious if either of those roles influences your work as the KRG's High Representative?**

**BSAR:** I think we've made enormous leaps in terms of women's rights in Kurdistan. However, there's still a long way to go. Prime Minister Barzani has really done a great deal, not only in terms of promoting women to positions in the government, but also in terms of promoting women's rights in general. I became a mother in 2012, so only recently. The KRG has shown me a lot of flexibility to be able to take maternity leave and so on. I hope that kind of flexibility is shown to other women, and that it's not just to me because of my privileged position.

In the UK, journalists, MPs, and women's organizations do ask me about women's rights. I give them an honest answer.

**"In 2005, I felt that perhaps there was only myself and a few others who spoke up for Kurdistan in terms of trade. Today, there are many businesspeople who have visited Kurdistan who have subsequently become our ambassadors and helped us promote the Region."**

About 50% of undergraduates, 30% of government employees, and 35% of MPs in Kurdistan are women. So, as women we have a presence, but we still have a long way to go. There is still honor-based violence, unfortunately. There is FGM [female genital mutilation], despite the fact that we've passed laws that ban it. These are difficult issues that the KRG is working hard to resolve.

In 2008, Prime Minister Barzani commissioned research by Roehampton and Bristol universities in the UK on honor-based violence in Kurdistan. The research they did was pioneering worldwide. There isn't that kind of deep, academic research on honor-based violence anywhere else. I think the Prime Minister is a visionary. He does promote women's rights and he's daring enough and bold enough to invite others to analyze the country in an independent, objective, academic way. We need to know where we are on these types of issues, where we've done well, and where we've done poorly. We need these types of recommendations.

People forget how bold it was several years ago for the President Masoud Barzani and Prime Minister Barzani to say publicly, "It's wrong to have honor-based violence. There's no honor in killing a woman." It was a very bold thing to do at the time as it broke a taboo. Now, we all take it for granted, but then it was a very strong stance to take. ①



## Cultural Relations & Human Capital

**Yonghyon Kim** —  
*Consul General, Embassy Office of the Republic of Korea*

Yonghyon Kim talks to IIG on the development of bilateral relations between the Kurdistan Region and the Republic of Korea, the importance of cultural exchange, and the emphasis placed on the development of human capital.

### About

Yonghyon Kim has served as Consul General of the Korean Embassy Office in the Kurdistan Region since 2012. He began his diplomatic career in 1990, and, in addition to the Kurdistan Region, has served in Seoul, Nairobi, Washington, Beijing, New York. Mr. Kim specializes in US-Korea bilateral relations, with emphasis on political-military issues and on security cooperation issues on the Korean Peninsula. Prior to his current position, he served at the Korean Consulate General in New York.

**IIG:** The Korean Embassy Office was established in 2004. You began your service here in late 2012. What have been your initial impressions of the Kurdistan Region?

**YK:** As soon as I arrived here, I tried to avidly learn the Kurdish people's history and culture. The more I learned about them, the more sympathetic I became. I also tried to travel as much as possible to understand this land and people. I wanted to meet as many people as possible, including diplomats, KRG officials, businessmen, scholars and ordinary people of Kurdistan. This has helped me to understand the Kurdish people's frustration, their future, and their dream. I think this region and these people have a great future. They are blessed with beautiful natural surroundings, wonderful land, a talented population, and abundant natural resources. Over the past decade, they have been able to make great progress and remarkable development. They have established a vibrant and stable economy, which has benefited greatly from their hard won security. We take great pride in having been their true friends and faithful partners along the way. They obviously also have significant oil and gas resources, which further increases their potential.

**IIG:** What activities the Korean International Cooperation Agency [KOICA] has been engaged in?

**YK:** Most of the focus has been on education and human resources development, as well as on providing assistance to elevate living standards on a basic level. We believe we are in a unique position in terms of our level of experience. In comparison to other advanced countries, we have more relevant technology and development strategies to share because we only achieved our economic and politico-social development in the past several decades. Our focus is moving more toward sharing our software knowledge and experience in development beyond providing simple hardware assistance. In addition to building a Vocational Training Center in Erbil, KOICA invited more than 1,400 Kurdish people to Korea under the Fellowship Program for human capacity building courses. In close consultation with the KRG, We are helping to build model comprehensive schools in Erbil, Duhok, and Slemani. This emphasis on education includes facilities for handicapped students and vocational training.

**IIG:** In what areas Korea is the most well suited to aid in the development of the Kurdistan Region?

**YK:** Over the past 10 years, as part of the KOICA Fellowship Program, we have invited more than 1,400 Kurdish officials and youths for training in Korea. We paid for their travel and accommodations while they trained in Korea for 3 or 4 weeks. Some individuals also elected to pursue courses in computer programming, auto repair, vocational courses, or public administration. Others selected a one or two year Masters Degree courses. You name it, they wanted it! These are all key areas for developing countries, so it was important for them to be able to participate in the process. So, this was KOICA's focus. From 1993 up to 2011, the net cost of implementation for these programs was more than \$130 million for the Kurdistan Region alone. This is because the Region is safer, more stable, and perhaps more wel-

has visited Korea many times; he said he likes kimchi and Korean green tea. We have heard from both his staff and other government officials that he has emphasized learning from Korea in particular. Korea has quite a bit to offer and I think that may also be a reason why the Kurdish people like Korea. We give them hope and promise, because we serve as an example of what they can achieve. Korea has no oil, gas, or significant natural resources. It has only human resources and human capital. It was invaded, divided, and its security has been constantly threatened. Yet, it has been able to be very successful. If the KRG is able to develop its own human capital in coordination with the development of its natural resources, it will certainly become an even more important entity.

generation, housing, and construction. It is my hope that in the future our companies will expand into areas like agriculture, food processing, and even tourism.

**IIG:** Is there any hesitation on the part of Korean companies because they worried about safety and security in the Region?

**YK:** Some companies are still hesitant to come to the Kurdistan Region for the reasons you mentioned. As a result, I am regularly visiting Dubai, Qatar, Abu Dhabi, and Amman to meet our business representations there and encourage them to come here. The same is the case for the Baghdad Embassy. Our officials there organized a business forum to convey the idea that Iraq is an emerging market with great potential. The Kurdistan Region isn't a potential market. It's already a reality.

**“The Kurdistan Region isn't a potential market. It's already a reality. It is certainly an emerging market, but it is also more established and more secure. With those ideas in mind, I fully expect an increased number of Korean companies to come here.”**

coming than other parts of the country. In the near future, more experts need to be sent to advise and consult. However, I think it will be more important that private sectors, including more private companies, come to Kurdistan to invest as partners.

**IIG:** Human Capacity Development Program [HCDP] is of vital importance for the future of the Kurdistan Region, so it's very nice to hear that Korea is also emphasizing its value.

**YK:** It's very encouraging that the KRG, and in particular the Prime Minister, have attached great importance to both Human Capacity Development and Human Resources Development. I know that they have allocated \$100 million per year to the HCDP and I think that this is an incredibly encouraging, far-sighted decision. The KRG isn't simply depending on oil and gas; they're trying to diversify their economy in order to empower their people. Prime Minister Nechirvan Barzani

**IIG:** Do you think that increased private sector involvement could also help further develop human capacity?

**YK:** Compared to 8 months ago when I arrived, the number of Korean companies' management staffs operating here has doubled. Soon it will triple, because of their expansion of projects. There are more and more interested parties in this emerging market. Moreover, Korean companies have been active here in the Region for a long time. For example, the Korean National Oil Cooperation (KNOC) is active in oil exploration here and they are making progress. KNOC is a pioneering company that was awarded its first contract here in 2007 rather than a year or two ago. At that time, few major companies were willing to take that risk because they were concerned about security and about alienating the southern part of the country. KNOC, which is partly state-owned, took that risk and invested in the Region. Now we have other companies that are active in power

It is certainly an emerging market, but it is also more established and more secure. With those ideas in mind, I fully expect an increased number of Korean companies to come here.

**IIG:** What is your outlook for the future of the Kurdistan Region?

**YK:** Some people the Region aspires to be another Dubai. I have visited Dubai many times. This land has more potential than Dubai. Dubai is in a desert, and I am continually amazed that they were able to build as much as they have there. However, these Kurdish people are blessed with very good land as well as their own traditions and culture. This land used to be the breadbasket, and could be once again. The Kurdistan Region has lovely mountains and beautiful scenery. So, they have the potential to be more than Dubai. I think the Kurdistan Region can be a shining star and a model in this part of the world that is plagued with conflict and frustration. ⑩

## Italy in the Region

**Simone De Santi** —  
*Italian Embassy Consular  
Office in Erbil*

IIG speaks with Simone De Santi regarding the development of Italian-Kurdish relations, the economic sectors in which Italian companies have been the most active, and the area that is most in need of further development.



**IIG: When was the Italian Consular Office in the Kurdistan Region opened?**

**SDS:** The office officially opened in July 2011. We are currently in the process of upgrading our presence here to a full-fledged Consulate.

**IIG: Can you give us an idea of Italy's historical involvement in the Kurdistan Region?**

**SDS:** The Kurdistan Region has been an exceptional market for us in terms of small to medium enterprises, as well as for mid-to-large sized companies. It has certainly been a great market for companies to establish a base of operations to enter other parts of Iraq. Our activity here was initially focused on cooperation projects. The involvement of the commercial sector came later. Since 2003, many cooperation activities began, especially in the health sector as well as a shift in business relations. Business interests grew during this period. In 2006, we held the first Italian Fair here in which over 100 companies participated. From that time on, the relationship developed. Currently, our involvement could be classified as 360 degrees.

**IIG: In which sectors are Italian companies presently the most active?**

**SDS:** A major area of interest is engineering design and architectural development. This is a sector in which Italy has traditionally been quite active. In the Kurdistan Region, there are many examples of this type of involvement; perhaps the best would be the new transportation system that was

designed by several Italian companies. In the construction industry, Italian companies have also been quite active, particularly in terms of supplying the industry. I expect this level of involvement to increase, especially since our Constructors Union is coming in June to gauge opportunities in both the public and private sectors. So I would say that design, engineering, and construction are the main areas of interest for Italian companies.

**IIG: In terms of increasing Italian involvement in the Kurdistan Region, what would you say should be the key priorities?**

**SDS:** We are not just coming here and simply trying to win a tender or sign a partnership agreement; we have also prioritized promoting investment. We have encouraged some of our investment promotion agencies to get involved here in the Kurdistan Region. One of these, Sace, is the main export credit financing and investment protection company in Italy. Sace works to provide a variety of services and protection to Italian companies operating abroad. They are the ones that study the market, determine opportunities, and examine the guarantees offered by the government or the private sectors. To do this, they have met with the relevant ministries to understand and analyze the Investment Law, as well as what the Kurdistan Region offers in terms of governance. They also went to the private sector companies operating here and tried to understand how these companies are registered, how they

### About

Simone De Santi has been serving as Head of the Italian Embassy Consular Office in Erbil since July 2011.

are financed, if they are financially stable, and if they are in line with international accounting practices. This was all in an effort to see if they could support joint-venture partnerships with Italian companies.


**IIG: Have there been any limitations for Italian companies operating here?**

**SDS:** From the research that we have conducted, there are multiple opportunities here that should be more publicized because of the guarantees offered by both the public and private sectors.

**IIG: How many Italian companies are currently operating in the Kurdistan Region?**

**SDS:** There are approximately 50 Italian companies operating on a stable basis in the Kurdistan Region. Our numbers indicated that these companies have about 150 important contracts in a variety of different sectors.

**IIG: What would you say are your office's main priorities at the moment?**

**SDS:** The office has a broad mandate in order to intensify institutional relations, economic cooperation, development activities, cultural initiatives, and, naturally, consular services for Italian citizens. 



# Kurdistan International Bank for Investment & Development

Continuous Progress, Transparency, Trust, Security, Reputation, and Creativity

KIB follows a clear vision to meet the requirements of important economic sectors and keeps abreast with the technological developments in the banking industry. This vision allows KIB to make contributions towards the reconstruction and development process in the Kurdistan Region in particular and Iraq as a whole.



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## Boosting Trade

**Sinan Çelebi** —  
*Minister of Trade and Industry  
 Kurdistan Regional Government*

IIG talked to Minister Sinan Çelebi regarding increased bilateral trade relations with the Kurdistan Region’s neighbors and his Ministry’s primary goals.

**IIG: How does regional instability impact Kurdistan’s trade?**

**SÇ:** Let me put it this way: I was born in 1944. I have seen Iraq when it was a monarchy. I have seen it during the era of General Qasim when the revolution took place in 1958. I have lived here throughout the country’s history; we tend to have peace for 10-15 years and then something erupts. We are used to this now. I remember the first day when Iraq went to war with Iran. After six years, we were doing business in the street while Iranian planes were bombing. It just became a natural part of our lives, unfortunately.

So, now, if there is prolonged instability in the region, we will of course be affected. The situation in Syria is impacting us as well, as evidenced by the fluctuation of the dollar every day. To live in this region is to accept this as the standard, unfortunately. Here in Kurdistan, we live for today and want to improve in whatever way we can. We don’t really dwell on the past. What’s done is done. It’s far more important to focus on today, as well as our future. This is our priority: to grow in the right way, to develop where we need to develop, and to help our people prosper. This is our mandate.

**IIG: Kurdistan Region has very robust trade ties with Turkey. How do you assess your current trade relations with Turkey?**

**SÇ:** I was able to get a message to the Prime Minister of Turkey recently. As a result of that message, Turkey has announced plans to build a third bridge into the Kurdistan Region.

The whole of Iraq, including the Kurdistan Region, produces around 3 million barrels per day [BPD]. Currently, we have two bridges at the border between Turkey and Kurdistan; an average of 2,500 trucks utilize these bridges each week. This is the maximum amount of traffic that these bridges can handle. However, we are planning to increase our BPD from 3 million to between 9 and 12 million; at a minimum, this will triple our capacity. So, logically, those 2,500 trucks will increase to 7,500 or perhaps 8,000. The current bridges can not handle that type of increase. So, we have tried to plan for this increase.

I have good relations with the Minister of Economy of Turkey, Zafer Çağlayan. I talked with him about this situation and was able to get a message to Turkish Prime Minister Erdoğan. Minister Çağlayan spoke with the Prime Minister and said, “We should do what Sinan has asked. It’s in our benefit.”

So, our hope is that we will be able to construct this bridge within a year, because Turkey is obviously our only route for accessing Europe. Right now, Syria is not accessible, so our main point of access is in Mersin, Turkey.

If we are able to develop that gateway even further so that it can handle six or seven thousand trucks each day, then our economic situation will improve proportionately.

**IIG: At the moment, the majority of traffic on those roads is exporting oil. Is there any plan that in the future, exports from the Kurdistan Region will diversify?**

**SÇ:** We first have to be able to satisfy our internal demands. Once we are able to develop surpluses, then of course we will begin to export. However, right now if we need 10 million tons of cement per year and we are producing 10 million tons, then it isn’t logical for us to try to export. Perhaps if there are compelling trade reasons we could do it, but right now our priority is to establish self-sufficiency. Once we’ve done that, then diversifying our export process is an obvious goal.

**IIG: In terms of imports, what regulatory standards are in place to ensure that the items are of a certain level of quality?**

**SÇ:** In the past, there were many products or goods coming into the region that did not meet the standard that we have established. It was a problem. So, we brought in SGS [a Swiss company specializing in inspection, verification, testing, and certification services] to monitor the items that are being imported. 99% of the goods that come from Europe and Turkey pass through these filters without a problem. Certain items coming from other countries may be held up at the border because

their quality does not meet the established standard.

**IIG: How would you categorize trade relations with the United States, at the moment?**

**SÇ:** They should be much better. Unfortunately, outside of the oil and gas sector, American businessmen aren’t really coming here. There are only about 95 or 96 American companies registered here which, when compared to the number of Turkish companies active in the Kurdistan

(As of June 2013)

**2,300 foreign companies,  
 15,000 local companies**

Region, is nothing. American products are the highest quality, so we would definitely like to increase our economic relations with the United States. Political relations are a bit more challenging, but economic relations should not be.

