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Allurentis is delighted to have been involved in association with the National Investment Commission of Iraq and UK Trade & Investment on this, the fifth edition and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within Iraq.

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The New Iraq: One of the world's fastest growing economies

The last 12 months saw Iraq's GDP grow 8.2% - one of the fastest developing economies in the world. It is a remarkable performance, defying the manifest challenges faced by the country. Economic progress continues to gather pace together with a widening focus on industrial development as well as oil.

The latest National Development Plan (2013-2017) calls for spending totalling US\$357 billion in projects concentrating on energy, building and services, agriculture, education, transport and communications. Deputy Prime Minister for Energy Affairs, Dr. Hussein Shahrstani is confident that "2014 will be a year of investment in Iraq".

A fundamental shift is beginning to take place with private sector investors now welcome to form joint ventures and launch new business operations.

This business guide reflects expert appraisal on investment prospects by those who know what is happening on the ground and explaining why their businesses are increasingly involved in a market which offers incredibly lucrative opportunities.

Iraq's capital expenditure in the oil & gas sector alone will reach nearly US\$39 billion in 2014 and total US\$622 billion by 2030, according to the Iraq National Energy Strategy Report. Downstream spending on

new refineries, oil storage and pipelines is projected to reach US\$74 billion by 2030. Development of the largely untapped natural gas sector is expected to involve US\$15 billion of investment over the same period.

Iraq is also planning a giant new container port and logistics facilities in Al-Faw in the south of the Basrah Province. Plans for a 1,200 kilometre high speed rail link between Baghdad and Basrah are being prepared. In addition a new four lane expressway connecting Basrah to the border with Turkey is planned.

Potential infrastructural projects are attracting the world's biggest financial institutions with Standard Chartered and Citibank among the latest to establish a presence in Iraq. Mayank Malik, Citi's Chief Executive for Iraq and Jordan, has described the country as "the next big thing, a giant that is waking up".

This business guide points to one of the world's largest markets for a vast array of goods, equipment and services over the next five years. Business opportunities are emerging each month in many sectors. Government revenues continue to grow as the oil industry expands production and export capacity. The prospects are enticing and the growing opportunities now being generated are compelling. ■

Dr. Sami Al-Araji:

Chairman of the National Investment Commission



Dr. Sami Al-Araji

The New Year is one of great promise for Iraq as long awaited major projects get underway. The country's economy is likely to expand at a faster rate than any other in the region over the next five years. Prospects for investors are vast, embracing far more than just the oil & gas sector.

Iraq has managed to overcome daunting challenges, to experience sustained economic expansion since 2010, with 8.4% GDP growth in 2012 and further expansion of 9% in 2013. 2014 will be the year of investment in Iraq.

Therefore, I am delighted to greet this latest edition of The New Iraq - Discovering Business 2014, which is published at a most opportune time. This publication is the latest of a series that has served to chart the rebuilding of Iraq as a vibrant economy seeking to attract a wide range of investment.

There are challenges but these are being overcome and Iraq has all the requirements and the desire to become one of the region's richest and most successful economies.

As the country moves to a market economy, increasingly, there is a growing role for a more diverse and expanded Private Sector base. New investors will find a wealth of substantial opportunities from the expanding business now being generated in one of the world's fastest growing economies.

An accelerating engagement with the global economy is shown in the successful licencing of major oilfields for development by international oil companies, whose work is now moving ahead.

An Integrated National Energy Strategy Report unveiled in June 2013, sets out plans for the oil & gas sector which could see Iraq earning up to US\$6 trillion in revenues over the next 20 years. This income will be a massive boost for the economy far into the future. In 2013, major international financial institutions such as Standard Chartered Bank and Citigroup acknowledged the long term potential by establishing offices in Iraq.

"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,” according to Standard Chartered Bank’s Regional Chief Executive Officer for the Middle East, Christos Papadopoulos.

This optimism is well founded. In September 2013, the Ministry of Planning launched Iraq’s National Investment Plan covering the years 2013-2017. Building on the previous Plan adopted in 2010, this new Plan will see investments of US\$357 billion on infrastructure projects throughout Iraq.

In addition to boosting oil & gas output, the Plan prioritises development of the country’s industrial base. There is also a focus on construction, transport and agriculture in addition to vital social areas, notably education and healthcare.

Essential drivers of the economy, particularly electricity production and transportation will require very large and ongoing investments. The new Plan intends to address these issues vigorously.

Major ventures are planned to modernise transportation. The new Plan envisages Iraq becoming a major hub in the region, able to compete with established port cities such as Dubai, Doha and Kuwait. Development of Al-Faw Grand Port near Basrah as a major container terminal, combined with planned rail links to Turkey will see Iraq become a land bridge between Asia and Europe.

Increasing attention is also being given to addressing Iraq’s water shortages, with irrigation and dam building projects, while a huge seawater treatment plant complex is being planned to serve the needs of the oil industry in Southern Iraq.

Iraq’s needs are extensive and ambitious and foreign investors are crucial to achieving the Plan’s goals. However, it is recognised, that overseas companies require a business route map into the country and the National Investment Commission (NIC) works both on a national and provincial level, in order to help international firms enter and operate as efficiently as possible.

The NIC acts as a single point of access to Iraq’s economy to smooth the entry of companies into Iraq. As Chairman of Iraq’s National Investment Commission, my purpose, with the support of my team, is to help foreign companies and investors to become involved in the massive reconstruction effort that is now gathering pace.

We are here to help firms with all their enquiries and happy to discuss concerns and address these. Please do visit the NIC at its headquarters in Baghdad or email us as and when your company considers taking advantage of the huge range and volume of business now on offer in one of the world’s fastest growing economies. We are here to help you and your business benefit from this huge opportunity. ■

HMA Simon Collis:

British Ambassador to Iraq



Simon Collis

Iraq's move away from conflict towards normalisation was in many ways halted in 2013, with an increase of attacks in several areas, in particular in and around Baghdad and in the West of the country. This reminds us that alongside the business opportunities, challenges still remain. However, Iraq's economic growth remains strong with many opportunities for UK business. Delivering growth across the country will benefit from a more inclusive political process, which will lead to improved security; Britain is providing support on both counts.

It is important however, to put security matters in context. Serious business is being done here, and much more is possible providing appropriate precautions are taken. At 8.4% per year the economy is developing fast, fuelled by one of the world's highest potential hydrocarbons sectors. We are seeing growing commercial interest in Iraq and not just in hydrocarbons and security, though we are proud of the roles that UK firms play in these sectors.

We need to position ourselves for the future. Companies like Standard Chartered, BP and Shell are capitalising on first-mover advantage and taking a strategic approach to Iraq. And the significantly more secure Kurdistan Region of Iraq is registering growth rates at over 10% per year, and has already attracted over 100 UK companies.

Standard Chartered Bank opened a branch in Baghdad in November 2013, making them the first UK bank to open full branch offices in Iraq and they will also open branches in Erbil and Basrah in 2014. At the opening event, Prime Minister, Nouri Al-Maliki spoke positively about the UK's support and how the opening would give confidence to companies wanting to invest in Iraq.

We are doing a lot to encourage this growing interest.

Former British Prime Minister's Trade Envoy, Lord Marland, led a delegation of 33 UK companies to the Erbil International Trade Fair in Kurdistan in September



UK firms have never been so well supported to identify, win and deliver meaningful business opportunities here.



2013. The following month, UKTI exhibited for the first time at the Baghdad International Fair. In November 2013, we ran the largest ever UK trade delegation to Iraq, with Baroness Nicholson of Winterbourne leading a delegation of 45 companies as part of a UKTI/Iraq Britain Business Council mission. Prime Minister Al-Maliki opened the mission in Baghdad and mission representatives called on KRG President, Masoud Barzani in Erbil. Prime Minister Al-Maliki made clear his Government's desire to see more British companies taking part in Iraq's reconstruction. In December 2013, UKTI working with the Energy Industries Council, ran the first UK company mission to the Basrah Oil & Gas fair where British exhibitors delivered an impressive UK Pavilion.

The British Embassy campaigns on behalf of UK companies and supports their efforts in this challenging but valuable market. We now offer a "British Business Embassy" service for UK business visitors on their first visits to Iraq. For a competitive fee, the Embassy can provide transport and accommodation at our secure compound in the International Zone, to the same standards that enable our own staff to live and work in Baghdad.

Over the past year, we have also opened Visa Application Centres in Baghdad and Erbil, making it much easier for Iraqi business people to travel to the UK. We intend to open a third Visa Application Centre in Basrah during 2014.

We are also working with the Government of Iraq through a Joint Ministerial Trade Council established in 2013, to improve business conditions in ways that will enhance international investor confidence.

The opportunities in Iraq are vast. Iraq has the highest forecast growth rate of any of the Foreign and Commonwealth Office's (FCO) emerging powers. The Government has earmarked US\$357 billion from the budget for the Iraq National Development Plan, a comprehensive strategy for infrastructure renewal and human development.

There are significant challenges in this market, and in many cases these risks can be mitigated. UK firms have never been so well supported to identify, win and deliver meaningful business opportunities here.

We are keen to work with you over the year ahead. ■

Baroness Nicholson of Winterbourne:

Executive Chairman, Iraq Britain Business Council



Baroness Nicholson

The news has been understandably dominated by stories of the violence plaguing Iraq. It has indeed been a hard few years for the beleaguered population of this proud nation.

However, behind the headlines, there is another narrative emerging from the ashes of Saddam's regime and the ten years of hard nation-building struggle that has followed. It is a very different tale.

It's a story of hope, ambition, opportunity and eventually huge success. Iraq is the potential power house of the Middle East and we are now seeing the first seeds starting to grow.

According to a recent article in the Financial Times, Iraq's economy has expanded dramatically. Its gross domestic product has doubled since 2003, and the World Bank now says that over each of the past two years, the economy grew by more than 8%. Iraq's own Central Bank predicts even higher growth!

It's a story repeated in very few other markets around the world. Despite its troubles, Iraq is becoming a nation that cannot be ignored, and for all the right reasons this time around.

The IBBC enjoys the highest level of government support from the United Kingdom and the European Union. We are also fully supported in our goals by the Iraqi Government and the Iraq National Investment Commission.

But the IBBC is more than a business initiator. It promotes best practice and international standards as well as transferring technology and know how.

As well as holding major trade conferences in London and Iraq, we also arrange frequent trade delegation visits, varying in location between Baghdad, Basrah and Erbil, where we now also have permanent offices.

An unprecedented 50 business leaders and academics accompanied us on the most recent delegation to the Iraqi Capital. It was organised by both the IBBC and the UKTI, and the special guest was Iraq's Prime Minister, Nouri Al-Maliki.

Mr Maliki was full of praise for British business in particular.

He told the audience of delegates and Iraqi businessmen and politicians that British companies

were known and respected worldwide for their great work. He was not just saying this to flatter the audience, he added, but this was a fact.

“We want, and must always have, good relationships between Iraqi business and the UK. Together we will achieve the process of reconstruction of this country”. continued Mr Maliki.

The Prime Minister’s words were echoed when the delegation moved northwards to Erbil, in the Kurdistan Region of Iraq.

Both the Chairman of the city’s Chamber of Commerce, Dara Khayat, and Mr Falah Mustafa, the Head of the Department of Foreign Relations, had similar things to say about British business.

They both talked of their eagerness for local firms to foster and develop their already solid relationships with UK companies.

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

Thirteen senior representatives of British higher education, some from more established, and some from newer universities and institutions, were included in the delegation. All were keen to revive the historic academic linkage of the UK and Iraq.

“Education is the start, middle and finish of almost every aspect of reconstruction and development in Iraq,” said a Vice Chancellor during the trip.

Any IBBC member company can come to the sector meetings. We plan now to create a new category of membership geared towards universities, paralleling that which exists already for corporate organisations.

The Table, chaired by the IBBC’s Dr. Alastair Niven, is also keen to encourage more provision in Iraq of English language teaching, since

it is obvious that good knowledge of English is a gateway to higher levels of employment and to courses overseas.

IBBC members also hold regular sector tables on Oil & Gas, Professional and Financial Services, and Construction and Infrastructure.

Summer 2013, Britain’s relationship with Iraq became all the more close when a new UK ambassador was appointed – the first for six years. Mr Faik Nerweyi gave his maiden speech at the IBBC’s summer retreat at Cumberland Lodge.

So it’s very clear that the UK is one of Iraq’s most favoured nations and our members must continue to take full advantage of the opportunities now presenting themselves in that particular part of the Middle East.

Yes, there are serious obstacles for all. Not least security, corruption and bureaucracy. However, with knowledge, skill, and professionalism, these can all be dealt with and controlled.

Iraq is a wonderful and astonishing nation. Despite its present, its future is very bright. We want to ensure that our members play a very big part in that.

IBBC Membership: Aegis, Al Saraji Group, Anwar Soura GCC LTD, Basrah Chamber of Commerce, Basrah Engineering Co., BIOGH, BP, Chevron, CCC, Control Risks, Deloitte, Dome Group, Erbil Chamber of Commerce, Ernst & Young Iraq, Eversheds LLP, ExxonMobil, Fluor, Foster Wheeler, G4S, GardaWorld, Genel Energy, Gulfsands Petroleum, HWH & Associates, KBR, KCA Deutag, Kentz, Kier Construction, Kuwait Energy, LGC Ltd, Milio International, Mott MacDonald, Olive Group, Penspen Limited, Petrofac, PwC, Restrata, Saipem, Shell, SKA International Group, SNC Lavalin, Solar Turbines, Standard Chartered Bank, Stirling Group, Trade Bank of Iraq, UB Holding, Unatrac/Iratrac, Vitol Group of Companies, Weir Group, Wood Group, Zain. ■



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UK Trade & Investment in Iraq

As Iraq continues to rebuild its economy, opportunities for UK companies are increasing. Whilst Iraq is not an easy market in which to do business, many British companies are looking with growing interest. As a resource rich country with a national budget underpinned by oil revenues, a highly educated workforce and a positive perception of the quality of British goods and services, Iraq holds significant promise.

There are a wide range of opportunities available to companies who are not looking for an overnight return on their investment and who have the patience to invest in business relationships and overcome bureaucratic hurdles. As a consequence of years of running a centrally controlled economy, many of the business opportunities exist within the public sector which is responsible for over 200 State Owned Enterprises. The private sector is developing but it is still quite small. Arguably business can be done more easily in the Kurdistan Region of Iraq not least because of the ease of getting around given the better security situation there.