**IIG: What is your message to the foreign investors?**

**SÇ:** Any country or nation that wishes to invest here, the door is wide open. Of course, it depends on how they come in and which sector they wish to invest in.

**“We don’t really dwell on the past. What’s done is done. It’s far more important to focus on today, as well as our future. This is our priority: to grow in the right way, to develop where we need to develop, and to help our people prosper. This is our mandate.”**



## Financial Sector in the Region

**Bayiz Talabani** —  
*Minister of Finance and Economy,  
Kurdistan Regional Government*

Minister Bayiz Talabani discusses the current objectives of his Ministry and the role that private banks should play in creating financial opportunities.

**IIG: What would you say are the Ministry of Finance and Economy's goals or objectives for 2013?**

**BT:** Our current goals are to systemize the banking sector, as well as to computerize activities relating to customs, taxes, and retirement funds. We are also working to implement the current investment budget to help create employment opportunities and rehabilitate economic infrastructure. In addition, providing as much of the budget as possible for the social insurance, agriculture, industry, higher education, education, health, and electricity sectors. The Ministry of Finance and Economy

allocates funds to build factories and investment projects in the fields of agriculture, industry, and trade. These types of projects can have a significant impact on economic growth.

**IIG: What infrastructural development are you most pleased with?**

**BT:** I am most pleased with agricultural growth because I believe it can be a contributing source for many other sectors including industry, trade, transportation, and tourism.

**IIG: What are your expectations for the Erbil Stock Exchange?**

**BT:** The Stock Market has been initiated, but is still a very new phenomenon. My hope is that large companies will become actively involved in it, which will obviously generate more trust from smaller or local companies.

**IIG: What role do you believe foreign banks should play in developing the financial sector of the Kurdistan Region?**

**BT:** I believe the biggest role that foreign banks can play is in using their capital to promote further development in the priority investment sectors. These include agriculture, education, transportation,

### About

Minister Bayiz Talabani was born in Kirkuk in 1944. He was initially appointed as Minister for Finance and Economy in May 2006, and was reappointed in October 2009 and again in April 2012. Prior to his appointment as Minister, Mr. Talabani served as the Head of KRG Fiscal Control.

industry, and tourism. In addition, giving loans with minimal rates could also help further development the financial sector.

**IIG: Looking at the local banks, do you believe the services and staff are sufficient to satisfy growing demand, or is further development or training necessary?**

**BT:** Training is fundamental for each and every member of the banking community. However, our employees require more training than their counterparts in other countries. This training can occur both inside and outside of the country, because our employees need to be familiar with the changes taking place in the Iraqi financial sector as well as the progress made in the international arena. To establish themselves as reliable performers, our banks must continue to pursue training opportunities wherever they are available. ☺

## SUCCESS STORY

### Decades of Experience

How UB Holding managed to expand its brand from a humble food distributor to a giant production and trading company in the Kurdistan Region of Iraq

When UB Holding first began operations in 1991, the majority of production in Iraq was controlled by the government of Saddam Hussein. Thus, it was impossible for private enterprises to establish themselves in terms of local production or manufacturing. So, UB Holding elected to import essential food items, notably sugar and flour, from Turkey. As need for foreign food products increased as a result of the Gulf War and the resulting economic embargoes, the company expanded its operations. From humble beginnings, the company was soon importing a wide variety of food items from the Kurdistan Region's neighbor to the north. UB became Iraq's primary distributor for the Turkish brands Ülker and Kent. However, the company shifted its emphasis from distribution to local production in order to increase its profit in 2000. This shift paved the way for establishing a giant group of companies that currently operates in energy, industrial production, construction, agriculture, and tourism.

### Expanding the Brand

In 2000, there was a lingering fear that Saddam Hussein's forces would reenter the Kurdistan Region to either nationalize the industries in operation or devastate the Region as he had done previously. So, the company started slowly, producing powdered juices on a fairly small scale. Abdul Nezir, UB Holding Executive Board Member, noted "It was a big hit for us. We were making 60-70% profit. The machines were very small and not very high quality. However, at that time, they were all we could afford."

UB next expanded into the water

sector. Most of the water that was being consumed was, due to a lack of import tariffs, coming from Turkey. Indeed, local production accounted for only 4-5% of the market in the Kurdistan Region. UB purchased a Swiss manufactured, second-hand machine that was capable of producing 4,000 bottles of water per day. Today, the company operates two facilities in the Kurdistan Region capable of producing a total of over nine million bottles per day. UB and its three brands, Life, Lolav, and Lava, currently constitute roughly 70% of the water market in Iraq. The company itself is now the second largest in the Middle East when it comes to single-plant production. However, UB wasn't only successful in terms of production. According to Nezir, "We pushed very hard and were finally able to get the government to raise the tariff on water. As a result, currently, only 1% of the Region's water comes from Turkey. The rest is produced locally."

### Oil and Gas Development

UB Holding has become increasingly involved in the oil and gas sector since the fall of Saddam Hussein in 2003. Initially, the company was attracted to the sector as a result of the UN's Oil for Food Program. Since there were few other economic options during the 1990s, the sector presented a logical move for a commercial organization looking to expand its reach, and the company founded Iraq Oil in 1996 with this issue in mind.

Since 2003, UB dramatically increased its involvement in the oil and gas industry, starting with refueling stations. "We started building the first modern gas stations

around that time," said Nezir. "The old gas stations that were owned by the Iraqi government were built in the late 1970s and early 1980s, and no gas stations were built here after 1985. So, the situation was pretty dire. We identified this issue as a priority area in terms of development, and became the first company to begin constructing new gas stations. Today, Iraq Oil owns and operates 16 such stations."

UB was also one of the first companies to buy crude oil from TTO Company, which was the first company to explore crude oil in Kurdistan. Again, UB identified an opportunity to process oil, even when there were no refineries in operation in the Kurdistan Region. Instead, the company undertook the painstaking process of buying crude oil, refining it at small, local topping plants, and then selling the product. Although minor in scale, this operation represented the first attempt at local processing, supplementing the existing policy of importing from outside the Region.

Today, the company has become one of the biggest private oil trading companies in Iraq. Iraq Oil currently owns two petroleum product storage and handling terminals: one is a 90,000-ton capacity facility located in Erbil, and the other is a 16,000-ton capacity facility in Zakho. Construction is underway on a new, modern storage and distribution terminal in Zakho. That facility will have a capacity of over 110,000 tons. UB is also involved in oil and gas transportation and distribution via the company's affiliate Burak Logistics (BL), which operates a fleet of over 1,000 trucks. BL is focused on distributing Iraq Oil's products throughout Iraq, and also transports crude oil and other products



# UB



from the Ministry of Natural Resources to the Turkish border. UB has not yet received authorization for their trucks to enter Turkey. For the time being, BL transports Iraq Oil's products to the border and then Turkish trucking companies transfer the load and handle transportation within Turkey. UB is also planning to expand its already extensive oil and gas operations in the near future. The company recently received a large loan from İş Bank, the Turkish banking giant. The loan represents the largest amount ever given to a company operating outside of Turkey, and will be utilized to expand UB's activities in both the construction and oil and gas sectors.

### Agricultural Opportunities

Although historically underemphasized, the agriculture sector has been of increasing interest to UB in the past few years. Already active in agricultural growth and food production, the company has expanded into the dairy sector, signing an agreement to import a herd of milk cows from Holland. A large tract of land, approximately 250 acres in size, will serve as the home for the new subsidiary company, "Belivan", which roughly translates

into English as "Milk Maid". However, a limited harvest season has limited UB's attempts to expand further into the sector. The harvest season for fruits grown in the Kurdistan Region lasts from June to July. While there is considerable produce generated during this period, there are limited options for what to do with it all. Nezir, however, sees opportunities for improvement. "We need the government to pursue cold storage facilities to help keep the fruit from spoiling at such a rapid rate.

In addition, there are currently no manufacturers that are capable of turning this produce into concentrated juice. Such products are very expensive in Europe and the US, and could be easily exported from Kurdistan. However, none of technology needed to pursue such options exist here. So, if the government wants to help develop the agriculture sector and aid local farmers, it needs to raise taxes on imported fruits and vegetables.

Everywhere else in the world, there are tariffs on imports. Here, there are none. As I noted earlier with the Kurdistan Region's water production, tariffs are capable of having a major impact on local industries, and could very much improve the overall agriculture sector."

### About

Abdul Nezir is an Executive Board Member in UB Holding. He studied Marketing at California State University, Northridge. He involved various business projects of the company. He currently runs Iraq Oil.

### An Emphasis on Charity

UB's charitable pursuits have matched the company's dramatic growth. Thus far, UB has constructed nine school facilities across the Kurdistan Region and is currently in the process of completing its largest school so far. The facility, which will cost around \$2 million, will serve elementary, middle, and high school students in the Erbil city area. Regarding these corporate social responsibility projects, Nezir pointed out that, "Obviously, 15 years ago, we were not powerful enough to build these types of facilities. However, we've done a lot of charity work since that time. We are very blessed and we feel that we're obligated to give back and to build our community, especially in terms of schools." The company is also expected to open a full-service orphanage, located in Erbil, later this year. ☺



## UB HOLDING

UB Holding is one of the most prominent trade and production groups in Iraq. With its workforce of about 1200 employees, UB is the largest employing private sector group in the Kurdistan Region. UB currently operates in the energy, industrial production, construction, agriculture, and tourism sectors.

Headquarters	Erbil
Chairman	Hadi Nezir
Established	1992
Employees	1,200

### Sectors:

Energy, Construction, Industrial Production, Agriculture, Tourism



### Dohuk Mall

UB is currently constructing a state of the art Shopping Mall in Duhok. The facility will be a six-floor shopping center that has 30,000 m2 of closed area and a parking lot for 100 cars. Ultimately, the wealth of retail expertise within UB Holding, as well as the influential business contacts it has accumulated over the years in the retail industry will ensure that the Mall be an enormous success in Iraq.



### Amusement Parks

UB Holding has invested significant in the tourism and amusement industry within the Kurdistan Region. The company has constructed amusement parks in Zakho, Duhok, and Erbil, all of which are currently operated by the company.

### Duhok Business Hotel

The 21-floor hotel features about 200 rooms, including king, presidential, and standard options.



### Iraq Oil

Oil trading is one of the major business lines of UB Holding, and Iraq Oil is a pioneer in the Middle East region in the trading of petroleum products. Iraq Oil currently owns two-petroleum product storage and handling terminals, one in Kalak/Erbil with a capacity of 90,000 tons and the other in Zakho with a capacity of 16,000 tons. Additionally, a new modern storage and distribution terminal with a capacity of 110,000 tons of petroleum products is under construction in Zakho. The company also deals with retail operations and owns fuel stations operated under the Iraq Oil brand. Lastly, Iraq Oil produces high-performance motor oils in its lubricant blending facility, which has a capacity of 100 tons per day.

### Ahram

Ahram is specialized in the manufacturing of foodstuffs. Ahram's factories, located in Zakho and Sulaymaniyah, are designed and built according to international standards and are equipped with the latest technology for both production lines and laboratories. Inside the manufacturing facility at Ahram Food factory, leading brand "Life" water is bottled according to international standards. This is the largest water bottling plant in the Middle East, and has a production capacity of over 400,000 bottles/hour and 9,000,000 bottles per day.



## Industrial Revival

Fathi Al-Mударis —  
Economic Relations Advisor,  
Ministry of Trade and Industry

Fathi al-Mударis gives IIG insight into the priority areas for investment in the industry sector, the development of human capacity, and plans for the creation of industrial zones within the Kurdistan Region.



**IIG: Why do you think the industrial sector in the Kurdistan Region has taken so long to develop?**

**FM:** In the 1960s and 1970s, there were about ten big industries in Erbil. The products produced here were exported outside Iraq to Gulf nations, Eastern Europe, and other countries. However, the beginning of the Iraq-Iran War, which lasted from 1980 to 1988, was the beginning of the destruction of the industrial infrastructure of the country.

That's why the priority of the Kurdistan Regional Government [KRG] has been to give significant attention to this sector. Now, the Ministry of Trade and Industry [MTI] is about to establish four industrial zones in Kurdistan: one each in Erbil, Slemani, Duhok, and Garmian. We received authorization for this project and the Council of Ministries allocated a large budget for it. This budget will be for the infrastructure of these projects: the irrigation, electricity, water, etc. When the infrastructure for this project is prepared, we will invite foreign and local companies to participate. They will receive land free of charge, along with other facilitating considerations.

**IIG: In what other ways has the KRG prioritized further development of the industrial sector?**

**FM:** In cooperation with the Ministry of Finance, the MTI now will provide loans to those companies that want to set up factories. These loans range from 500 million Iraqi Dinar [IQD] to 2 billion IQD. They are small budget loans, but they will help people start small-sized factories or businesses. In addition, our office is constantly meeting to draw up new regulations, amend old ones, and issue new laws for our sector.

Our strategic plan prioritizes new strategic projects that will help to establish food security. These projects mainly relate to the construction of new wheat and barley silos. Until this point, we have had a storage capacity for wheat and barley of about 280,000 tons. The strategic plan calls for one million tons in reserve within the next 3 years. At the moment, we have four new projects to make this plan a reality. This number will increase over the next 7 months. These are 100% government projects, not private investment projects.

### About

Fathi Al-Mударis graduated from Baghdad University. He holds a master's degree from Germany. He has been working as an economic relations advisor for the Ministry since 2010.

**“We have been preparing ‘Bilateral Free-Trade Zones’ between Kurdistan Region and Turkey that will be located in the border zone of Zakho. It will be a very strategic project between the two sides.”**

**“The Ministry of Trade and Industry is about to establish four industrial zones in Kurdistan: one each in Erbil, Slemani, Dokuk, and Germian. We will invite both foreign and local companies to participate. They will receive land free of charge, along with other facilitating considerations.”**

**IIG: What role are foreign companies playing in these types of projects?**

**FM:** We depend quite a bit on foreign experience. Iraq in general and Kurdistan in particular were under years of embargoes, sanctions, and wars. As a result, many experts immigrated outside the country. So, the policy now is to draw the attention of these experts, both Kurdish and foreign, and encourage them to come to Kurdistan and facilitate the rehabilitation and reconstruction of every sector of the economy.

**IIG: When do you hope to have the infrastructure of the industrial zones established?**

**FM:** We are now in the documentation stage. These are huge projects in terms of the land required. Each one consists of more than one million donum; one donum is equivalent to 2,500 square meters. Within 3 months, we will finish and we will begin the tendering process.

Regarding the industrial zones, it is also worth mentioning that we have been preparing “Bilateral Free-Trade Zones” between Kurdistan Region and Turkey that will be located in the border zone in Zakho. It will be a very strategic project between the two sides and has been accepted by the both governments. Now only the Central Government in Baghdad needs to approve the plan. I believe if Baghdad continues to delay giving approval, we should start this project because it is mentioned in the Constitution that the KRG can enter into deals and establish projects for the sake of all Iraq. Since this project will benefit not only the Kurdistan Region but also other regions as well, it is in line with the Constitutional law.

**IIG: In terms of industry, what would you say are the priority import items?**

**FM:** Construction materials. Both the public and private construction sector in the

Kurdistan Region is massive. As a result, there is daily demand for increased construction materials. We have sufficient local production of cement, but we need more steel, aluminum, and bricks. So there is very promising market for construction companies and for construction materials. Generally speaking, the majority of the companies that have registered their branch or to set up new companies have been construction companies.

In the past two years, however, we have noticed that the number of the industrial companies is increasing. There are many new businesses here that are engaged in setting up new factories. For example, we have received requests to establish small recycling factories and automotive spare parts production facilities.

**IIG: What types of projects is the MTI trying to facilitate to rehabilitate the sector?**

**FM:** If any company is producing products in an area in which we have achieved self-sufficiency, then they will obviously want to begin exporting. We provide the permission and license to export to markets in Turkey, Syria, Iran, or Gulf Countries. For example, two years ago, we began exporting certain food items from Kurdistan to Dubai: honey, grapes, green apples, and red apples. We provided all the facilitations and made all the arrangements for this process to occur. The Dubai market was very difficult to compete in, but we succeeded because of the quality of our products. We provided the facilitation and it ended up being successful.

**IIG: In what types of training courses have the staff at MTI participated?**

**FM:** We have a general plan for the training courses organized by the Ministry of Planning. At the same time, we have our own. For example, in April a big delegation

came back from the UAE where it participated in conferences and professional training courses relating to arbitration. Monthly and weekly we send our staff abroad to get new experience in different areas: in information technology, in trade, in administration, in learning new languages. So, it takes some time to collect all this experience and to move forward confidently.

**IIG: What are the obstacles that have limited the expansion of trade between the Kurdistan Region and any other country?**

**FM:** The main problems that have happened are in the border zones relate to the quality of the products imported. Recently, the KRG made an agreement with SGS, the Swiss company, to open a branch in the border zones to check the incoming products. If the product meets the established standards, it will be allowed to enter without any problems. With the increasing GDP per capita, now people only want good quality products. So, the number of low-quality products now on the market will probably continue to reduce. ☺

# GIANT OIL & GAS FIELDS

**45 Billion Barrels**  
Oil reserves

**100-200 TCF**  
Natural Gas Reserves

**57**  
Discovered Oil and Gas Fields

**Mineral Deposits**  
Iron, Chrome, Nickel, Platinum, Gold, Copper, Barite, Zinc

**14 Upstream Projects**  
as of 2013

**\$15-\$20 Billion**  
Investment up until 2013



“ 1 million barrels per day (bpd) by 2015 is achievable with existing discoveries and to deliver the oil to market. The expectation is that by 2019, the region could be exporting around 2 million bpd, with a further one million bpd going into the northern pipelines from fields in other areas of the north of Iraq. So the northern route through the Kurdistan Region to the market for oil and gas will play a vital part in Iraq's future economic prosperity. **Dr. Ashti Hawrami, KRG's Minister of Natural Resources** ”

## Oil Production

200,000 bpd by 2013  
1 million bpd by 2015  
2 million bpd by 2019

KRG's oil production to hit  
**250,000 bpd**  
by the end of 2013

The Kurdistan Region's oil refineries currently produce only 1.3 million liters of gas per day, but that is expected to rise to nearly four million liters a day in the near future.

## Major Oil Refineries

Crude oil capacity (2013)

Kalak **100,000 bpd**  
KAR Group  
Bazian **34,000 bpd**  
WZA Petroleum

**39**  
from 19 different countries  
companies operating  
in Kurdistan

The KRG passed its own hydrocarbons law in 2007.

## Oil Export

The energy deal signed between Kurdistan Region and Turkey proposes to transport 420,000 bpd of crude oil. It is estimated that the pipeline between Turkey and the Kurdistan Region would be completed in mid-2014.

## Pipelines

Kurdistan Iraq Crude Export (KICE) pipeline

Taq Taq - Khurmala: **400,000 bpd**  
Khurmala - Fish Khabur: **1 million bpd**  
(completion at the end of 2013)

Erbil Dohuk Gas Pipeline to be completed by 2013 (60 Mmscfd)

### Leading Energy Companies Blocks & Interest

**Addax Petroleum**  
Taq Taq (36%)  
**Afren**  
Barda Rash (60%), Ain Sifni (20%)  
**Chevron**  
Qara Dag (80%), Sarta (80%), Rovi (80%)  
**Crescent Petr.**  
Khor Mor (40%), Chemc. (40%)

**Dana Gas**  
Khor Mor (40%), Chemchemical (20%)  
**DNO**  
Tawke (55%), Tawke P. (55%), Dohuk (40%), Erbil (40% - Gas Field)

**Exxon Mobil**  
Al Qush (80%), Bashiq (80%), Pirmam (80%), Betwata (80%), Arbat East (80%), Qara Hanjeer (80%)  
**Genel Energy**  
Taq Taq (44%), Tawke (25%), Tawke P. (25%), Dohuk (40%), Miran (100%), Bina Bawi (44%), Chia Surkh (60%), Ber Behr (40%)

**Gazprom Neft**  
Garmian (40%), Shakal (80%)

**Gulf Keystone**  
Shaikan (75%), Sheikh Adi (80%), Ber Behr (40%), A. Bijeel (16%)  
**Hess**  
Shakrok (64%), Dinarta (64%)

**HKN Energy**  
Sarsang (56,25%)

**Hunt Oil Company**  
Ain Sifni (60%)  
**KAR Group**  
Khurmala

**KNOC**  
Bazian, (65%), Qush Tappa (80%), Sangaw South (30%), Hawler (15%),

**Marathon Oil**  
Harir (45%), Safeen (45%), Sarsang (18,75%), Atrush (15%),

**MOL**  
Akre Bijeel (64%), Shaikan (20%), Chemchemical (10%), Kor Mor (10%)

**Murphy Oil**  
Central Dohuk (50%)

**OMV**  
Bina Bawi (36%), Sarta (20%), Rovi (20%), Chemchemical (10%), Kor Mor (10%)

**Oryx Petroleum**  
Hawler (65%), Sindi Amedi (45%),

**Petroceltic**  
Dinarta (16%), Shakrok (16%)

**Repsol**  
Qala DZE (80%), Piramagrun (80%)

**Talisman Energy**  
Topkhana (60%), Kurdamir (40%)

**Taq**  
Atrush (53,2%)

**Total**  
Safeen (35%), Harir (35%), Taza (20%)

**WesternZagros**  
Garmian (40%), Kurdamir (40%)

**Bpd:** Barrels Per Day  
**TCF:** Trillion Cubic feet (Gas)  
**Mmscfd:** Million standard cubic feet per day (Gas)



## Rising star in the global oil and gas industry

**Dr. Ashti Hawrami** —  
Minister of Natural Resources  
Kurdistan Regional Government

As a result of its abundant natural resources, the Kurdistan Region is a rising star in the global oil and gas industry. In addition to the 45 billion proven oil reserves, new oil and gas discoveries in the Region guarantee that Kurdistan will maintain its role as a developing contributor to the global oil industry of the near future. This promising industry also plays a pivotal role for the development, welfare, and stability of the Kurdistan Region. Today, approximately \$15-\$20 billion of foreign investment, largely coming from the leading oil and gas companies, has flown into the Region. To better analyze these and other recent developments in the oil and gas sector, Invest in Group talked to Dr. Ashti Hawrami on the Kurdistan Parliament's decision to sign a new law that could have major ramifications on the oil and gas sector, KRG-Turkey energy agreements, developments in the refining industry, and how the Syrian crisis could impact the Kurdish energy market.

**IIG:** Can you tell us about the new law that was passed recently and what it could mean for both the KRG and the companies operating in the Region?

**AH:** This is law Number 5 of 2013, "The Law of Identifying and Obtaining Financial Dues to the Kurdistan Region of Iraq from Federal Revenue." This is an important piece of legislation which, in light of Prime Minister Barzani's recent visit to Baghdad, will form the legal basis for the settlement of outstanding revenue issues between the KRG and Baghdad. Essentially, the law outlines a mechanism for defining and then obtaining the outstanding revenues owed to the Kurdistan Region by the federal government since 2004. It says that if the federal government defaults

**"The new law sets out a pathway to implement Iraq's Constitution, and by implementing the Constitutional requirements for power and wealth sharing, everyone in Iraq will benefit, citizens and investors alike."**

on the payments then the KRG is authorized to sell oil produced in the Region to recover unpaid dues. It will also include items such as the KRG's share of sovereign expenditure revenues owed to the Region's security forces (the peshmerga) and payments to the Region as compensation for damage done by the former regime. The new law sets out a pathway to implement Iraq's Constitution, and by implementing the Constitutional requirements for power and wealth sharing, everyone in Iraq will benefit, citizens and investors alike.

**IIG:** How important is it for the KRG to have the US's and/or the EU's support for any Turkey-KRG energy agreements?

**AH:** The Kurdistan Region of Iraq has long borders with Turkey and deep historical and cultural ties. Turkey has set its sights on becoming one of the World top ten economies by the time the modern Turkish republic marks its 100th anniversary in 2023. But it is not blessed with the natural resources necessary to underpin such growth and so it spends up to \$60 billion per year on energy imports, which often reach Turkey from distant lands. So it is obvious that the Turkish domestic needs provide a natural market for oil and gas from the Kurdistan Region. Turkey can also provide a transit hub for international markets including Europe, where securing diversity of energy supplies is fast rising up the political agenda. So at a time of significant international tension, raising production and securing cooperation in energy between Iraq and Turkey will have mutual and broad economic and geopolitical benefits, and I think that both the US and the EU see the logic of this, if they don't always focus on the practicalities of how this can happen. That is what we focus on: the practicalities.

**IIG:** The refining industry here in the Region still produces some products that contain lead. What steps have been taken to phase out the substandard products?

**AH:** The MNR is implementing a comprehensive health and environment policy. Neither of the two main refineries in the Region, Bazyan and Kalak, use lead additives in the products. Both refineries use isomerization units and catalytic reformers to raise the octane without the use of lead. There were some suspicions that some of the smaller basic refining units known as topping plants may be illegally adding lead to naphtha to increase the octane to market it as gasoline. However, the MNR is monitoring the situation closely and is already phasing out the use of such small units. The rest of Iraq definitely still uses lead, so gasoline allocations to the Kurdistan Region from Baghdad are leaded. However, the Region plans to be self-sufficient in oil products in a short period of time, which will ensure that the fuel consumed here is much more friendly to the people and the environment.


### About

Dr. Ashti Hawrami was born in Slemani in 1948. In 1971, he earned a Bachelor's Degree in Oil Engineering from Baghdad University. Mr. Hawrami holds a PhD degree in Oil Reserve Engineering.

Dr. Hawrami worked for the Iraqi National Oil Company (INOC) in Basra from 1971 to 1974, and for the British National Oil Company from 1975 to 1982. He served as a Senior Oil Engineer for the London-based Intera Company from 1982 until 1985, a Senior Engineer for an exploration consultancy from 1985 to 1988, the Proprietor and Director of DUK, a limited liability UK engineering and services firm, from 1988 to 1999, and the CEO of ECL Group from 1999 until 2006.

After retiring from ECL, Dr. Ashti was appointed the KRG Minister of Natural Resources in May 2006, and was reappointed in October 2009 and in April 2012.

**IIG:** What are the measures taken by the KRG to protect the Kurdish energy market from the potential impacts of the Syrian crisis?

**AH:** What happens in the neighboring countries can have a profound impact on the Kurdistan Region. Our policy has always been to have good relations with our neighbors and non-interference in their internal affairs. Today, we are dealing with the war's massive refugee crisis. More than 140,000 Kurds and others from Syria have fled to our Region. Early on, we established Domiz refugee camp in Duhok governorate, which is now home to some 40,000. So far the KRG has funded all assistance to the refugees, unfortunately we have received no financial help from other countries or the Iraqi federal government. KRG leaders have called on the international community to help us shoulder the burden of the humanitarian crisis. We are concerned for the future of the Kurds and others in Syria. For decades Kurds were denied basic rights, even the right to Syrian citizenship, and their Kurdish identity was suppressed. While it is for the Syrian people to decide their future, I believe the rights of the Kurds in Syria must be respected in any post conflict settlement. 

## Developing Local Know-how

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

Baz Karim discusses the evolution of the oil and gas sector from KAR Group's perspective, the company's plans to increase natural gas production, the current capacity of the KAR Refinery, and the steps taken to ensure environmental protection.



**IIG: How did KAR Group's story begin in terms of the oil and gas industry in the Kurdistan Region?**

**BK:** In 2003, the energy sector in Iraq was run completely by the government. This was for all sectors, be it upstream, mid-stream, or downstream; each one was managed by the government. After 2003, I put forward a new strategy that called for the involvement of the private sector in the future of Iraq. This was a new concept for the country. So, I began to assemble a team here at KAR Group that would allow us to begin participating in the energy sector. We decided to participate in the first tender that was offered by the Iraqi Ministry of Oil. The scope of that tender was for the development of oil fields in the northern part of Iraq. We won the tender and became the first Iraqi company to be awarded an oil field development contract, the Khurmala field, by the Ministry in 2004.

**“From our first day of operation until now, KAR Group has been very dedicated to processing all the gas that we have. For example, we are currently developing our downstream capabilities for operations involving gas power generation. We are installing our own facilities to do this, and we feel very proud that we are one of the operators doing this.”**

**IIG: How do you assess KAR Group's efforts to increase the production capacity of the Khurmala field?**

**BK:** The Khurmala field currently has a capacity of 100,000 bpd. The equipment is there and the facilities have been constructed to allow for the production of 100,000 bpd. The equipment we are adding from Ventech will increase our processing capabilities. Right now, we have H2S (Hydrogen Sulfide) gases that must be extracted from the oil. To do this, we have added a quality-stabilizing unit; this unit will help stabilize all the crude oil that is being produced. So, we are producing very close to the capacity of both our equipment and the field itself. Right now, we are producing close to 80,000 BPD at our refinery.

**IIG: How do you evaluate the KRG's policy to process natural gas?**

**BK:** The KRG has implemented rules

### About

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

and put pressure on all the operators here regarding gas treatment. When there is a gas deposit of commercial size, it must be processed and not burned. From our first day of operation until now, KAR Group has been very dedicated to processing all the gas that we have. For example, we are currently developing our downstream capabilities for operations involving gas power generation. We are installing our own facilities to do this, and we feel very proud that we are one of the operators doing this. We are very serious in terms of maximizing the production and the revenue for the field. It doesn't matter if it is oil or gas, we don't want to lose anything.

**IIG: With the natural gas treatment facilities, are you still aiming to have those operations up and running in June or July?**

**BK:** That is our current objective. We are doing everything in our power to get these operations launched even earlier, but June or July at the latest.



### TIMELINE

**2004:** KAR Group became the first Iraqi company to be awarded an oil field development contract.

**August 2012:** Announced the third expansion of Kalak Refinery to 185,000 bdp.

**December 2012:** KAR Group obtained 100,000 bdp crude oil capacity, exceeding previous estimates of 80,000 bdp.

**2013:** Baz Karim named Man of the Year for Downstream Activities by the KRG Ministry of Natural Resources.

**July 2013:** The first stage of Erbil power plant will be operational.

**IIG: KAR Group has been working on improving the octane rating of its fuel. Can you tell us about this initiative?**


**BK:** On the refinery side, we have two trains currently operating. One is capable of processing 40,000 BPD and the other 60,000 BPD. Each train has a hydro-treatment unit and a catalytic reformer unit; these two processes help to maximize the octane rating. Currently, the octane rating of our products is around 92, which is high for both Iraq and the international market as well. These processes have been part of our investment, and they are now part of our standard operating procedures.

**IIG: Regarding the Erbil power plant, can you tell us about your plans to bring that project to fruition?**

**BK:** The project will be completed in two stages. The first will be a simple cycle facility with a 640 megawatts capacity.

The later stage will involve an increase to 1,200 megawatts. This figure includes the addition of a combined cycle and additional simple cycles. The first stage should be operational at the end of June or beginning of July. The facility itself will eventually reach a total of four gas turbines. So, we will start with one and then increase with a new one each month.

**IIG: What are KAR Group's priorities in terms of daily operations?**

**BK:** We are pushing to make all of our operations ecologically safe. Simply treating the gas helps to solve certain environmental problems. Moreover, even with our oily-water or any water being produced with our oil, we have the ability to process it within our own treatment facilities. We then have pumps and wells on-site to reinject the treated water back into the reservoirs. 

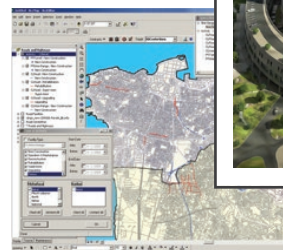
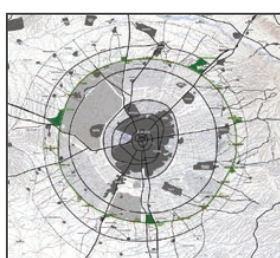


KAR Group is a full spectrum integrated oil company and energy producer working throughout Iraq. It also provides expertise in engineering and construction within the oil and gas industry. KAR Group has an established reputation as a reliable key supplier of oil & gas processing equipment and is committed to providing processing engineering solutions to its customers.