Whilst companies need to be mindful of well publicised obstacles, not just the security situation but also the broader operating environment, rewarding business can and is being done here. Iraq needs to rebuild its economy on so many levels. Particular sectors of opportunity include:

Oil & gas - The oil industry in Iraq is set to be the fastest growing in the world and significant opportunities are already being seized both within extraction activities and support services. Iraq's gas reserves

remain largely untapped with a particular need for refineries, pipelines, and workforce training.

Power generation - The country is in the process of upgrading and building new power stations under the Ministry of Electricity's 2010 - 2030 masterplan, to raise capacity to meet both current and forecast demand. With approximately US\$93 billion allocated, new facilities will consist of steam and gas turbines capable of running on natural gas and on fuel oil when needed, as well as renewable energy.

Environment and water - The Government has begun to carry out large-scale plans to upgrade inadequate and crumbling water and waste water infrastructure. In Baghdad for example, around 500,000 cubic meters of waste water is discharged directly into the Tigris every day without due treatment. Environmental services and consultancy opportunities also exist within the oil & gas industry.

Construction - There is a great need for new infrastructure across the board. Projects under consideration include low cost housing, schools, hospitals, sports stadiums and shopping malls. Opportunities also exist in new hotel and resort projects to meet the demands of the increasing numbers of investors, contractors and pilgrims visiting the country.

Financial services - Iraq has a nascent financial services sector and is severely under banked, 80% of Iraqis do not have a bank account. A newly established UK-Iraq Financial Taskforce will work to promote transparency and diversity in Iraq's financial services and build on Standard Chartered's launch in Iraq.

Healthcare - As well as an extensive hospital building programme there is a significant need for refurbishment and equipment, on top of continuing pharmaceutical procurement from the Government and private sector. Training and development is also a requirement both within medical expertise and administration.

Education - Higher education in Iraq is based on the British system, giving the UK a natural comparative advantage and the majority of Iraqi and KRG sponsored students chose to study in the UK. The Government of Iraq is due to roll out an additional 5000 scholarships worth over £150 million a year to the UK. Many of the potential students are not fluent in English, opening up vast opportunities for English language training.

Defence and security - Boosting security and providing a safe and secure environment for its citizens and visitors is a key objective of the Government of Iraq. There is significant demand for equipment, training as well as personnel within the industry.

Iraq is one of the UK's priority markets and as the Ambassador points out, during the last 12 months this has been backed up by a number of actions aimed at increasing trade between Iraq and the UK. We believe that the UK is starting to see the benefit of this step change. UK exports of goods to Iraq increased by 40% in 2012 and by a further 32% in 2013. The Iraq Prosperity Team has supported record numbers of UK business wins during 2013, including through our oil & gas High Value Opportunities Programme, which aims to introduce UK supply chain companies to oil & gas majors operating in Iraq.



We know that there is more to do. Through our Ministerial Trade Council we are working with the Iraqi Government to make doing business between our two countries easier. Frequent and direct flights between Iraq and the UK, a taskforce to look at ways to strengthen Iraq's financial sector and simpler and quicker visa processes are all initiatives we aim to make progress on over the coming year.

As always, the Prosperity Teams in the Embassy in Baghdad and Consulate in Erbil stand ready to support all British companies looking to export and invest in Iraq at this exciting time. Contact our teams at baghdad.commercial@fco.gov.uk and erbil.ukti@fco.gov.uk for further information. ■

Iraq: Still the land of opportunity

Ismail Maraqa, Country Senior Partner, Iraq, PricewaterhouseCoopers



Ismail Maraqa

Iraq has historically been and continues to be a strategically located country, with a vital geographic location for trade and transportation, in addition to its natural resources reserves and agricultural potential. It emerges once again as a regional economic and political player and will continue to expand its global economic role.

Iraq is still the land of opportunity, especially in its continuous efforts of reconstruction and developing infrastructure, which are largely growing in scope and scale and a business climate that has improved dramatically in recent years. Foreign investment is surging. Strategic and financial investors from around the world are seeking ways to invest in Iraq with reliable, experienced and well connected partners.

While there are risks relating to conflict and instability in Iraq, the outlook is positive for greater political cohesion. Iraq moved from being the fifth most unstable country after Somalia, Sudan, Zimbabwe and Chad from 2006 till 2008, to eleventh place in 2013, according to Failed States Index (FSI) - developed and published by Fund for Peace.

Iraq's rising stability was driven by an economic boost, a continuous rise of GDP per capita, substantial investments in security and infrastructure, in addition to the rebuilding of social structures and political and administrative reforms.

Iraq's Five Year (2010 - 2014) National Development Plan aims to boost the country's economic performance through enhancing political stability and security, building and improving infrastructure, promoting investment in non-oil sectors and supporting the development of the financial sectors. The Plan involves almost US\$200 billion in investment, creating 3.5 million new jobs and reducing unemployment by half from 15% by the end of 2014. In achieving these goals, the private sector can play an important role contributing to Iraq's future growth throughout the economy and larger society.

International Monetary Fund (IMF) has a reserved prediction of real GDP growth in the upcoming years, with 3.7% in 2013 and 6.3% in 2014 onwards. This is driven primarily by fluctuating oil prices and rising oil production over the forecast period, which contrasts with the Government's optimistic plans of a 12% GDP increase by 2013. Economic growth will be supported by robust increases in government expenditure. Iraq's 2013 capital budget is up nearly 18% over the previous year and with mounting pressure to provide basic services, the Government is expected to spend a larger proportion than this allocation.

A priority for driving GDP growth is energy. There are huge ambitions in the oil & gas sector, where Iraq is the only country planning to increase production four



Iraq's rising stability was driven by an economic boost, a continuous rise of GDP per capita, substantial investments in security and infrastructure, in addition to the rebuilding of social structures and political and administrative reforms.



fold, or even more, over the coming decade, to align with the estimated reserves that could prove to be one of the world's largest.

There are other underdeveloped priority sectors that need heavy investment, including electricity, agriculture, transportation, telecoms, education, healthcare, construction, industrials, and the public sector. Non-oil sector growth will be dependent on the reconstruction and development of run-down infrastructure throughout the country.

Government procurement practices are maturing but investment prioritisation, tendering and decision making still remain challenging. Contracting needs to consider risk sharing, the creation of local content and how work is packaged to make it attractive for international companies to invest.

Industry

Oil and oil related products continue to be the main revenue stream for Iraq, although the industrial sector provides the highest earnings to the country, it needs heavy investment, especially in the support industries to achieve the plans for growth and development.

With one of the largest reserves in the world, the low cost of oil & gas production and ambition to substantially increase production makes this a huge opportunity. Iraq currently stands as the second largest OPEC oil producer, and third largest in the world, producing 3% of

total production, with ambitions to increase its production from less than three million bpd in 2012 to 12 million bpd in 2017. However, experts believe this target will not be achieved and contracts are currently renegotiated with International Oil Companies (IOC), which would result to output reduction but will still place Iraq to achieve more than double its current production.

The reliance on oil is tremendous; it contributes to 90% of Government Revenues and 80% of foreign exchange earnings. Oil is state owned, IOCs have been awarded technical service contracts since 2008 to increase production. The Ministry of Oil has managed four Licencing Rounds, 15 oilfields and three gas fields were awarded to IOCs. A fifth Round is underway for the Al Nasiriyah field, which includes oil extraction and the building of a refinery. Final IOC bids were due by end of 2013. The unexplored oil & gas potential will drive more contracts and licences in the near future, while the process takes time, investment will be rewarded.

In addition to the core oil & gas, Iraq is considering expanding its export channels, as those currently available are potential bottlenecks for oil export expansion in the near future and are vulnerable to any breakage in the system, especially at its main port Al-Faw, where there is limited storage capacity, which are setbacks to oil & gas production increase. Options are being considered internally, neighbouring countries may be utilised for export.



Another setback for oil & gas exploration and production is the lack of electrical and water supplies. Iraq needs to improve electricity generation capacity, which currently stands at around 60% of estimated demand. This is critical for both oil and non-oil sector growth.

The Iraqi Government strategic directions regarding the electricity sector, is focused on attracting private sector participation in electricity generation. According to the Ministry of Electricity "Fourteen gas turbine stations are being built in addition to four, already generating power," said ministry spokesman Musaab Mudarres. This in turn will create a tremendous opportunity for investment in this dynamic sector.

Construction has been one of the important sectors but has been given least attention from the Government in the past few years. There is an urgent need for two million housing units according to the Ministry of Housing and Construction. In 2012 alone, the Government spent more than US\$2.5 billion on housing and work was undertaken by public construction companies, which are subsidiaries to the Ministry of Housing and Construction.

The telecoms industry has undergone tremendous changes in recent years. The Government has adopted a series of rules and policies to encourage the sector's growth through innovation and the adoption of new technologies.

Currently there are three key mobile operators providing services throughout the country, in addition to Mobitel operating solely in Kurdistan Region. Studies anticipate that in the coming years, the mobile phone industry and wider telecoms sector will be a key area of investment, as technology, software, hardware and infrastructure improves throughout the country. New statistics reveal that mobile phone usage has increased dramatically from 20,000 in 2002 to 27 million in 2012. Market analyst, Informa Telecoms & Media, predicts that Iraq will become the largest 3G market in the Middle East by the end of 2015.

Iraq's national mobile operators Korek, Asiaccell and Zain, have grown in recent years and are regulated by the Communication and Media Commission (CMC is an independent and non-profit making administrative institution responsible for licensing and regulating Telecommunications, Broadcasting, Information Services) will follow.

Plans have been revealed by CMC to launch a Broadband Licencing Process for 3G services by the beginning of 2014. The Kurdistan Regional Ministry of Transportation and Communication have already opened a fourth generation network (Long Term Evolution), in 2013 to operators in the Kurdistan Region.

Services

Services have been part of the Public Sector responsibility for many years, including health and transport public ownership. But, there are some privatisation and new private entrants who are penetrating the Iraqi market.

The Government is currently allocating 8.3% of national GDP to healthcare, there are still many improvements to be made, and much more investment needed to provide the population with quality healthcare. A current WHO study indicated that the Government spends only US\$268 on health per person, a very low figure regionally and globally.

Despite efforts to provide free healthcare, the lack of infrastructure and resources represent considerable setbacks to the development. With only 13 beds and 28.9 medical staff per 10,000 patients, and seven pharmacy healthcare units and centres per 100,000 patients. It is almost impossible to match the growth in population, and there will be a need for major increases of medical staff and beds to meet future demands.

Investment in health is essential and many opportunities exist for the Private Sector to create strategic partnerships to develop health services and to finance the healthcare programme.

Iraqi transportation infrastructure was built in the 1970s and 80s, it has deteriorated through war and neglect and requires massive overhaul and reconstruction. Airports and railways have the greatest need, with Government plans to develop these facilities, many opportunities for PPP agreements are available to improve and open Iraq to other markets, particularly in the Europe, Middle East and Africa (EMEA) region, and increase their security levels to be on par with global passenger and goods security requirements.

Roads will play a vital role in the development of trade, most notably for oil exports to neighbouring countries. It is considered as a key commitment to also improve road safety, and reduce road traffic accidents and fatalities by 2020.

Our commitment: Creating and delivering value

At PwC, we measure success by our ability to create the value that our clients and our communities require. Our reputation lies in building lasting relationships and the focus is on delivering a range of solutions to make things happen. We can bring our world class capabilities and experience to your business goals.

We are a network of firms operating in 157 countries with more than 184,000 people who are committed to delivering high quality service in assurance, tax, and advisory services.

PwC has been present in Iraq since 2006 with offices in Erbil, Baghdad and soon in Basrah. We tap into the deep industry expertise and experience of our local and global talent to help each client create the kind of value they are looking for.

Our clients work with us because we take time to listen, question and understand their goals as well as their competitive and regulatory environment.

At PwC, we are committed to being part of shaping the prosperous future of Iraq and its people. In recent years, we've been fortunate to take part in various initiatives and projects such as assuring, restructuring and reforming various government bodies and banks throughout the country. We have also been heavily involved in establishing and supporting the new joint ventures that are challenged with growing sectors of oil & gas, financial services and government services.

We strongly believe the transfer of skills and knowledge is essential to sustaining Iraq's growth, as the local workforce is the most valuable asset for its future. Our Middle East Public Sector Institute (MEPSI) is actively contributing towards building national capacity through a range of programmes to train employees in leadership and soft technical skills such as human resources, finance and accounting, change management, strategic planning, and government specific knowledge. ■

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Advice you can trust

The leading international law firm in Iraq



Make the most of the opportunities offered by Iraq.

Eversheds is the country's only international law firm with permanently staffed offices on the ground in both Baghdad and in Erbil, Kurdistan Region. We have been working in Iraq since 2003 and can help businesses, both local and international, to succeed. Our advice covers all the legal issues that matter to you and, with colleagues based across the Middle East and around the world, we have the strength to match our quality.

Trust Eversheds for lawyers who understand how Iraq can work for you.



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Establishing your legal presence in Iraq

Sanad Law Group in association with Eversheds LLP

For foreign investors looking into entering into the Iraqi market, limited liability companies (LLC), branch and representative offices are the most attractive legal forms for setting up a presence in Iraq. The section below provides an overview of the main features and requirements of registration.

(A) Limited Liability Company

Private companies are governed by Law No. 21/1997 (the “Companies Law”), as amended. According to the Companies Law, foreign investors have the right to establish or participate in Iraqi companies without any restriction but may require prior approvals from competent Iraqi ministries/departments. For example, the establishment of an LLC engaged in oil services will require the approval of the Ministry of Oil.

Some of the important characteristics of the establishment of LLCs and their formation under the Companies Law are explained below.

1. Memorandum of Association

The Memorandum of Association of an LLC is its governing document and should contain the following:

- Name and form of the company, and its objects;
- Head Office address in Iraq;
- Name, address, occupation and nationality of the founder(s); and
- Share capital.

2. Minimum capital

The minimum capital of an LLC is IQD1,000,000 (equivalent to approximately US\$850). The nominal value of each share is one Iraqi Dinar. The Companies Law prohibits the issue of shares with a higher

or lower value. The share capital must be fully paid when the company is established. Cash contributions must be paid into an account with a bank authorised to operate in Iraq and are frozen in the account, until documents are presented to the bank, showing that the establishment formalities have been completed. Contributions in kind must be stated in the Memorandum of Association, and the value must be approved by all founders. In certain sectors, the prescribed minimum capital could be higher than the minimum capital. Notably, in the oil services sector, the minimum capital set by the Ministry of Oil is IQD2 billion.