Headquarters	Erbil
CEO	Baz Karim
Established	1999
Operation	Khurmala Dome
Refinery	Kalak-Erbil



Among the  
Top **50** in ENR'S  
200 International  
Design Firms



## COMMITTED TO EXCELLENCE

ARCHITECTURE

URBAN PLANNING

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ENVIRONMENTAL

ELECTRICAL UTILITIES

INDUSTRIAL

TELECOMMUNICATION

GSI

Khatib & Alami (K&A) is a multidisciplinary architecture, engineering and planning company. We have the in-depth and broad technical expertise needed to respond to the complex challenges of projects and to best serve our clients and the community. We are driven by the true determination to improve and sustain the world's built, natural, and social environments. K&A delivers advanced client solutions and services to a wide range of sectors including transportation, energy and water systems. We also enhance living environments, create new buildings and communities, and much more. Capitalizing on a team of professionals and working closely with clients, we combine international know-how and local reach to deliver the most innovative and appropriate solutions. K&A executes medium to mega-sized projects using various delivery methods. For over 50 years, K&A has been committed to its clients and their needs.

MORE THAN  
**4,000**  
EMPLOYEES  
WORLDWIDE

## FOCUS


# Dana Gas & Crescent Petroleum

Dana Gas and Crescent Petroleum jointly operate in the Kor Mor and Chemchemical Blocks. However, it is the activities at the Kor Mor Field, at which each company holds a 40% stake, that have caught the eye of companies across the world. It was recently announced that the joint-partners' total investment in gas operations in the Kurdistan Region exceeded \$1 billion. As a result of continuous production at the Kor Mor field, total cumulative petroleum production over the past four and a half years reached 79 million barrels of oil equivalent. This number marks the highest level of cumulative production and the largest investment by private companies in the Kurdistan Region's oil and gas sector. Daily production at Kor Mor reached a peak rate of 88,000 barrels oil equivalent per day (boepd), averaging 80,000 boepd. These figures include 340 million cubic feet of gas per day and 15,000 barrels per day of condensate liquids. In total, more than 375



**"I think Iraq is the last untapped market of low-cost oil and gas left in the world."**

Majid Jafar, CEO, Crescent Petroleum

billion cubic feet of gas and 16.5 million barrels of condensate and liquids have been produced by the companies since the start of production in October 2008. Moreover, Dana Gas and Crescent Petroleum have played significant roles in increasing available electricity, shifting from approximately 2 hours a day in 2007 to nearly 24 hours a day in 2013. Indeed, gas supplied to local power stations has enabled 1,750 MW of new electricity generation for the Kurdistan Region. The companies, which have also placed emphasis on the limiting environmental impact of their operations, have helped return approximately \$3 billion annually to the government budget through their continued operations in the Kurdistan Region. Together, Dana Gas and Crescent Petroleum have targeted power generation and expansion into the petrochemical industry as their priority areas for the near future. 

### Dana Gas

Dana Gas is the first regional private-sector natural gas company in the Middle East. The company, headquartered in Sharjah in the UAE and listed on the Abu Dhabi Securities Exchange, currently has assets and projects in gas exploration and production, processing, transportation, and marketing across the Middle East, North Africa, and South Asia. Dana Gas has targeted expansion of its activities across a wide spectrum of elements relating to natural gas, including upstream (exploration and production), midstream (transmission and distribution), and downstream (gas-related industries and petrochemicals) activities.

### Crescent Petroleum

Crescent Petroleum is the oldest private exploration and production company in the Middle East. The company has over 40 years of experience as an international operator in numerous countries, including Egypt, Pakistan, Yemen, Canada, Montenegro, Tunisia, Argentina, in addition to its continuing operations in the UAE and Iraq. Crescent Petroleum is headquartered in Sharjah and is the largest shareholder of Dana Gas.

#### Kor Mor Block

**Interest:** Dana Gas (40%), Crescent Petroleum (40%)  
**Reserve:** 1,8 TCG  
**Production (2007-2012):** 79 million barrels of oil  
**Production (2013):** 88,000 boepd, 340 mmcf/d, 15,000 bpd of condensate liquids

#### Chemchemical Block

**Interest:** Crescent Petroleum (40%) Dana Gas (40%)  
**Reserve:** 2,7 TCG

Dana Gas & Crescent Petroleum roles in increasing available electricity

 2 hours a day in 2007

 24 hours a day in 2013

**1,750 megawatts**

of new electricity generation for the Kurdistan Region



## Fierce Competition

**Erdal Ahiska** —  
Regional Manager, Petoil

IIG talks to Erdal Ahiska about the oil and gas sector in the Kurdistan Region and Petoil's plans for future projects.

**IIG: What are Petoil's current operations in Kurdistan?**

**EA:** We have one block: Chia Surkh. Genel Energy is our partner there. We have a 20% share and then 60% belongs to Genel Energy.

**IIG: Do you think small companies will still be able to operate in the region or do you think it will now only be the supermajors who control the sector?**

**EA:** I think in the near future only the biggest oil and gas companies will be involved in Kurdistan. Small companies were able to come in and start the work. If they were successful, they then sold their shares to larger companies. Now, it is increasingly becoming only the major oil and gas companies operating here in Kurdistan.

**IIG: How do you assess the development in oil and gas industry in the Kurdistan Region?**

**EA:** When we first got involved in the Kurdistan Region, there was nothing here. There weren't even any flights into Kurdistan. There were no service companies and no drilling rigs. We bought one from a Canadian company and had it shipped to Houston, where it was refurbished and then sent to Mersin Harbor in Turkey. From there, it was transported over ground to the Kurdistan Region. With that rig we were able to drill one well in the Pulkhana block. Now, there are lots of service companies and lots of rigs. In fact,

I believe there are currently around 35 rigs with many more on the way.

**IIG: What are Petoil's future plans in the Kurdistan Region?**

**EA:** Currently, we are following some other possible projects in Kurdistan. If they become available and we feel they are possible, we will pursue another agreement. However, today, there are very large companies operating in the oil and gas sector in Kurdistan. So, it's very difficult to get new blocks. Now, the supermajors are here and it makes it much more difficult to compete.



**"I think in the near future only the biggest oil and gas companies will be involved in Kurdistan. Now, the supermajors are here and it makes it much more difficult to compete."**



## The Expert

**Shwan Zual** —  
Energy and Risk Consultant  
Head of Kurdistan Connect

Shwan Zual gives his take on expanding energy relations between the Kurdistan Region and Turkey, and the likely impacts of a pipeline between the both sides.

**IIG: Turkey and the KRG recently signed an energy deal. What impact do you think that deal will have on Kurdish oil exports going forward?**

**SZ:** The impact will be dramatic as there is currently a 400,000 bopd capacity; however, most of it is not utilized because of disputes with Baghdad for lack of payment. There are buyers out there who are willing to buy Kurdish oil and recent export via trucking shows that there's a market for

Kurdish oil. Turkey is willing to take part in or facilitate future transactions and it is likely the cooperation will only grow. The KRG's willingness to pursue new export opportunities is a message to Baghdad: if they aren't going to agree on a framework for the future, then Kurdistan will do it on its own. Once initial export starts, it will lay the foundation for additional future pipelines from Kurdistan to Turkey. This pipeline could be established either by connecting to Ceyhan (either inside or outside Iraq) or by creating an independent pipeline. If Turkey is willing and is signaling to investors that it is interested in allowing Kurdish oil to flow, which is something to which Turkish PM Erdogan recently alluded prior to his trip to the US, then that is certainly a strong message to all the parties concerned.

**IIG: What are your thoughts regarding the new pipeline construction between the both sides?**

**SZ:** The pipeline, which was initially designed for gas but was converted to oil, is nearly complete inside Kurdistan. Once the Kurdish pipeline is ready, it's less than 70 miles to connect to the Ceyhan pipeline inside Iraq or Turkey. The oils that are coming from Tawke and surrounding areas are heavy, so mixing them with the sweet crude coming from Kirkuk and other fields may create problems. Nevertheless, it can be processed and the problem can easily be overcome. The one thing of key importance

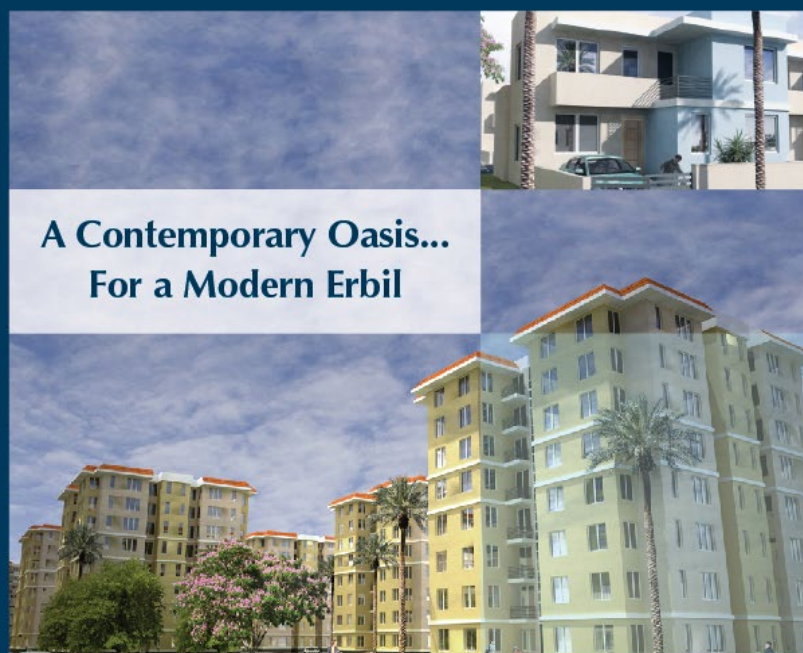
is that the pipeline inside Turkey is controlled by the Turkish operator. So, it's a matter of taking a pipeline into Turkey and then connecting to the Ceyhan line to avoid certain legal hurdles. This can be done by metering at the point of connection to Ceyhan inside Turkey, thereby bypassing Baghdad. That's the idea behind it. There may be some technical and/or metering issues, but, again, they can be overcome. This plan removes the need for a new pipeline, at least for now. If there becomes a demand for more capacity, then things may change.

**IIG: Do you think it's fair to say that if the KRG is able to begin exporting oil to Turkey via direct pipelines, it will encourage other companies to get involved in the Region?**

**SZ:** Definitely. Asset valuation is already skyrocketing in Kurdistan. Given the quality of the assets, it is only a matter of time before it increases even more. TAQA is a very good example. The company bought a stake in the Atrush block, which was valued at over a billion dollars. Only two years ago it wasn't worth even a fraction of the current valuation. Once exports start, these assets will really only be affordable to the multi-nationals and the main IOCs. Of those, Total, Gazprom Neft, Exxon, and Chevron are already here. It's only the two British companies that haven't entered. Once they know everything is definite, they might get involved as well.



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## Sky's the Limit

**Peshraw Majid Agha** —  
Chairman, Falcon Group  
& Empire World

IIG talked to Peshraw Majid Agha regarding Empire World, the largest real estate project in the Kurdistan Region, and Falcon Group's vision for a prosperous Kurdistan.



**IIG: How did the Empire World project begin and what were the initial goals for the complex?**

**PA:** I was born in this country and have a deep desire for a prosperous Kurdistan. I see Empire World as a way to contribute to that goal by developing the area and creating employment opportunities. Empire World is a unique community for Erbil,

**“The Empire World project will be concluded by 2017. We offer state-of-the-art business facilities and a residence for the most demanding and important foreign companies operating in Kurdistan. Many oil and gas companies have already secured their places in Empire World and more companies are following suit.”**

stimulating growth and economic stability.

Every phase of the project was started as per the market demand and requirement. We knew there was a huge gap in the housing market for a long time and due to the stable political and security environment, it was the right time to make the investment.

**IIG: What was the process like when you were looking for an area on which to build?**

**PA:** The plot of land that Empire World sits on was, from the very beginning, ideal for me. Many people didn't have faith that Empire World would be such a success. I was fortunate enough to be able to see the big picture and envision my goals and the future. We are located in a prime location – close to the airport and 100m Road as well as the largest green park in Erbil. It is an ideal location for living and working.

**IIG: What do you believe Empire World will offer both the people of Kurdistan and foreign clientele?**

**PA:** Empire World is unique in terms of the size, quality, design, and diversity of the project. The entire project spans a land area of 750,000m2 with a total construction area of 1,250,000m2. Empire's multi-faceted and mixed-use approach to land utilization for residential, leisure and entertainment,

### About

Peshraw Majid Agha graduated from the University of Erbil in 1987. He successfully operated a large import-export business in Sweden between 1992-1999. He founded Falcon Group in 2004.

service facilities, and office/commercial space affords the Project the distinguishing characteristic of a city within a city. We offer state-of-the-art business facilities and a residence for the most demanding and important foreign companies operating in Kurdistan. Many oil and gas companies have already secured their places in Empire World and more companies are following suit.

**IIG: The expected completion date for Empire World is 2017. Is construction proceeding as planned and do you expect the facility to be completed by 2017?**

**PA:** We started this project in 2007 and have every expectation that the project will be completed by 2017, maybe even before. The project costs a total of \$2.3 billion and we are already more than 70% finished. With 1,200 plus employees from both local and foreign nationalities, we are able to provide the best products and services to our development.



**IIG: Royal City, which consists of 300 luxury villas, was completely sold out by 2009. Was it difficult to find buyers at such an early date or were the villas in demand immediately?**

**PA:** We have been fortunate with all of our developments in Empire World - including the Villas and Royal City Apartments. We sold out immediately. The property value of both the villas and the apartments has more than tripled over the years and we have been very well-off in that with every new development we start, people are reserving and purchasing right away.

The lifestyle opportunities, along with our location, make an exceptional property for both investment and livelihood.

**IIG: How do you plan for the Erbil Speed Center to keep pace with the changing landscape of Erbil?**

**PA:** The Speed Center is already well known for its kart racing track and restaurant. In addition to both of these services, we will be adding Cinema halls, spas, gyms, and swimming pools for both men and women as well as barbershops, beauty salons, boutiques, and shopping centers.

- 1 The Empire World project will cost a total of \$2.3 billion.
- 2 Empire Speed Center
- 3 Empire Diamond Towers
- 4 Empire Wings Residential Towers
- 5 Empire Business Towers
- 6 Empire World Restaurants
- 7 The Marriott Hotel is scheduled to open in 2015

### FALCON GROUP

The Falcon group of companies include; Falcon Construction, Falcon Transportation, Falcon Trading, Falcon Real Estate, Falcon Agriculture and Falcon Security. Falcon companies are parts of a diverse, multi-faceted firm with a unique ability to contribute to the reconstruction efforts in whole Iraq.

Headquarters	Erbil
Chairman	Peshraw Majid Agha
Established	2004



## Accommodating the Culture of Kurdistan

Seerwan Hassan Samad & M. Akif İlci —

Seerwan Hassan Samad of Salahaddin Holding and M. Akif İlci of İlci Holding discuss the Park View housing development, its innovative design concepts, and the unique vision the complex brings to Erbil.



M. Akif İlci

**IIG: Has it been difficult to get people interested in buying apartments because they aren't used to them?**

**SHS:** It's a cultural difference. The people here prefer to live in villas as opposed to apartments. As a result, some people have been slow to come around to the idea of making a home in an apartment building. Some of our clients are purchasing the apartments as an investment. However, the majority of our clients are buying them for personal use.

**AI:** It has not been too difficult for the apartments here at Park View for a number of reasons. Firstly, when people take a tour of our sample apartment and see its quality, they can better understand how nice the lifestyle here is. Secondly, many of our customers are actually Kurdish people who lived abroad, usually in Europe. For them, living in apartments is a bit more natural. So, some people may be hesitant, but for the most part people seem excited by Park View.

**IIG: When do you expect Park View project to be completed?**

**AI:** We are actually ahead of schedule. Construction will be completed in three phases, and the first one will be completed in early July 2014. The first phase includes

four apartment buildings. By the end of the project, we expect to have 76 shops located at the base of the apartment complex. Some of the facilities will be completed in the delivery of the first phase, as will the sports club and the pools. The second phase should be completed in January 2015. The third and final phase will be completed in July 2015.