3. Shareholders

An LLC must not have more than 25 shareholders who may be either legal entities or individuals. An LLC may be established by a single person (including legal person), there being no minimum requirement for the number of shareholders.

The share capital of an LLC is divided into indivisible shares of a uniform nominal value. Transfers of shares are permitted, subject to a pre-emption right in favour of the other shareholders, as illustrated below.

4. Management

While an LLC cannot be managed by a Board of Directors, it is managed by a General Manager. There is no requirement for managers to be Iraqi nationals; however, the appointment of foreign nationals must be approved by the Ministry of Interior.

The powers of the manager, as well as his salary and bonuses, are determined by the General Assembly. A manager's authority includes the power to conduct all transactions and business relating to the performance of the company's normal corporate activity. According to

the Companies Law, and subject to the decision of the General Assembly, the manager of an LLC has the same powers and is subject to the restrictions that apply to the Board of Directors of a Joint Stock company.

A manager of an LLC may be removed from his position by virtue of a decision of the authority that appointed him. The authority must give the manager a reason for such decision.

5. Liability of partners

The liability of LLC partners towards third parties is limited by law. They are only liable to the extent of their investment in the capital of the company.

6. Establishment procedures

Persons wishing to found a company under the laws of Iraq must complete an application and submit it to the Companies' Registrar.

The application must include the following information concerning the business entity proposed to be registered by the Companies' Registrar, Ministry of Trade:

- name;
- type of business activity;
- business address, phone number, facsimile number, and email address of its offices in Iraq;
- ownership structure (wholly Iraqi owned, wholly or partially foreign owned);
- Memorandum of Association

The following documentation must be submitted with each application:

- certificate of registration, as issued and authenticated by the competent authority in the home country of origin and legalised by the Ministry of Foreign Affairs and Iraqi Embassy in country of origin;
- a copy of the company's Articles of Association or equivalent, authenticated by the competent authority in the home country of origin



and legalised by the Ministry of Foreign Affairs and Iraqi Embassy in country of origin;

- a power of attorney authorising the registration of the business entity in Iraq, consenting to service of process in Iraq and authorising an attorney to register the company with the Company Registrar in Iraq, also legalised by the Ministry of Foreign Affairs and Iraqi Embassy in country of origin;
- a bank statement from a bank operating in Iraq evidencing that the founders of the proposed company have deposited, for the proposed company pending registration by the Companies' Registrar

Timeline for establishment of LLC

The Companies' Registrar must get the approval of the Ministry of Interior (MOI) before issuing its acceptance to register a limited

liability company owned by foreign parties. The timeline for such approval is three to six months and in some cases it can take longer. Following MOI's approval, a registration certificate is issued by the Companies' Registrar.

(B) Branches and representative offices of foreign companies

Branch offices may only be opened by companies that have a Government contract or a contract with a prime contractor of the Iraqi Government.

A representative office may be engaged in business development and marketing activities only and cannot engage in any business activity in Iraq. A Representative office may be changed to a branch office if a contract is awarded.

Establishment procedures

The application must include the following information concerning the foreign business entity:

- legal name;
- trade name;
- type of business activity;
- business address of its offices in Iraq;
- telephone, facsimile and electronic mail in Iraq, where available;
- to the extent applicable: (1) the amount of its charter or authorised capital (specifying the currency); (2) net worth at close of most recent financial period (indicating date and specifying currency); and (3) the names and addresses of any owners holding 10% or more of its equity.

Also, the following documentation must be submitted with the application:

- certificate of registration, as issued and authenticated by the competent authority in the home country of origin and legalised by Iraqi Embassy in country of origin;

- a copy of the company's Articles of Association or equivalent, authenticated by the competent authority in the home country of origin and legalised by the Ministry of Foreign Affairs and Iraqi Embassy in country of origin;
- an up to date Iraqi Embassy letter on the stationery of the applicant company, signed by an officer or director of the company, authorising the registration of the business entity in Iraq, consenting to service of process in Iraq, and identifying the chief management official in Iraq, the authorised agent for service of legal process in Iraq, and the representative for filings with the Companies' Registrar in Iraq (all three must reside in Iraq), legalised by the Ministry of Foreign Affairs and Iraqi Embassy;
- the audited financial statements of the company for the last fiscal year legalised by the Ministry of Foreign Affairs and Iraqi Embassy in country of origin;
- Copy of the contract signed with the Iraqi Government or prime contractor and support letter from government entity confirming existence of the contract, its objective, value and duration.

Timeline for establishment of branch or representative office

The timeline for registration of a branch office or representative from date of submission of above mentioned documents is one to two months.

(C) Registration in the Kurdistan Region of Iraq

The Kurdistan Region of Iraq applies the same Companies Law allowing for 100% foreign ownership but has some procedural differences in relation to the registration process. The most significant difference is that the Companies Registrar in Erbil does not require a government contract for the registration of a branch of a foreign company. Furthermore, the timeline for registration of an LLC or branch office in the Kurdistan Region is considerably shorter; estimated between two to four weeks. ■

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There are some people who work tirelessly to find a better way of doing business, who try the untried, with the hope of setting new precedents. What if a bank made it its job to help them get there? Wherever people strive to fulfil their ambition or make progress, we're there to help make it real. In Iraq and around the world. For over 200 years.



Citibank sees huge long term opportunity



Dennis Flannery



Mayank Malik

Citibank opened a representative office in Baghdad in June 2013, and intends to extend further, with additional offices in Erbil and Basrah. The move by one of the world's largest financial institutions, is a huge expression of confidence in Iraq's long term economic prospects.

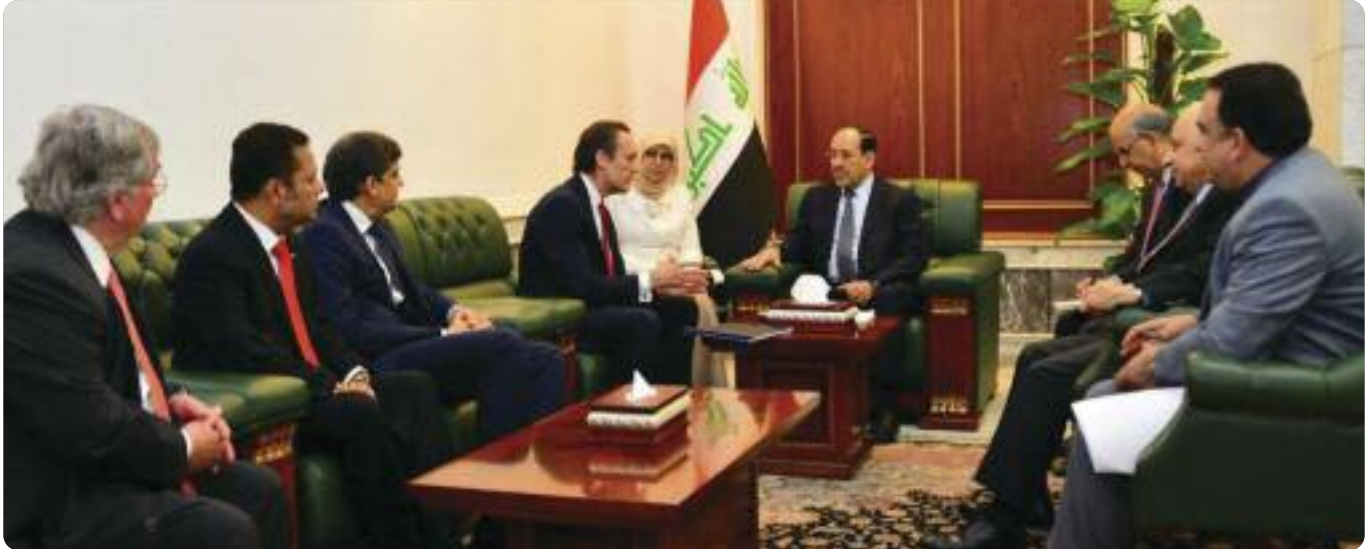
Citi's decision to move into Iraq stands out, since it is the first emerging economy that the bank has opened up in since 2007, when it decided to enter Serbia just a year before the global financial crisis. Further exposure in emerging markets has been off the agenda up to now and the move into Iraq shows that Citi is again in expansive and pioneering mode.

Moreover, Citi can expect to gain goodwill because it is the first global bank to set up in Iraq with a direct presence. This may pay off further along the road as the bank builds relationships and establishes early mover advantage over potential rivals particularly when Citi decides to expand its banking services on the ground.

The US Ambassador to Iraq, Stephen Beecroft stated: "US companies, such as Citi, are demonstrating tremendous commitment to Iraq, bringing capital and expertise, world leading technology, and innovative management and financing practices to the country".

Citi economists project that the country will have 50 million people and a US\$2 trillion economy by 2050. The latter figure represents a 15 fold increase on current output and is roughly equivalent to the size of India's economy today. By then Citi envisages itself being fully involved in Iraq with a fully developed banking franchise.

"Iraq is a virgin market in the region that can't be ignored, because of its rich economy and oil reserves. Government policies, financial regulations and political stability are hurdles but the strength of the economy and oil revenue to support growth, give Iraq the potential to be one of the best places to invest in the region, and private banks see that," says Mouayed Makhlof, Middle East and North Africa,



Meeting with HE Nouri Al-Maliki, Iraq Prime Minister. Appearing left to right: Dennis Flannery, Mayank Malik, Atiq Ur-Rehman and Jim Cowles

Regional Director of the International Finance Corporation, a World Bank affiliate that supports private sector development.

The measure of the potential opportunity is also illustrated by a World Bank estimate that, Iraq bank credit amounted to less than a tenth of GDP in 2010. By comparison the same figure was around 55% for the rest of the Middle East.

“Iraq is an important market, with an economy that has substantial potential over time. Having a presence in Iraq will position us to better attune our services to the banking needs of our clients, as they grow and develop their businesses in the country,” stated James Cowles, Citi’s Chief Executive Officer for Europe, the Middle East and Africa, in the press statement declaring their Iraq representative office.

“We see Iraq as the next big thing, a giant which is waking up. There is a huge infrastructure requirement. One of the most immediate

needs is power generation though telecommunications, housing, healthcare, education, transportation are also leading areas requiring huge investment,” adds Mayank Malik, Citi’s Chief Executive for Jordan and Iraq.

“There are huge infrastructure opportunities. The country has been ravaged by war. In all sectors of the economy, reconstruction is needed everywhere. There are other areas of the world where infrastructure work is also required such as Africa but few areas have the means to pay. Iraq does,” Malik says.

“Projects in these infrastructure areas, will in turn, stimulate other parts of the manufacturing and industrial economy such as cement, steel and many other support services for construction as well as fittings and furniture for example. This will stimulate entrepreneurs to enter the market and develop and expand their businesses. We see ourselves as the front runners and want the first mover advantage”.



There has been good progress in raising oil production, for example, with the work of international oil companies on schedule. This means that revenue generation is on track.



Malik says the bank has a clear vision. “We feel that Iraq is in a unique position. While there is an element of uncertainty in the country, we also see an economic side that is fairly stable. Countries go through periods of crises, political uncertainties. Iraq has economic certainties.

There are fundamental strengths. There has been good progress in raising oil production, for example, with the work of international oil companies on schedule. This means that revenue generation is on track”.

Citi is not entirely a newcomer to the Iraqi market. Prior to its Baghdad representative office, its trade financing, cash management, and investment banking services have been handled through the bank’s regional hub in Dubai as well as its Iraq desk in Amman and also via London. It has also worked with Trade Bank of Iraq (TBI), assisting in their letter of credit trade financing business since TBI was formed in 2003.

“For the past few years, we’ve been providing correspondent banking services with other regionally owned institutions, such as the Bank of Baghdad and National Bank of Iraq, while most recently, Citi acted as the lead manager for the Initial Public Offering launched by cellular telephone operator Zain Iraq,” says Dennis Flannery, Citi’s Country Manager for Iraq. “We also have a solid base from the work we have obtained over the last two years, from multinationals involved in the oil & gas industry”.

However, a representative office in Baghdad gives the bank a presence and the opportunity to develop its own brand directly. Citi will look to serve existing clients - several international energy companies working in oil-rich southern Iraq are customers. “Over the longer term, we will potentially look to move into commercial banking,” states Flannery who was formerly Financial Attaché at the US Embassy in Baghdad before managing Citi’s Iraq desk in Amman in 2011.

One of Citi's distinctive advantages over existing banks in Iraq, lies in its multibillion dollar state-of-the art technology resources that serve its global clientele's requirements.

"Citi can in a virtual sense be located in a client's offices. Our CitiDirect internet-based platform creates a virtual office so clients can open letters of credit and remit payments to suppliers from their own premises. Meeting the cash requirements of businesses can tie up local correspondent banks with physical collections of money. Introducing them to electronic solutions lessens the need for physical transportation," Flannery comments.

Citi's differential remains its global presence through handling trade financing, forex, and funding infrastructure projects, as well as connecting to investors outside who share the bank's positive view on Iraq's economic prospects. "Our bank's long exposure to the business environment in areas such as Latin America and Africa allows us the opportunity to present a focused strategy, saving on the long evolution it would take an institution with less experience in emerging markets," adds Malik.

At present the specialist requirements of Citi's clients in Iraq are supported by bank personnel based in London, Dubai and the US who pay regular visits to the country. This will change over time, as Iraq's banking infrastructure develops and qualified experienced staff are available locally. "We are looking at training Iraqis over a period of

time, drawing on our experience in emerging markets in Asia and Africa to engage with and draw on local talent. The process is long term though and will take some years," says Flannery.

Iraq has not been easy about dealing with international finance but as the economy develops and grows in the years ahead, the situation will change and businesses will also develop more orthodox approaches to private international finance.

Private sector entrepreneurs will demand a more competent system. Government officials also want a more modern banking system, Malik and Flannery observe.

"Before we formally launched our brand and raised our flag in Baghdad in June 2013, there had been a long process of consideration at the highest levels of the bank. This had followed a process of consultation on Iraq's economic dynamics, with more than 1,000 of the bank's clients in meetings held in a range of countries including Turkey, India, China, Japan and South Korea," says Malik.