**IIG: There are lots of projects in the Region, so what sets Park View apart?**

**SHS:** The most important thing is the quality of the project in regards to both the materials used and the services provided. We analyzed the other projects to see what worked, what didn't, and what was missing. We incorporated those ideas into our project. Overall, I would say that the defining feature of Park View is its quality. This relates to the architecture, the buildings, the details, and the services. Everything is of the high possible quality.

**AI:** The shape of the buildings is different from the other projects that I have seen. The design is more circular, which gives the entire facility a smoother, more modern appearance. The interior of the apartment itself is not rounded, so there aren't any wasted spaces. You are still living in a rectangular apartment, even as the building

itself is rounded. So, I think there's certainly some uniqueness in the design. The same goes for the individual apartments. Many other residential projects have units that are all the same size or style. We have 15 different types of apartments that range in size from 124 m<sup>2</sup> to 610 m<sup>2</sup>. So, there is also more variety at Park View.

**SHS:** Then there are the actual services that will be offered. We have a large reception area in each of the 12 buildings, and we will also offer luxury-shopping facilities. We will also have a sports center, Park Club.

**IIG: Can you tell us about Park Club?**

**AI:** Park Club will consist of two different sports centers; one for men and one for women. This is a very important feature because of the culture of Kurdistan. We don't simply have a sports center just to be able to say that we have a sports center; we have a sports center to provide options that others do not. We will offer two indoor swimming pools. Again, one for ladies and one for men. We will offer squash courts for men and for ladies there will be a special area for children, which will allow them to better utilize the facilities.

**IIG: Sounds like you are very interested in accommodating the culture here,**

rather than simply providing luxury.

**AI:** Park View is indeed designed to accommodate the culture here. We have included guest rooms in the apartments that can also function as living quarters for a maid. Similarly, the kitchen opens into two different living rooms: one for the visitors and one for the family. The culture here requires ample space for visiting, and we have done everything in our power to accommodate those needs. So, with these ideas in mind, I think you can certainly say that Park View is tailored to this particular culture.

**IIG: Another aspect that we noticed was the emphasis that seems to have been placed on making the entire complex green.**

**SHS:** I would say that the development of green areas was also of the highest importance to us when we were in the design phase. The Kurdistan Region is in need of more green areas, so we wanted Park View to serve as an example of what is possible.

**AI:** The total land size for Park View is 50,000 m<sup>2</sup>; the current plan calls for 35,000 m<sup>2</sup> of that space to remain green. Our

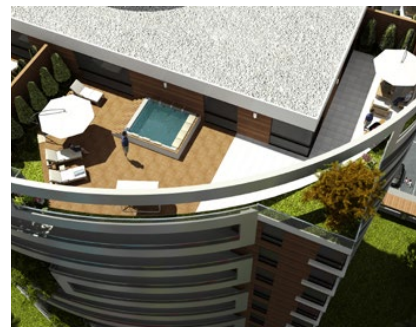
**“The first phase of the project includes four apartment buildings. We expect to have 76 shops located at the base of the apartment complex. Some of the facilities will be completed in the delivery of the first phase, as will the sports club and the pools. The second phase should be completed in January 2015. The third and final phase will be completed in July 2015.”**



Seerwan Hassan Samad

hope is that if someone were to take an aerial photo, the entire area would appear green. To do this, we also focused on the individual buildings themselves. There are small green areas or gardens in front of the individual apartments, which we believe makes the entire facility more aesthetically appealing. This translates to the name “Park View” as well. If we had simply used our name or the name of a person, it wouldn't be as effective of a brand. Park View gives a better idea of the apartments, the commercial facilities, and the entire complex as a whole. ☺

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



## Blending tradition with new design

**Faxir Maraan** —  
Chairman, Ranj Group

IIG talked to Faxir Maraan on his beliefs regarding corporate social responsibility and the blending of restored Kurdish traditions with new approaches to design and construction.



**IIG: Can you tell us about the types of projects Ranj Group prefer to pursue?**

**FM:** Our foremost aim is to build the infrastructure of the country. So, this means projects relating to energy, education, agriculture, industry, or any other sector. On the other hand, our preference is to build cities or villages that have the total package, including the most modern design concepts. We look to other cities like Dubai, Istanbul, Paris, and New York for our inspiration. Of course, we will not be like them right away; however, it makes sense to incorporate what's being done in those cities to our work here in the Kurdistan Region. Our goal is to one day be like them, so it starts with implementing modern ideas and approaches.

**IIG: The Luxury Timber Villas certainly has a distinctive design. Where did those designs come from?**

**FM:** We want to incorporate some of the new styles or modern techniques into what we are doing here. We don't want to copy what someone else is already doing, but we do want to examine the countries that have become modern and see what we can do to replicate what has worked for them. So, with the Timber Villas, we wanted to

combine luxury with energy sufficiency. Here in Kurdistan, most of the houses are built with cement and rebar; these materials allow the house to get very cold in the winter and very hot in the summer. The heating and cooling costs tend to waste a lot of energy. Utilizing wood framed houses with timber reduces these energy costs for both the individual user and the country as a whole.

We have incorporated these modern approaches and I believe we are creating better homes as a result. People here are also responding to these new homes. It's mostly foreigners from Europe or the United States who are purchasing them at the moment. As word of mouth spreads and the local population learns more about these types of homes' benefits, their popularity will grow.

**IIG: Have there been any drawbacks in terms of operating in real estate sector?**

**FM:** The mortgage market, or lack thereof, definitely creates some problems. Banks here don't give mortgages to potential homeowners, nor do they give loans for investment. Most companies operating in the Kurdistan Region aren't big enough to finance all of the construction process on

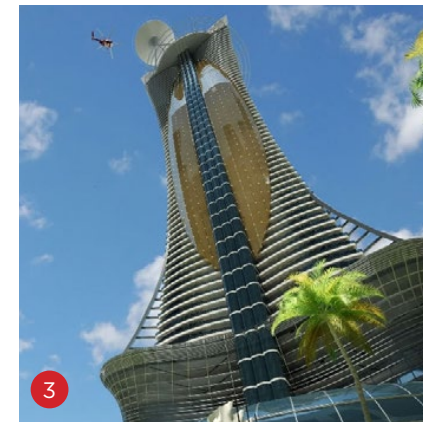
### About

Faxir Maraan has served as the Chairman of Ranj Group since 1999. He served as the Deputy Minister in the KRG for seven years. He used to work for the office of KDP Relations.

their own. So they instead have to construct the project in pieces and then sell individual units to finance additional construction. This can slow the construction process down considerably and makes the housing market more prone to fluctuation.

**IIG: Has Ranj Group considered investing in other sectors?**

**FM:** Whenever we enter a new sector, Ranj Group establishes a five-year plan based on what is needed for the country. Initially, the Kurdistan Region needed an airport. Once the airport was completed and people began arriving here, the Region needed hotels, apartments, and homes to accommodate these new arrivals. So, it made sense to get involved in this sector. Now that process has slowed, we are looking to enter other markets that are in need of development, specifically industry and agriculture. However, before we get involved, we need to know exactly what



- 1 Warin City
- 2 Luxury Timber Villas
- 3 Warin City Towers
- 4 Warin City Villas
- 5 Warin City Flats
- 6 Warin City Villas
- 7 Al-Manara Housing

**“As with our other designs, we also aim to construct environmentally friendly houses that don't rely on massive amounts of steel and concrete. We want to show that Kurdistan can be home to a modern, European city that incorporates modern ideas.”**

services are needed. We have examined new technologies, such as solar power, as well as areas of critical need, like construction materials. At the moment, we have invested our money into the real estate and construction because we are more familiar with this sector. The new city that we are developing will cost around \$15 billion dollars, so I don't know if we can manage this project and expand into other sectors.

**IIG: When do you expect construction of the new city to begin?**

**FM:** We have applied for the license and are working to finalize our plan. We are talking to Disneyland and Europark about the possibility of bringing an amusement park to the city. We are investigating the possibility of bringing in a zoo, as well as a university and a golf course. We want it to be the total package. So, we are studying our options and aim to have a finalized plan in the near future. If that plan is approved, then we will begin bringing in investors and will initiate construction. This will all obviously take some time, but we hope that we can begin having people living in the city within two years.

**IIG: What are the main pillars guiding the operations of Ranj Group?**

**FM:** Creativity and Innovation, Energy Efficiency, Social Responsibility, and Safety Assurance. These are the areas upon which we have placed considerable value. However, there is one more element that should be prioritized by all companies

operating here in the Kurdistan Region: the desire to speak up and help guide the future of the country. Ranj Group has identified some areas that we think the government needs to improve to better serve the people of the Region, and we will continue to push it to deal with these needs. There is still a room for improvement in food availability, education, and health. If the companies here push for change in these areas, then change will happen. So, encouraging dialogue could perhaps be our fifth pillar.

### RANJ GROUP

Ranj Group is one of the biggest construction and development company in Iraq. Ranj is constructing various mega residential and commercial projects in the Kurdistan Region.

Headquarters	Erbil
Chairman	Faxir Maraan
Founded	1999
Projects Value	\$1.5 billion
Projects in Kurdistan	5

## Highly Experienced

**Murat Yazgan** —  
Project Director,  
Eksen Construction

Murat Yazgan discusses Eksen Construction's history in Kurdistan, the company's ongoing government projects, the benefits of doing business in the Region, and the role that Turkish companies have played in developing local infrastructure.



**IIG: How did Eksen Construction's story begin in the Kurdistan Region?**

**MY:** Before entering the Kurdistan Region, Eksen has completed numerous projects in Turkey and Turkmenistan. Eksen began to operate in the Kurdistan Region because of the huge opportunities that the Region offers in construction sector. It is a stable and booming market.

We first came to the Region in 2006. I think it's fair to say, we were here on time. In the beginning, there were not as many companies here as there are now, but there was still large-scale demand. We started

**“Everything in the construction sector is now far more up-to-date, and I believe Turkish companies have been instrumental in helping bring about this change.”**

with smaller projects relating to construction in the health and education sectors. We completed every project on time and with a very high standard. So, we were able to establish our reputation early on. We also took the time to really get to know the geography and demographics of the Region. This allowed us to better understand the needs and capabilities of the area and then work to provide solutions.

**IIG: What are Eksen's key projects in the Region?**

**MY:** We successfully completed the Erbil Courthouse and Isik University projects. We are currently at work constructing the Erbil Governorate.

**IIG: How do you think Turkish companies are perceived here in the Kurdistan Region? What is their reputation?**

**MY:** In the construction sector, there are many international companies here. A majority of them are Turkish. At first, it was mostly subcontractors coming here to complete smaller projects. Now the larger companies are coming because, we have entered the “branding” period of Kurdistan. The people here value new technology and new ideas. Turkish companies are in a unique position in that they are able to easily import new products from Europe and then bring them here, thereby satisfying this demand. When I first came here, the projects weren't very professional.

**About**

Murat Yazgan has served as Eksen Construction's Project Manager in the Kurdistan Region for the past two years. Prior to his work in Erbil, Yazgan was involved in various construction and engineering projects in Turkey, with an emphasis on group management and project direction.

Now, they certainly are. Everything in the construction sector is now far more up-to-date, and I believe Turkish companies have been instrumental in helping bring about this change.

**IIG: In terms of labor, are your workers local, Turkish, or a combination?**

**MY:** The management and coordinators are Turkish. The laborers are a combination. We have lots local workers and then quite a few resident workers from different countries.

**IIG: What are the company's plans going forward?**

**MY:** Our main focus will be on building construction. However, we will of course be interested in big projects, specifically relating to energy and infrastructure. We hope to be involved in these types of projects to expand our areas of operation and bring our reputation for quality to under-developed sectors.

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## Growing Rapidly

**Wael Ghanayem** —  
Chief Financial &  
Operating Officer, Zain Iraq

Wael Ghanayem explains Zain Iraq's decision to expand its operations into Kurdistan, the potential benefits and opportunities of doing business in a new area, and the company's targeted growth rates and market share in the Region.



**IIG: How has Zain been able to spread so successfully in Iraq?**

**WG:** Over the last 10 years, Zain Iraq has invested more than \$4 billion to build our network. As of today, we have the largest network in Iraq with the best coverage. We have KPIs [key performance indicators] that are comparable to those in developed countries.

**IIG: Zain Iraq is becoming more involved in the Kurdistan Region. Why has the company decided to increase its activities in the Region's marketplace?**

**WG:** Zain Iraq began its operations in the southern region of Iraq. Currently, our market share there is about 50%. Our strategy was to consolidate our presence in the green field areas and then move to more competitive locations. Asiacell and Korek, in comparison, were able to establish their presence in Kurdistan even before 2003. We offer attractive products and services that suit the majority of the customers in the Region. The economic reforms and overall stability of the Kurdistan Region, as well as its high growth potential in the telecom market, make it a more attractive

destination for potential investors. Zain Iraq has proved its capability to spread its services and dominate the market in Iraq, even despite incredibly challenging circumstances. With that in mind, we believe that we can achieve remarkable success in Kurdistan as well.

**IIG: What Zain's current market share in the Kurdistan Region is? How many subscribers does it presently have here?**

**WG:** We only very recently [February 2013] completed our network expansion into the Kurdistan Region. As I said, the market here is mainly divided between Korek and Asiacell. However, since we expanded our network coverage and launched our new offer here, we have achieved remarkable results. We are confident that our subscriber base will continue to grow, potentially at an increased rate. In similar markets, the third entrant managed to gain a 15 to 20% market share within 18 to 24 months.

**IIG: How has the telecom sector in the Kurdistan Region evolved over the past few years and what do you think is its future?**

**WG:** The reforms in the telecom sector of the Kurdistan Region began after the war in 1991. The KRG Ministry of Transportation and Communication is the local regulatory body in the area, and the private sector has historically played a major role in providing telecom services. 3G/LTE spectrums were allocated to local providers and the CMC is now in the stage of finalizing the award of 3G/LTE spectrum on the national level. As such, we believe that data will be a major growth driver in the Kurdistan Region. Furthermore, the business environment in the Kurdistan Region is set to attract further investors and large-scale companies, a situation which will also serve to accelerate growth in the telecom sector.

comprehensive coverage in Kurdistan, we are focusing on delivering the best value for our potential subscribers; data will also be a major differentiator for Zain Iraq. We believe that the churn rate in Kurdistan is 30-40%. These numbers indicate that we will have a huge opportunity to target those churners who are willing to try other mobile operators.

**IIG: How will the company's decision to float 25% of its shares on the Iraqi Stock Exchange [ISX] impact Zain Iraq as a whole?**

**WG:** Based on the performance and growth prospects of the company, Zain Iraq shares will be very attractive and we expect huge demand on the shares. This

### About

Wael Ghanayem joined Zain Iraq in 2008 as the Chief Financial Officer and was later promoted to Chief Operational Officer as well. Prior to his work with Zain Iraq, Mr. Ghanayem had over 10 years of experience in the telecommunications industry, including serving as CFO for Palestine Telecom. He received his Bachelor's Degree in Administrative Sciences from Yarmouk University in Jordan and his MSC in Leadership and Strategy from the London Business School; Mr. Ghanayem has been a qualified CPA since 1996.

**“The economic reforms and overall stability of the Kurdistan Region, as well as its high growth potential in the telecom market, make it a more attractive destination for potential investors.”**

**IIG: Have there been any limitations or vulnerable areas that have slowed the spread of mobile phone usage or wireless network implementation here in Iraqi Kurdistan?**

**WG:** Actually, the relevant authorities were very supportive in granting permission to build necessary towers and other telecom equipment. The stability of the Region and the available infrastructure have helped to limit security costs and allow the network to roll out faster.


**IIG: We've heard you speak about market saturation rates here in the Kurdistan Region being around 90%. You've also indicated that they have the possibility to increase to as much as 120% or 130%. How can Zain play a part in attaining those numbers?**

**WG:** Most of the neighboring countries have reached a penetration rate of more than 100%. GDP in the Kurdistan Region has a high potential growth rate, and is expected to continue increasing. This will almost certainly boost growth in telecom market. Zain is a regional player with a respectable brand. With our

will also improve the performance of the stock market in Iraq and make it more attractive as a whole, with more variety and solid stock performance for the investors. The legal process to enlist a company in the ISX requires a joint stock company [JSC] registered in Iraq. The transformation of our company to a JSC is taking a long time, but we expect the process to be finalized soon. Based on the IPO, the company will have a broader shareholders base with a higher percentage of ownership by Iraqi investors. This, in turn, will strengthen our engagement with the Iraqi community and make us closer to our subscribers.