Flannery agrees. "We are serving clients who also share our long term perspective on Iraq's economic prospects. In spite of volatile politics the fundamentals remain intact with strong growth seen in the oil & gas industry and infrastructure development taking off. There is a huge potential, the country's development is not being derailed. We are pretty optimistic". ■

Let's do business

We are the only Jordanian bank with presence in Iraq



Why bank with us in Iraq?

- The National Bank of Iraq (NBI) has been recognised for its dynamic approach in promoting the growth of the private sector in Iraq and has been awarded “Best Corporate Bank in Iraq” for the year 2013, by Global Banking and Finance Review.
- Our network of branches extends across Iraq, including Baghdad, Basrah, Erbil, Sulimaniyah, Karbala and Mosul and we continue to open new branches.
- Capital Bank of Jordan, Jordan’s third largest bank in terms of paid-up capital, is a strategic partner of NBI, and owns 80% of its shares.
- Together, Capital Bank and NBI ensure that our operations in Iraq meet international standards, particularly in all aspects affecting the stability and safety of the bank. The banks are audited both in Iraq and Jordan by international companies. We invest heavily, so that your financial affairs are in safe hands.

- Through our investment and growing customer base, profits have increased six fold in 2012 alone.

Why bank with us for your business needs between Iraq and Jordan?

- Our experience in Iraq and Jordan make us unique. Furthermore, one of Capital Bank's core areas of expertise is in cross-border trade finance and payments.
- Whether you are in Jordan or Iraq, dedicated account managers can help you set up and manage accounts at Capital Bank and NBI, conduct your trade and project finance and execute brokerage and investments.
- Our cross-border payment services make paying employees and contractors in Iraq easy. Driven by our continuous success, we strive to support you in growing your business without worrying about borders.
- As a private bank, backed by a well-established Jordanian bank, NBI has access to international banks to facilitate trade finance and transfers.

Why we will keep investing in Iraq to serve your banking needs?

- Jordan ranks seventh in exporting countries to Iraq (based on 2011 data), it is essential that a Jordanian bank has a presence in Iraq to facilitate regional trade and to increase the integration of the Jordanian and Iraqi markets. We are the only Jordanian owned Bank so far, that has committed to this strategic agenda.
- Iraq's potential economic growth is huge. As its economy grows, customers will demand increasingly advanced financial and investment services; we believe that the combined offering of Capital Bank, Capital Investments, and NBI can meet such requirements.
- With a private credit to GDP ratio less than 10% (in contrast to a typical 80%-120% range in MENA countries), there is plenty of capacity to lend to Iraqi customers. NBI has invested in ensuring proper mechanisms to extend credit to the private sector and to activate economic growth.
- Jordan is home to more than 600,000 Iraqis who have invested in Jordan's economy. We believe that the historic ties between the two countries will continue to develop and prosper.

Jordan: Amman .. Aqaba .. Irbid .. Zarqa
Iraq: Baghdad .. Basrah .. Erbil .. Sulaymaniyah .. Mosul .. Karbala

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ISX - The new frontier market

Shwan Ibrahim Taha, Chairman, Rabee Securities

ISX Mcap doubled with Asiacell listing in February 2013, the largest listing in MENA in the last five years. New listings are at the door.

Rabee Securities and Melak Iraq, sister company of Rabee Securities, successfully listed Asiacell Communications PJSC on the ISX on 3 February 2013, the largest ever listing in Iraq and the largest listing in the MENA Region in the last five years. Rabee Securities was the joint lead manager & sole distributor, and Melak Iraq was the sole advisor & joint lead manager. In total 67.503 billion shares were listed and sold, for a total of IQD1,485.1 billion (around US\$1.24 billion). Total number of transactions was 2,900. Foreigners bought 70% of the float (47.197 billion shares) and Iraqis 30% (20.306 billion shares). ISX total market capitalisation almost doubled, from US\$4.93 billion Mcap as of 2 February 2013 to US\$9.93 billion, as of 3 February 2013. Asiacell is one of the leading telecom operators in Iraq according to revenue market share, while being the second largest telecom company according to subscriber market share. The listing of Zain Iraq,

another leading Iraqi telecom company in terms of subscriber market share, is planned to be the next listing on the ISX.

Rabee Securities and Asiacell's awards:

- Rabee Securities (RS) was named the winner of EMEA Finance magazine's Middle East Banking Awards 2013, "Best brokerage house in Iraq", and Melak Iraq was also named the winner of "Best Investment Bank in Iraq". In 2011, Rabee Securities also was named the winner of EMEA Finance magazine's Middle East Banking Awards 2011, "Best Asset Manager & Broker in Iraq".

- Asiacell was named the winner of the corporate finance category in the 2013 Association of Corporate Treasurers Middle East Deals (ACTME) of the Year Awards (Arranger of the deal: Rabee Securities (RS))

- Asiacell IPO advised by Rabee Securities was named the winner of the category of "Equity capital markets deal of the year" of TMT Finance Middle East & North Africa, 2013 Conference & Awards.

The Iraq Stock Exchange (ISX)	2007	2012	Chn (%)	2012	2013	Chn (%)
RSISX Index	1,023	1,615	57.9%	1,615	1,865	15.5%
Market Cap (IQD billion)	2,142	4,597	115%	4,597	12,402	170%
Market Cap (US\$ million)	1,760	4,664	165%	4,664	10,174	118%
Number of listed companies	94	85	-10%	85	81	-5%
Number of traded shares	153	626	309%	626	876	40%
Trading volume (IQD billion)	427	894	109%	894	2,845	218%
Trading volume (US\$ million)	341	745	118%	745	2,304	209%
Average daily trading (US\$ million)	2.9	3.3	14%	3.3	3.7	13%
FX (US\$/IQD) (Market Price) - end of period	1,223	1,225	0.2%	1,225	1,219	-0.5%
FX (US\$/IQD) (Market Price) - average	1,267	1,233	-2.7%	1,233	1,232	-0.1%

Source: ISX, CBI, Rabee Securities

Major milestones

- 1991: Baghdad Stock Exchange (BSE) was established
- March 2003: War started in Iraq, Baghdad Stock Exchange closed
- April 2004: The Iraq Stock Exchange (ISX) was established
- June 2004: The ISX began trading with 59 companies using a cry out system
- August 2007: The ISX opened to foreign investors
- April 2009: First electronic trading session was held (OMX)
- November 2009: Trading sessions increased from three to five per week
- June 2011: First branch of a brokerage house
- February 2013: Rabee Securities (RS) / Melak IRAQ listed Asiacell Communications PJSC (TASC).