**IIG: What are Zain Iraq's growth targets and overall goals for 2013, both in the Kurdistan Region and in Iraq as a whole?**

**WG:** The telecom market in Iraq will continue to grow on a relatively slower basis, but the availability of data services via 3G technology should boost growth again. Therefore, we are targeting double digit growth. Above the average market growth, we are currently implementing an aggressive investment plan of 12-15% of our revenues; this plan targets the modernization

of the network throughout the country so as to make it 3G ready. In the Kurdistan Region specifically, Zain Iraq will be the fastest growing telecom company for the near future. Based on the initial results of our product offerings, we are studying a plan to double our investment in the Region. 



## Korek Telecom expanding its coverage

**Ghada Gebara** —  
CEO, Korek Telecom

Ghada Gebara provides IIG with exclusive insight into the growth targets for 2013, the company's partnership with Agility and France Telecom, and Korek's cutting-age network capacity.

**IIG: How has the telecom sector evolved over the past few years and what do you think is its future?**

**GG:** Mobile communications have become omnipresent these days thanks, in large part, to the introduction of mobile services after the war. This decision was deemed the only sufficient way to close the technological gap. Individuals, families, and business rely on mobile communications for their personal and business needs. This same development needs to happen for data services; we need to make the next jump into the 21st century. The technology maturity curve is different from country to country and market to market, and it is largely dependent on government strategy. For example, 3G/4G has become the backbone in mature and developed markets in which the government chose to make the technological jump. However, here in Iraq, we are preparing for 3G. It is not technology that drives the future. The future is driven by vision and innovation; technology is just a tool to achieve it.

So, with all of that in mind, I would like to restrict the scope of this question to Iraq only. 40% of Iraq's population is less than 25 years of age. Therefore, the future lies in providing services for this segment, which will soon join the mainstream economy. Moreover, Mobile Money has a big future in Iraq. More than 85% of Iraq's have a mobile phone but less than 10% of them have bank accounts. The convergence of mobile communication and financial services will open up a huge opportunity for new services and products. Mobile Healthcare and Mobile Education also have very big potential.

**IIG: Korek is the fastest growing mobile provider in Kurdistan. What are the company's plans to continue that rapid expansion?**

**GG:** Just to rephrase the statement in the question, Korek is actually the fastest growing operator not just in Kurdistan but in all of Iraq as well. As of the completion of the First Quarter of 2013, we had close to 4.8 million subscribers. We will continue to build on the momentum of 2012 and will invest in expanding both the coverage and capacity of our network.

I would also like to add that we are not just talking about expanding coverage. We are equally committed to providing the best quality of service for our customers no matter in which part of Iraq they might reside. We take this commitment very seriously. For example, we recently engaged an independent 3rd party to conduct a network quality audit of Korek, which was conducted by comparing our services to those of our competitors. I am extremely delighted and proud to share that, based on this independent audit, Korek has the best network quality in Iraq.

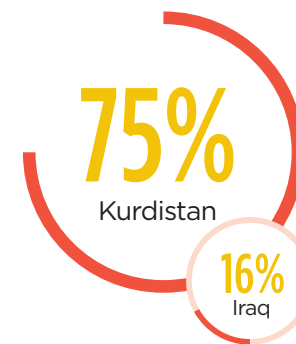
**IIG: How has the company been so successful here in the Kurdistan Region?**

**GG:** Our market share across Iraq is roughly 16-17%. We have always worked with the guiding principles that customers come first and that we are the best network for both overall services as well as value. We are also heavily investing in expansion of our network and our call centers to handle customer concerns.

Korek has been in operation since 2000. However, until 2007, our license limited our business to only Kurdistan Region. We expanded into rest of Iraq only the last 5 years. Thus, we are historically strong in the Kurdish Region. However, we do not look at ourselves as a regional or niche player. Our sights are set on the entire Iraqi market. Most of our growth is going to come from the untapped region in the center and south of Iraq. As I mentioned earlier,

**“Korek's business model has not undergone any fundamental change. However, France Telecom's involvement has helped us learn the best practices from one of the best-known telecom brands in the world.”**

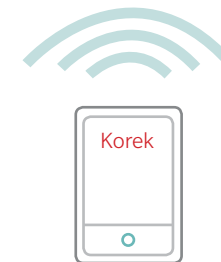
### Korek's market share



**4.8 million subscribers**  
in the first quarter of 2013



**Korek is the fastest growing mobile operator in the Kurdistan Region**



**In 2007 Korek was awarded a nationwide mobile license**

we have done 3rd party network audit and have found that the quality of our network is way better than our competitors. Our offers like Tedalal have been hugely successful in Baghdad and Basra.

**IIG: What are Korek's growth targets and overall goals for 2013?**

**GG:** Before talking about 2013, it's important that we look back at the achievements of 2012. We had a phenomenal year in 2012; our network now serves our customers in every part of the country. We achieved a revenue growth of 27% Year Over Year (YOY) and our customer base has grown 34% YoY, which translates to over 1 million new customers who are now enjoying Korek services. These results make us the Fastest Growing Mobile Operator in Iraq and put us way ahead of our competitors. For 2013, we will continue to maintain the momentum of 2012 and focus on key areas in the center and south like Baghdad, Basra, Najaf and Karbala. In our historic strong holds, we will continue to expand capacity so we keep offering the best value and the best services to our customers. We will also be closely addressing the corporate segment in 2013 in order to meet the growing demands of rapidly expanding services sector in Kurdistan, specifically the areas of Oil and Gas, Construction, and Logistics.

**IIG: Have there been any limitations or vulnerable areas that have slowed the spread of mobile phone usage or wireless network implementation?**

**GG:** The development of mobile communications in Iraq has been a success story in the last 10 years. However, Iraq still has a long way to go. Amongst 15 Arab countries, Iraq has the lowest mobile penetration. I think the Mobile Industry as a whole is enthusiastic to go and hit the market with state of the art services and products. However we need additional support in two main areas: market and/or business focused policy development and security.

**IIG: Has there been any progress in terms of the establishment of a 3G network?**

**GG:** We are ready to launch 3G. Our network and systems are 3G capable. However, the lack of clarity and a clear time line on the issuance of the 3G licenses is stopping us from offering these high-speed services to our customers. Our customers are also

### About

Ghada Gebara began her career in the telecommunications industry in 1996. She was appointed CEO of Korek Telecom in 2011. She was listed as one of the Top Three Female Telecom Executives for 2012 by CommsMEA. Ms. Gebara served as CEO of Digicel Haiti from 2005 to 2007 and of Digicel Group Ltd, the largest mobile operator in the Caribbean, from 2007 to 2011. During her time with Digicel Group Ltd,

Ms. Gebara oversaw the development of Honduras and certain French speaking markets, including Haiti, the French West Indies, and French Guiana.

Ms. Gebara completed an Executive MBA program at the University of Quebec in Montreal in 2008. She received her Master's Degree in Information Systems and Quality Management from the University of le Havre-France in 1994 and graduated from the Telecom Engineering program at the Institut National des Télécommunications Sup Telecom in Evry, France in 1996.

eagerly waiting 3G coverage, as they want to experience high speed mobile internet. We hope to get some clarity on 3G license by the end of 2013.

**IIG: How has the involvement of Agility and France Telecom (FT) impacted Korek's business model?**

**GG:** Korek's business model has not undergone any fundamental change. However, France Telecom's involvement has helped us learn the best practices from one of the best-known telecom brands in the world. We can leverage this new knowledge on a large pool of internal talent and resources within France Telecom. They have 169,500 employees and 33 affiliates around the world, with more than 15,000 employees dedicated to working on research and innovation. New products can be quickly taken to market because we can rely on the experience of other FT Group affiliates. Our managers and engineers can quickly be trained in new technologies and products by utilizing FT Group's training and development facilities. We can also rely on group sourcing to get better and more cost effective offers from our vendors, which will lead to cost savings. ☺



## Reforming Higher Education

**Dr. Ali Saeed** —  
*Minister of Higher Education  
Kurdistan Regional Government*

Minister Ali Saeed provides IIG with exclusive insight into the current initiatives for developing and reforming the higher education and his Ministry's role in the KRG's Human Capacity Development Program.

**IIG: The Ministry of Higher Education [MHE] was first officially established in 2006. How has Higher Education in the Kurdistan Region evolved since that time?**

**AS:** The number of higher educational institutions in the Region has continued to expand since 2006. The MHE has also encouraged the establishment of private universities via the favorable 2006 Investment Law. The opening of private universities has helped the educational sector to overcome many obstacles by meeting the needs of the labor market, providing higher education to an increasing number of students, and bringing technological advances into the educational arena. Today, the Kurdistan Region has 13 public universities, 10 private universities, and the Kurdistan Board for Medical Specialties.

**IIG: How would you characterize the current state of higher education within the Kurdistan Region?**

**AS:** The KRG has initiated higher education reforms focusing on several key issues. There has been an increased emphasis on promoting quality, both in terms of teaching and learning. The MHE is currently

### About

Dr. Ali Saeed was appointed as the Minister of Higher Education in April 2012. Prior to his appointment, Dr. Saeed served as President of the University of Slemani for over 7 years. He has a background in medicine, and completed his medical studies at the University of Baghdad in 1971. Beginning in 1996, he worked at the Medical College at the University of Slemani and served as the Dean of Medical College from 1997 until 2005.

operating excellent quality assurance procedures in all of its institutions. We are also focused on introducing new changes in the curriculum, implementing continuous academic development for staff and professors, and adapting an accreditation system for higher education institutions. We have focused on developing human capacity. The KRG introduced the human capacity development scholarship program (HCDP) and allotted it an annual budget of \$100 million. These funds will be used to send our young graduates to pursue their higher education, specifically

**“The KRG introduced the Human Capacity Development Program, which has an annual budget of \$100 million and allows us to send our young graduates abroad to complete their education in centers of excellence around the world. It was first implemented in 2010 and, thus far, three rounds of the program have been executed successfully. Approximately 4,350 awards have already been issued.”**

Masters and PhD programs, at centers of excellence abroad.

The government is also emphasizing research promotion. Although we have managed to establish several state-of-the-art research centers in Kurdistan, our vision is to invest more in research infrastructure by providing additional resources, bringing in newer technology for our institutions, and creating opportunities for our professors and academic staff to connect with their international counterparts. Through this last effort, we hope to encourage joint research and international collaboration. In fact, we have recently introduced new a PhD program that allows students to do a portion of their research abroad.

There has also been serious investment in terms of establishing new campuses for higher education institutions. For example, new campuses for universities in Halabja, Garmian, Soran, Raparin, and Zakho have all already been initiated. The master plans and designs for the new campuses of Salahaddin and Hawler Medical Universities are underway. With this in mind, the MHE has developed a new approach to support technical education in Kurdistan. Three new polytechnic universities have recently been established with new curricula and new opportunities.

We have also been successful in promoting the internationalization of knowledge generation and research via the establishment of partnerships and collaborations with various universities in different countries all over the world. We are also focusing on strategic areas like oil and gas management, natural resource management, energy contracts, and sustainable and renewable energies.

**IIG: Can you tell us about the MHE's HCDP Scholarship and the opportunities it will provide to students of the Region?**

**AS:** Investing in the education and human capital of our future leaders is one of the main priorities of the KRG. Sustainable development of higher education mandates qualifies and highly educated leaders. For this reason, the KRG introduced the HCDP, which has an annual budget of \$100 million and allows us to send our young graduates abroad to complete their education in centers of excellence around the world. It was first implemented in 2010 and, thus far, three rounds of the program have been executed successfully. Approximately 4,350 awards have already been issued. Of those recipients, 2,350 have already left the country and continued their studies in universities abroad. We have an established system that allows us to continuously monitor the program. We will continue to launch additional rounds of the HCDP. However, in the future, our approach will be highly selective and will focus on key specialty areas that are in high demand both in the public and private sectors here in the Kurdistan Region.

**IIG: In terms of services offered, quality of education, and number of students enrolled, how do schools here in Kurdistan compare to those in the rest of Iraq?**

**AS:** In spite of the long history of higher education in Iraq, we are now perhaps in a better situation than institutions in the south. This is primarily because of the peace and stability that exists in the Kurdistan Region. We have a very

reasonable standard of higher education, but of course we need to progress more and more. So, we are currently operating standard quality assurance programs in all higher education institutions. This system was implemented across all spectrums in education, training, and research. It also assesses teaching materials, teaching methods, examinations, and lecturing ability. The process also includes curriculum development, continuous academic development, and revitalizing research. Through the implementation of all these processes, we can maintain a higher quality of education in all of our institutions.

**IIG: What is the MHE's key objective for the future of higher education in the Kurdistan Region?**

**AS:** The KRG is directing major investment into the higher education sector. We have a clear vision and an appropriate plan to increase the quality of teaching and of learning. We are also working to adapt our accreditation systems, develop our human capacity, and promote high quality research in all our institutions. We believe that the economy, politics, and business of the future should be knowledge based, and that increased scientific research should play a major role in developing our region.

①



## Raising the quality of education

**Dr. Sherzad Najar** —  
*Higher Education Advisor to the Prime Minister, Kurdistan Regional Government*

Dr. Sherzad Najar analyzes the development of higher education in the Kurdistan Region, the strengths and vulnerabilities of the sector, and the identified growth objectives for the near future.

**IIG: How has Higher Education in the Kurdistan Region evolved since the establishment of the Ministry of Higher Education (MHE) in 2006?**

**SN:** It has changed in two different ways. Firstly, the number of universities, colleges, and departments has increased. Secondly, it has changed in terms of the number of bureaucratic obstacles that we have encountered. When the Higher Education sector was overseen by a small panel affiliated with the Ministry of Education, only 5 or 6 people were needed. When the MHE was established, it began with 100 employees. Now, it has more than 400. The overall number of personnel, specifically Directors General, also means that there are increased bureaucratic obstacles. It was a very positive step to establish an independent MHE. However, it also meant that these types of problems arose.

**IIG: It seems like people prefer the public sector to the private. How does this impact the sector?**

**SN:** This tendency to pursue public employment over private must be changed,

because the government is not able to employ everyone. Every year, more than 10,000 or 15,000 people apply for government work. How can the government manage to employ them all? Over 10 years, that number increases to 150,000. In 20 years, 300,000. Currently, we have more than 1 million people employed within the government. It's a big number and it takes a big share of the budget. Right now, the budget of the Higher Education sector is around \$12 million, and a large portion of that goes to paying salaries. So, this problem must be studied in order to find efficient and effective solutions.

**IIG: Do you think the Region should focus more on bringing in foreign professors?**

**SN:** I think foreign professors can play a positive role specifically at the private universities. However, we are certainly in need of foreign experience in higher education. Such experience first comes from professors. It's a tradition in Iraqi universities to have more foreign professors than Iraqi professors, especially in the medical,

engineering, and pharmacy schools.

On the other hand, our professors need to have experience regarding foreign universities in order to develop both their capacity and their field of expertise. Currently, our local professors have limited connections with the outside world. With such limited experiences, they are less able to follow the developments in their field of work. As a result, we need two things: more foreign professors coming here and more local professors sent abroad to have increase experience and to create contact with the outside world.

**IIG: In terms of sending professors abroad, are there specific disciplines that you think need greater foreign influence?**

**SN:** It is especially important for the fields relating pure sciences, medicine, and engineering. Obviously, there are an increasing number of technological developments in the world, and we must be aware of these advancements. We cannot only become informed by reading an article in a newspaper. We need to see such a development in reality. They must go abroad and visit foreign hospitals to see the technological developments in their treatments. We need to successfully develop the scientific level of our programs. When I look at the world university rankings, I don't see our universities because they are ranked very low. They aren't anywhere to be found when you look at the top 500 universities. So, I think it is incredibly important to begin improving our ranking system.


**IIG: Would that reform come from the government or from the universities themselves?**

**SN:** The government must have a specific program with specific points. It needs to leave the details to the MHE and to the individual universities. I think they would also benefit from conferences with a small number of attendees or professional persons in order to make necessary reforms. There have been a few conferences, but they were very large with over 500 attending. Such large conferences dilute the effectiveness of the solutions. Smaller conferences with more informed, well-known attendees could make strong, well thought out plans for reform. Higher education is a dynamic process, so reform is natural.

**IIG: Is there a system in place for universities to report strengths and weaknesses?**

**SN:** There have been some attempts to establish such a system. However, this path to change now faces obstacles. We are now discussing a new Higher Education Law, and I think some reforms will come from this new draft. There is also a national strategy for education and higher education generated by the Iraqi Government. We are also taking part in this strategy, which is designed to take place over the next 10 years. In order to make the reforms and changes that this plan requests, it will require 26 trillion IQD. The new law, amongst other things, limits the ratio of professors to students in order to conform to global standards. It also pushes for the creation of new universities. We must submit our plan to the Council of Ministers for approval. It's a unique opportunity to make significant positive changes in the Higher Education sector. The new plan calls for 63 new projects for the education sector that are budgeted at 36 trillion IQD, as well as 115 projects for Higher Education at a budget of 26 trillion IQD. This will be spent until 2020. It was approved in Baghdad and it must be approved here. So, 17% of those numbers will come to the Kurdistan Region.

**IIG: What is the future of the higher education sector in the Kurdistan Region?**

**SN:** With such reforms, we can reach a good level of development. We will most likely start with step-by-step changes and slowly make the necessary reforms. For example, if you break the entire sector into different sections and then institute small reforms in each, it will create a positive result. So, with the students, changing the examination requirements or further developing the postgraduate levels could have a big impact. With more radical reform, there would most likely be a radical response. Such a reaction could halt our ability to make the change that is so necessary. 

## About

Dr. Sherzad Najar received a Bachelor's Degree in Political Science from Baghdad University, an MA in Diplomacy and International Relations from the Diplomatic Academy in Vienna, and a PhD in Political Science from the University of Vienna. He has served as the Higher Education Advisor to the Prime Minister since 1997 and has over 22 years of experience teaching at universities in the Kurdistan Region. He has served on the Governing Board of the University of Kurdistan – Hawler, as well as the institution's Acting Vice-Chancellor in 2012.

**“The new plan calls for 63 new projects for the education sector that are budgeted at 36 trillion IQD, as well as 115 projects for Higher Education at a budget of 26 trillion IQD. This will be spent until 2020.”**



## Utilizing the Kurdish Diaspora

**Dr. Heja Sindi** —  
*Department of Business and Sciences  
 University of Kurdistan Hewler*

Dr. Heja Sindi explains his thoughts on how the higher education sector could be strengthened, and his belief in re-utilizing the region's intellectual capacity.

**“We need to develop a Human Resource Diaspora Policy so that the skills of that population can be utilized effectively to develop the country. People want to bring knowledge and experience here.”**

**IIG: Giving the importance of higher education for the future of Kurdistan, from should the Region be hiring its lecturers? Should they continue to bring in foreign lecturers or focus on developing local resources?**

**HS:** Right now we are not in a position where it is possible to neglect the role of expats or lecturers from outside the Kurdistan Region. Both foreigners and members of the Kurdish Diaspora have unique expertise and experience, and it would be unfair for all if these people are excluded from contributing to the development process in Kurdistan. However, I do think it is important for the emphasis to always be, “How can we adapt global or best practice concepts and tools to what we have in the Kurdistan Region?” That belief is one of the reasons why University of Kurdistan – Hewler (UKH) was established. That encompasses bringing in outside knowledge and transferred it to the students. Due to the large number of “Kurdistanian” university professors and primary school teachers here in the Region, it wouldn't be cost effective to send them all abroad for capacity building or training. So perhaps it's more feasible to bring in international staff, provided that they are able to blend with local personnel and help expand their teaching ability.

**IIG: The new generation is growing up in a booming economic environment. What role do you think university lectures should play in encouraging the entrepreneurial way thinking?**


**HS:** Given that I teach Business, Management and Governance, I always try to encourage my students to connect their newfound knowledge to real world scenarios. It's important for them to apply this understanding so as to have a greater awareness of the changing business climate in Kurdistan. Currently, I also try to emphasize the fact that students, prior to graduating, ‘must’ be prepared enough to perform well in their forthcoming jobs. In my understating this could be done mainly via well-designed internships. Unfortunately, this is a component that most university programs still lack. Furthermore, if the students aren't properly incentivized to pursue their education for a good reason (to have a “good” job

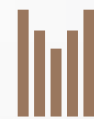
afterwards), then they aren't motivated to push themselves to achieve. If they aren't motivated, then recruiters won't be willing to buy the student's “product”, in this case their knowledge, ability, and skills. It's a domino effect, in my opinion.

**IIG: Is there a need to diversify education beyond standard public and private universities?**

**HS:** Recently, there has been more of a push for vocational or technical schools. There are also an increased number of technical universities. The government is advocating this approach to some extent because it wants its graduates to have specific types of training so that they are specially tailored to certain areas.

**IIG: What role can the Kurdish Diaspora play in creating a strong academic environment in the Region?**

**HS:** In 2001, I gave a presentation at the first International Kurdish Congress. My paper was about utilizing the capacity of the Kurdish Diaspora. Specifically, how to attract them back to the Region and then get them properly involved in the development process. Currently, some of the diaspora population makes the independent decision to come back to Kurdistan. However, they don't receive enough support when it comes to utilizing their skills in the right way. We need to develop a Human Resource Diaspora Policy so that the skills of this segment of society can be utilized effectively to develop the country. People have certain emotions toward Kurdistan. They feel they owe the Region something, so they want to bring knowledge and experience here. We have to utilize this in the right way. We must focus on how to implement the individual components for the betterment of all the people of the Kurdistan Region. 



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## Updating the System

Dosty Mohamad & Hassan Ghattas —  
*Khatib & Alami*

K&A is handling the design and implementation of the Water Supply Improvement Project in Kurdistan. Dosty Mohamad and Hassan Ghattas discussed the plan's background and specifications, as well as the need to develop alternative water sources.



**IIG: What areas will be effected by the Water Supply Improvement Project?**

**DM:** The water supply project is one of the biggest projects in Kurdistan right now because it covers the three governorates: Duhok, Erbil, and Slemani. The project also covers Halabja, which falls under the jurisdiction of the Slemani governorate.

**IIG: What was the water supply situation like when K&A first became involved?**

**HG:** Most of the networks in Duhok, Erbil, or Slemani are more than fifty or sixty years old. As a result, there is a lot of contamination in the pipelines, which require significant rehabilitation. It is actually preferable simply to remove and replace these lines than it is to restore them. Moreover, at the start of the project, Halabja did not have access to a secure water source. There were significant water shortages and there were very few projects in the works to improve the situation.

**IIG: What does the plan call for in order to improve the situation?**

**HG:** In Duhok we are replacing all the networks in the Baroshki area, as well as installing new lines in the Domez area. There are many Syrian refugees, so we are trying to improve their situation as much as possible. In Erbil we are replacing all

networks inside the 60 Meter Road, as well as in a few other areas. In addition, we are handling the new 50,000m<sup>3</sup> reservoir. In Slemani, we are replacing the pipes in 13 different sections of the city. In Halabja, the main aspect of the project is the construction of the 100,00m<sup>3</sup> per day water treatment plant. We are also handling three new distribution reservoirs, which have a capacity of 20,000m<sup>3</sup>, 15,000m<sup>3</sup>, 12,000m<sup>3</sup>, respectively. So, that's 47,000m<sup>3</sup> in total in Halabja. The government wants to restore the tourism sector in Halabja. To do so, it has to repair the right infrastructure, and we believe reservoirs are a big part of the needed improvements.

**IIG: Can you talk us through the importance of establishing these new reservoirs?**

**HG:** Erbil has no water reserves or water storage at the moment. The city currently relies on deep wells or on water treatment plants. This is something that the government is planning to change. In that system, the treated water gets directly pumped into the network or into the underground reservoirs. If there were ever any problems with the treatment plant, the supply of water to Erbil would have to be immediately cut and the people would therefore suffer greatly. So our plan proposed a new

**About**

Dosty Mohamad has been working as Country Manager at the Erbil Branch of K&A since 2005. He studied Physics at the College of Science and received his Master in Business Administration.

50,000m<sup>3</sup> reservoir that would at least provide for a few hours of storage to cover for any shortages or routine maintenance that could cause the treatment plant to shut down temporarily. We also have plans to expand the water treatment plant's capacity to 240,000m<sup>3</sup> per day. The population growth in Erbil is huge; it is around 2.5% to 3% per year. These figures will continue to grow because of the influx of foreigners due to economic opportunities and higher security levels. It is important for the available water supply to be able to provide for this large, and still growing, population. The government can not afford to have a shortage of water.

**IIG: Why are reservoirs in Erbil and Halabja preferable to digging deep wells?**

**HG:** In Erbil, for example, water wells used to only need to reach 50 meters in order to find water. Those wells then began to dry up, so the depth was increased to 100 meters. The process continued and now

# “Erbil has no water reserves or water storage at the moment. The city currently relies on deep wells or on water treatment plants. This is something that the government is planning to change”

they have to drill up to 350 meters to get water. To me, this exemplifies the type of problem the city will encounter if new water sources are not identified. Thus, our project in Erbil aims to provide an additional 144,000m<sup>3</sup> of water. However, this is still probably not enough.

**IIG: Going back to the pipelines, exactly how many kilometers of piping will be installed?**

**HG:** The plan calls for the installation of approximately 1,200km of new pipelines. To break it down into specific sections, we are replacing approximately 300km of old piping in Erbil and 200km in Duhok. As I said, in Domez there were no existing pipelines, so we are installing 120km of new lines there. In Baroshki, we are replacing between 120 and 130km of existing pipelines. In Slemani, the total installed pipeline in 13 different areas of the city will be around 380km; 7 areas require new piping and in 6 others there were no existing pipelines. In Halabja, we are replacing around 60km and installing 40km of new pipelines.

**IIG: What have been the major obstacles that you have encountered either in planning or executing this project?**

**DM:** One major problem, which made this project become even more vital, was an outbreak of Cholera in Slemani. This happened several years ago and was caused by a contamination of the drinking water. The pipes there were very old and leaking, which led to sewage contamination. These pipes were over 50 years old, so it became extremely important to replace them as quickly as possible. A second issue that we encountered related to water revenue. We did a study of how much water was being lost in each of the four cities that I mentioned before. It quickly became apparent that there was a need for new laws to regulate water usage. The daily consumption rate for water is

around 400 liters per capita per day. That is an incredibly high number. In other areas around the world, that number is usually closer to 200 liters per day. So, we advised the KRG to install meters and begin fining people for extra water usage. We also encouraged them to educate everyone, from young children to the older generation, about the importance of water and its conservation.



**IIG: How was this advice received?**

**DM:** Now there is another government initiative, the Smart Meter Project, which deals primarily with water meters. The program calls for the government to install an electrical meter and a water meter at the same time. Here in the Kurdistan Region, you can't cut people's access to water because it would become a political issue. So, the idea then is that when you pay for your electricity, you also pay for your water because they would both be included in the same bill. If a person doesn't pay, then both services would be cut automatically. This way, the government isn't cutting your water directly; it is cutting your power, which happens to be tied to the water. This system isn't designed to take water away from the people or to charge them for regular usage. However, when you begin charging for overuse, people will naturally begin to cut back.

**IIG: Where is the financing for this project coming from and who is handling the actual construction?**

**DM:** The project itself is funded by a loan from the Japanese International Cooperation Agency (JICA). The loan itself came from the Japanese government and was given to the Iraqi government, which in turn allocated funds to the Kurdistan Region. Because this project is Japanese-funded, the bidding is based on international bidding practices. Thus, the contractors involved are all also international. The UNDP and JICA monitor the activities on a monthly basis to ensure that everything is proceeding on schedule. With other projects, there are delays because of supplies or because the quality of the work is not good. With this project, the government has learned from past mistakes and has instead brought in good companies, good materials, and good specifications. Even the human resources agencies are more strict! 

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CEO	Dr. Najib Khatib
Founded	1950
Engineers Worldwide	4,000
Employees in Kurdistan	32
Ongoing Projects	7
Completed Projects	14



- 1 Choueifat International School
- 2 Erbil Media City
- 3 Korek Tower
- 4 Erbil Green Belt Master Plan



**Choueifat International School**

K&A offered design and construction supervision services for the construction of the facility, which is located on an area of land approximately 150,000 m<sup>2</sup> in size (making it the largest in the Choueifat chain of schools). The Choueifat International School, which was the first project undertaken by K&A in the Kurdistan Region, caters to roughly 2,000 students, who range in level from nursery school to grade 12. The design process for the facility began in 2005 and was completed in 2007. Construction began in 2008 and the school opened its doors in 2009. The Choueifat International School is composed of state-of-the-art facilities, including an administration building, a multi-purpose hall for 600 persons, 80 modern classrooms, laboratories for the sciences and IT, a library, a cafeteria, staff accommodations, and a gymnasium which features a semi-Olympic swimming pool,

a basketball court, and a soccer field. The project was completed on a construction budget of \$25 million.

**Erbil Media City**

K&A provided design-consulting services and will provide construction supervision for the planned commercial office park located in the capital of the Kurdistan Region. The plan for the facility calls for 1200 apartments, 200 villas, a hotel, a shopping facility, and one of the largest, HD studios in the country. Erbil Media City is intended to become the new home for all media both in the Kurdistan Region and in all of Iraq.

**Korek Tower**

K&A designed the plans for the facility, which will consist of twin towers that are expected to become the tallest buildings in Iraq. Korek Tower will consist of one building, which will be completed either as a residential space or a hotel facility, and a second, which will serve as an office

structure with a shopping mall at its base. The project is currently in the preliminary design phase, with the tendering process expected to begin in late 2013. The design of Korek Tower was influenced by the historic Erbil Citadel (which serves as the inspiration for the base of the structure) and the Erbil Minaret (which served as the inspiration for the individual towers). The facility will be owned and operated by Korek Group.

**Erbil Green Belt Master Plan**

K&A were contracted by the KRG to define the area for the Green Belt, detail the overall plan, and propose a specific roadmap for its implementation based on economic, social, and physical planning. The plan that K&A devised has three objectives: limit urban sprawl, develop peri-urban agriculture (agriculture within an urban environment), and promote leisure and recreational facilities to attract further investors. The plan is currently awaiting final approval from the KRG.

**Need for Reform**

**Dr. Talib Murad —**  
Senior Advisor to the PM for  
Agriculture and Food Security  
Kurdistan Regional Government

Dr. Talib Murad gives IIG insight into the critical issues relating to water resources, the changing role of foreign enterprise in the agriculture sector, and the priority areas for further development in the Kurdistan Region.



**IIG: How would you describe the present state of agriculture in the Kurdistan Region?**

**TM:** Iraq suffered under Saddam, but the Kurdish Region, and in particular our villages, suffered more than anyone else in the country. Saddam forced people from the villages to the cities. I first came to this area in 1965, and the villages were thriving. They were strong and vibrant. Those villages were producing a large amount of produce. So, they were producers. Today, they are consumers. Most of the agricultural products are imported. We should dedicate at least 10% of our budget to agriculture in order to revive the sector. However, we are not even at 2% right now.

**IIG: Can you explain the importance of food security and what is the government doing to promote the idea?**

**TM:** The concept of food security was introduced three years ago. Food security includes water, agriculture, food safety, and overall health. This could be the health of the animals being imported or simply the quality of the medicine. It all relates. Food security has not been placed at the top of the agenda. If you look at the budget's allocation of funding, you will find agriculture on the bottom. When the people come to realize that food security is as important as national security, then things might change. However, food security and agriculture require sweat equity. Kurdistan used to be a sweat nation. Now, it seems more like a salaried nation.

**IIG: You're quite active in terms of water resources. What can you tell us about those resources in the Kurdistan Region?**

**TM:** It has been estimated that 60% of the water consumed in Kurdistan is produced locally. However, it's not really produced here. It's either precipitated in the form of rain and snow or it comes from waterways that originate in neighboring countries. The basin for these waterways, specifically the Tigris and Euphrates, is located in parts of southeast Turkey, eastern Syria, and western Iran. A few months ago, NASA conducted a report that estimated that 144 billion cubic meters of water have disappeared from this area in the last 5 years. The report indicated that 20% evaporated, 20% went to the lakes and disappeared, and 60% disappeared from the groundwater. That's a lot. If this process continues for the next five years without any corrective efforts, we will soon look like another Gulf State.

**IIG: How does the present supply of water measure up to the Region's current water needs?**

**TM:** For every million people, you need one billion cubic meters of water. With that in mind, we definitely have a deficit in the Kurdistan Region. Currently, there are estimated to be around 23 million people living in Iraq. The amount of water coming from the Tigris and the Euphrates is not enough to sustain that population, so a deficit exists. At the moment, from the Tigris, we receive 20 billion m<sup>3</sup> annually. By the end of next year, the Ilisu Dam will be finished and will reduce those 20 billion

m<sup>3</sup> to 9 billion m<sup>3</sup>.

As a result of the GAP Project on the Euphrates, seven dams have already been built on the Turkish side and five on the Syrian side. There aren't concrete numbers for the Euphrates. However, from my estimates, we will receive only 7-8 billion m<sup>3</sup> annually as a result of these dams. Right now, the rain and the snow of Kurdistan are supplementing our water levels. For now, this is providing some stability. However, there is still a deficit. This year, of course, we had excellent rain. Statistics would indicate that the amount of rain we had this year was three times better than last year. However, that's not a long-term solution because we can't rely on this as being a constant occurrence.

**IIG: What about meat production in the Region?**

**TM:** The people of Kurdistan love our meat. We are a nation of carnivores! However, we don't have enough animals available locally to produce the amount of meat that is in demand. So smuggling animals and meat has become a bigger business. This leads to the importation and usage of inferior meat that comes with the risk of being contaminated, diseased, or chemically treated. In some cases, the meat consumed here has been smuggled over land from India or Pakistan. It's another situation that is in need of attention and reform. We locally produce less than 20% of our requirement for red meat and poultry. I am afraid we cannot go on this way. ☹



## Renovating the City

**Nihad Latif Qoja** —  
Mayor of Erbil

Nihad Qoja details the work that has gone into developing Erbil, the infrastructure that requires further investment, the planned renovations for the Erbil Citadel, and his vision for the future of the Kurdistan Region's capital city.

**IIG: You began serving as the Mayor of Erbil in 2004. What would you say has been your office's biggest success story since that time?**

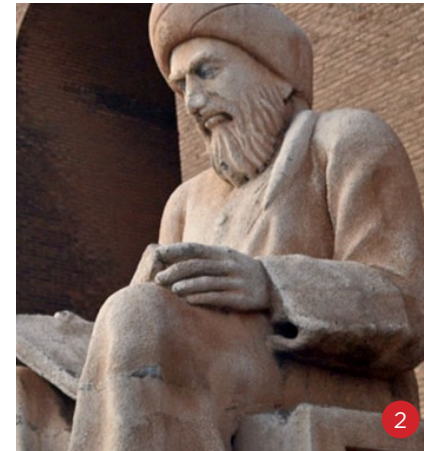
**NQ:** I would have to say that the greatest success has been the growth of the city itself. Before 2004, Erbil did not look anything like it does today. If you looked at a picture of Erbil in 2004 and one of Erbil in 2013, you would probably assume that the time difference between the two images was actually 30 or 40 years rather than 8 or 9. This growth is in terms of both the population and the infrastructure itself. In 2004, the population here was roughly 500,000. Today, I am the Mayor of over 1.1 million people. In 2004, the only proper road was 60 Meter Street. Today, there is a modern traffic system with many proper roads, including 30 Meter and the 100 Meter Streets. The same is true for the number of buildings, the electricity network, and the general infrastructure. All of this development happened after 2004.

**IIG: Are there still areas that require further development or modernization?**

**NQ:** There are many other areas that are in need of further development. Perhaps one of the biggest issues facing the city of Erbil is its antiquated sewage system. The system we currently have in place is very old and out of date. In addition, as I said before, the population of the city has more than doubled since 2004. So, we can't simply repair or refurbish the sewage system; it needs to

be rebuilt from the beginning. However, to do so requires a massive investment from the government. An independent study was conducted regarding the sewage system of Erbil and from that study a strategic Master Plan was devised. That plan called for a budget of \$2 billion. So, the design is ready, but the amount of money required to make such drastic changes is very high. **IIG: Can you tell us about the work being done at the historic Erbil Citadel? What are the planned changes and when are they expected to be completed?**


**NQ:** The Citadel itself will stay as it is, but it will be renovated. The basic plan calls for the area to be used as a center for cultural activities. For example, the French and Turkish consulates are already planning to have cultural offices within the Citadel, and other delegations are following suit. We hope that, with time, the area will become the cultural center of Erbil. To help facilitate this change, some of the old houses will be renovated and turned into cafes, restaurants, and hotels. Then there are other changes that are being carried out for more historical purposes. For example, we have already begun work at the main entrance to the Citadel. The current gate was constructed during the era of Saddam Hussein and reflects Babylonian designs rather than Kurdish. Our plan calls for the gate to be redesigned to reflect its original structure. However, because the Citadel has existed for thousands of years, there is much archaeological preservation to be



- 1 Handmade Beanies
- 2 Mubarak Ben Ahmed Sharaf-Aldin
- 3, 6 Historical sites in Citadel
- 4 Citadel of Erbil
- 5 Shisha and tea café outside the Citadel walls.
- 7 Nuts for sale in the Citadel Bazaar.

done before most of these plans can be carried out. All the work in the Citadel is being overseen by UNESCO so as to ensure that proper protocol is observed at all times. I personally believe that the work will take approximately 10 to 15 years.

**IIG: How do you expect the city to continue to grow and develop?**

**NQ:** Our priority for the next few years is to renew the old quarters of the city of Erbil. There are many areas here that are very old or run-down, and are in need of revitalization or renovation. In addition, there are many changes planned for the area around the Citadel itself. All the buildings surrounding the Citadel, including the Erbil Governor's office, will be demolished. A few historical structures, such as this office and the bazaar, will stay in their present locations. However, they will, of course, be heavily renovated. The rest will be demolished and rebuilt as cultural areas or parks. This is all being done to help revitalize and modernize Erbil, and more accurately reflect the history and culture of its people. 



## Smart hotel for business travelers

**Doaa Amin** —  
General Manager,  
Tangram Hotel Erbil

IIG talks to Doaa Amin about the Tangram’s strategy for regional expansion and establishing a brand in a rapidly changing market.

**IIG: How do you define Tangram’s concept?**

**DA:** The Tangram concept is pretty straightforward. It’s a smart hotel for business travelers. It’s a lower budget brand that doesn’t have too many luxury facilities, but does provide everything that a business traveler could ask for. Tangram gives you a very efficient room in a very efficient hotel. Smart. Straightforward.

**IIG: Are there any things that you have had to adapt to this market?**

**DA:** The Tangram concept is a strict concept. It is a very much help yourself concept. We provide an area for you to feel comfortable. The internet is always efficient and fast. There is minimal staff around you and not really the silver, white-gloved sort of service. Bringing this concept to the Middle East and specifically to Erbil, where international hospitality is still being defined, was our number one challenge. This was also our number one adaptation.

**IIG: Who would you say are Tangram’s target customers?**

**DA:** Certainly business travelers in particular. We are not catering to leisure travelers at all. We offer the services that we see as fundamental. We have one of the biggest, most beautiful gyms in Erbil. Most likely,

**“We provide everything that a business traveler could ask for. Tangram gives you a very efficient room in a very efficient hotel. Smart. Straightforward.”**

business travelers won’t need to experience luxury dining areas, but they will need to use the gym. So, 100% my target market is business travelers from within the Middle East and from Europe or the U.S. as well.

**IIG: So, with competition coming in, is there a desire to establish the idea of Tangram now in preparation for those later arrivals?**

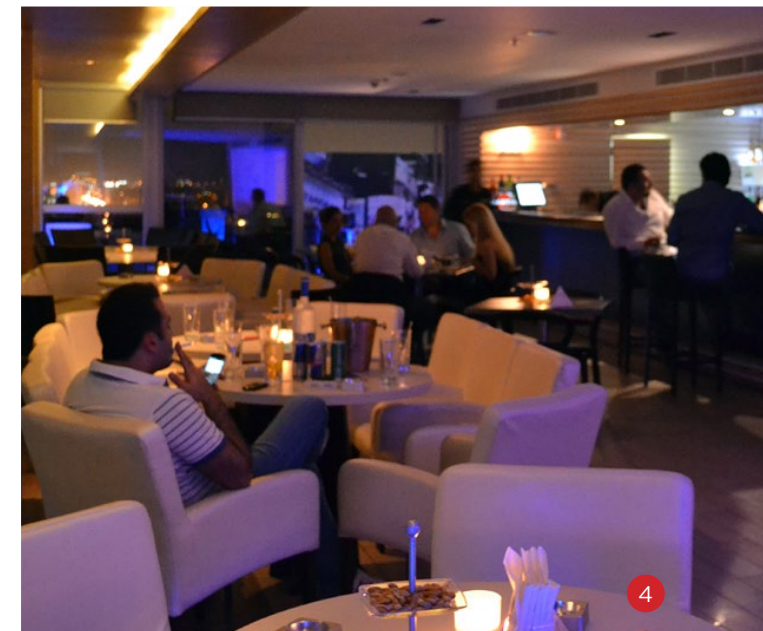
### About

Doaa Amin has been involved in the hotel industry for the past 15 years. She specializes in opening new hotels, and has a proven background in operation management in Middle East markets. She received her Masters in Business Administration at Reims Management School in France.

**DA:** It is very important to establish the Tangram brand now in Erbil. However, to establish the basic concept of the hotel, I think that we need some time. We can do this more easily in more mature markets where there are established and defined classes of hotels: the three, four, and five star hotels, as well as the budget providers. For now, we want to complement the market and see what exactly it wants, and then try to offer that within our standards.

**IIG: How did Tangram’s 360 Club become a hot spot in Erbil?**

**DA:** We had this rooftop area on the twelfth floor and it was supposed to be a restaurant of some kind. However, for the purposes of our hotel, we didn’t need to have seven or eight themed restaurants, because, again, that wasn’t something we figured our guests needed. Meanwhile, we had this fabulous Colombian band that was performing in our lobby. So we just decided to send them upstairs and see how it would work. Over time, the area evolved into more of a bar area than a restaurant. I mean, as of the second day, it started to boom, and I think I know why. 360 is the youngest and newest nightspot in Erbil, and people in the Middle East always like to try something new. Then there’s the fact that we keep the entire place very, very clean. We go by the book, by the rules, by the laws. We enforce age restrictions and really try to keep it available only for couples or mixed groups. I think these two things were key to 360’s success. People liked it and they flocked to it. Salsa music is not something that exists in Erbil yet, so it was a novelty. In my opinion, if you manage to get novel ideas to spread, then they eventually win out; 360 seems to be a winner. 📍



1, 2, 3 Tangram interior  
4,5 Tangram 360 Club

## Executive flights to Iraqi Kurdistan

**Turhan Güngör** —  
Director, T-Jets İstanbul

An Istanbul-based executive aircraft charter company, T Jets, guarantees a safe and fast flight experience to your preferred destination.



**IIG: TJets Aviation was founded in Istanbul in 2010. Please talk us through your key achievements?**

**TG:** Thanks to its strategic location between Dubai, Moscow and the European continent, Istanbul has always been a good place to base executive jets. Since 2001, the business aviation industry has grown at more than double the rate compared with the rest of air traffic in Europe. As a result, TJets has become one of the very well known companies within the region. I believe our uniqueness primarily lies in our ability to quickly and professionally respond to every flight request. This is strength is due to our corporate structure, which is designed exclusively for revenue flights. Our reliable service has been recognized not only by end users but also by the executive charter brokerage community.

**IIG: Can you please tell us more about your service and its advantages?**

**TG:** The main advantages of our service are speed, privacy and comfort. When you choose to utilize a private jet, you are able to fly to a greater number of airports than is possible with the standard commercial airlines. As a result, you get to your final destination faster and more directly. In fact, two-thirds of our business flights are between cities not served by daily scheduled flights.

Another advantage is the privacy the charter service offers: you can freely

discuss important and confidential matters with your colleagues. Whether privacy is important to you for business or personal reasons, private jets offer a discrete travel environment.

**IIG: As a luxury brand, how do you ensure you stay at the top of your game?**

**TG:** In order to stay at the top, we pay great attention to the quality of our service. From catering to greeting passengers at the terminal, no detail is ignored. We have a database for the food and drink preferences of our passengers so that when they fly with us again, they will have their favorite foods during the flight.

Accessibility is another important feature in this business. Our aircraft is registered in the most frequently utilized internet-based sales systems and our Commercial Department can respond by telephone or e-mail to any flight request within an hour.

**IIG: Has there been a significant increase in executive charter flights to Iraqi Kurdistan with the opening of the Erbil International Airport in 2010?**

**TG:** We see the most potential growth in Iraqi Kurdistan; the increasing GDP thanks to its natural resources makes Iraqi Kurdistan an ideal market for growth. The main factors in the growth of business aviation are increased spending power, the globalization of large companies, new


business models for the high-income segment, and travelers who are less willing to accept the hassles of traveling via scheduled airlines. All of these elements are currently present in modern Iraqi Kurdistan.

Moreover, with the very recent decision of the US Federal Aviation Authority (FAA) to lift its ban on commercial planes flying from the US into Iraqi Kurdistan, we strongly believe there will be a tremendous amount of executive charter traffic on par with scheduled services, which has grown more than 400% in just 4 years.

**IIG: Are there any regions or countries in which TJets is not presently operating or refuses to carry passengers?**

**TG:** We have very good insurance coverage and as long as our aviation safety standards are met, TJets and its highly experienced crew can fly to any part of the world.


**IIG: What do you hope to achieve as a company in the next five years?**

**TG:** We believe that the market is saturated in 1500-2000 nautical mile (nm) range mid-size aircraft. Only about 10% of business flights are over the 1500 nm range. However, this 10% is a very lucrative market. Our objective in the near future is to convert our fleet to larger aircraft with greater range. This will enable us to connect to Asian and European destinations and benefit from the less covered segments of the market. 

## Majidi Mall: An Oasis of Commerce

One of the largest premier shopping and entertainment centers in all of the Kurdistan Region, Majidi Mall has serviced the residents and visitors of Erbil since November 2009. The facility is comprised of three floors that feature a total of 67 shops, a cinema, an entertainment center, a supermarket, and multiple dining options. A secure 2,000 vehicle capacity parking lot provides safe and easy access to the building. Shopping highlights include luxury brands like Brioni, Vakkò, and Sarar, as well as globally recognizable retailers like Adidas, Nike, Levi's, and United Colors of Benetton. The third floor of Majidi Mall houses the center's dining options. Amongst fast food offerings like Fatburger, New York Fries, Wienerwald, Peppè's Pizza, and Chester's Chicken exist more



up-scale establishments like Venezia Café (which serves Italian sandwiches, pastas, and pizzas) and Kahve Diyarı (which features traditional Ottoman and Turkish cuisine). Perhaps most notably, Majidi Mall offers the most consistently reliable ATMs in all of Erbil, a city in which finding an accessible, fully-stocked bank machine can be at times challenging. 



## ANNUAL ISSUE KURDISTAN REVIEW 2013

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

*Kurdistan Review 2013 will offer two key supplements:*

### HOW TO START UP

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

### THE GUIDE

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



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## THE REVIEW

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

## NEXT ISSUE

*August Edition of "The Review" will be online from August 1, 2013.*

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

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

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## ABOUT INVEST IN GROUP

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



A Boutique Hotel in Erbil

# Blue Mercury Hotel

Blue Mercury Hotel is located near the Ainkawa Bridge on 60 Meter Street, only 5 minutes from the famous Erbil Citadel. The hotel offers a complimentary breakfast buffet, wireless internet, 24/7 room service, and transport services to and from Erbil International Airport upon request.

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