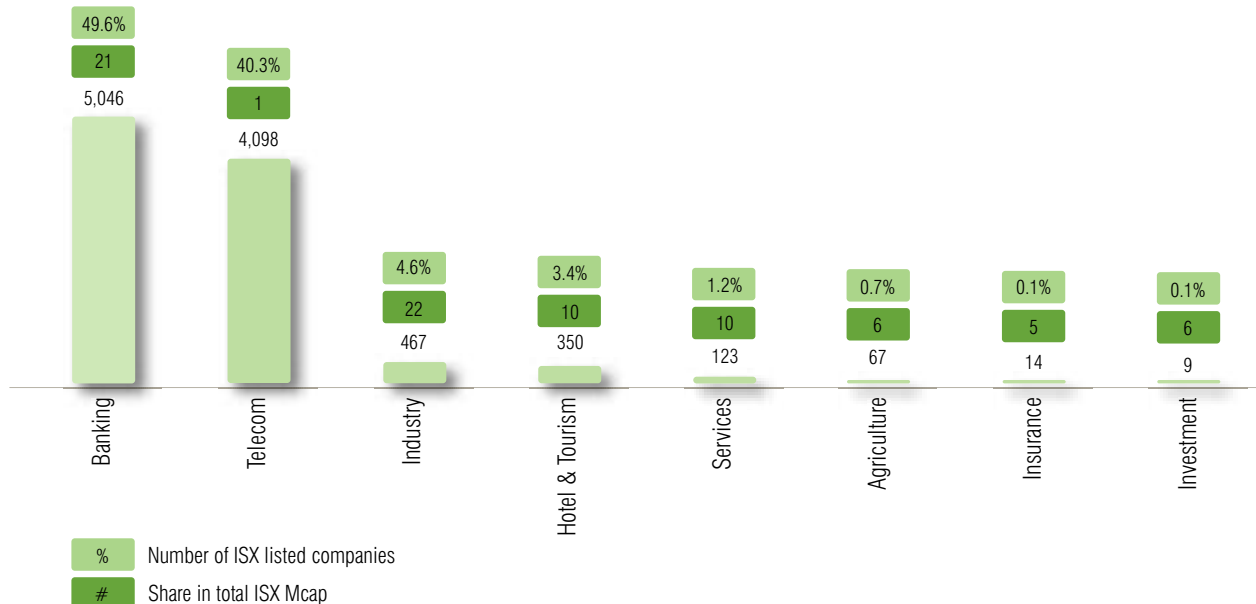
- Today 81 companies trade on the ISX (nine of them trade on the Non-Regular market), with volumes around US\$3 million per day.

Market composition

The ISX is composed of eight sectors; banking, telecom, industry, hotels & tourism, services, agriculture, insurance and investment.

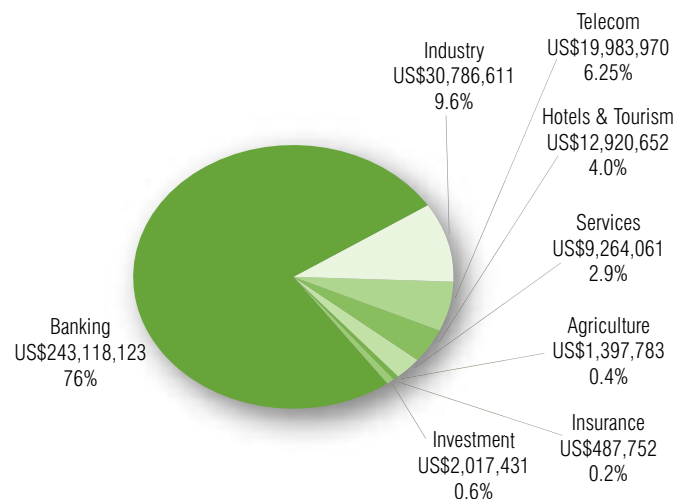
The most significant portion of the market today is the banking sector with 49.6% share in total ISX Mcap including 21 listed banks. Telecom sector, including only Asiacell for now, has 40.3% share in ISX Mcap. Combined share of banking sector and telecom in ISX Mcap is 89.9%, while the remaining six sectors have a total of 10.1% share. We believe that the expected listings of two more mobile operators; Zain Iraq and Korek, will increase the market cap of the ISX more than half, which will result in a considerable increase in the share of telecom sector in ISX Mcap. We also believe the new listings will contribute to the liquidity in the market.

Table: Sectors market caps, share in total ISX Mcap, and number of companies in each sector



Breakdown of ISX total trading volume according to sectors

(Total last six months of 2013, July to December 2013)



The banking sector's share in total trading volumes in the last six months was 68.1%, making it the most liquid in the ISX. Continuing capital increases in the banking sector (according to Central Bank of Iraq's (CBI) requirement for the private banks to increase their capital to IQD250 billion), will also continue to contribute to the liquidity in the market.

RSISX Index performance

RSISX Index, our free float weighted index, increased by 15.5% from the end of 2012 to the end of 2013, following a 51.8% increase in 2011 and a 7.4% increase in 2012. RSISX Index is composed of ten companies, including seven banks, one industrial company, one telecom and one services company. Index companies represents 74% of the liquidity in the ISX, according to our average daily trading volume calculations in the last six months (July-December 2013).





Rabee Securities and Melak Iraq, sister company of Rabee Securities, successfully listed Asiacell Communications PJSC on the ISX on 3 February 2013, the largest ever listing in Iraq and the largest listing in the MENA Region in the last five years.

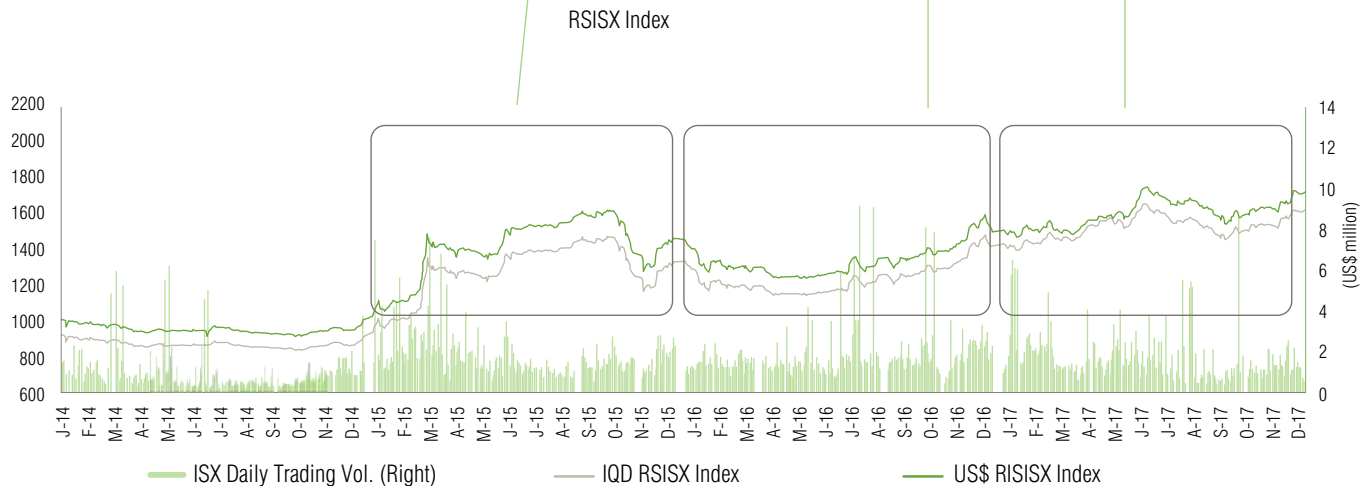


- RS started the Index in February 2008
- A free float weighted index of 10 ISX stocks
- Index companies represents 74% of the liquidity in the ISX
- RS rebalances Index quarterly

RSISX Index increased significantly by 51.8% in 2011, which was supported by the increase in daily trading volumes

RSISX Index increased by 7.4% in 2012

RSISX Index increased by 15.5% in 2013



Source: ISX, Rabee Securities
*As of end of December 2013 (according to the last six months)

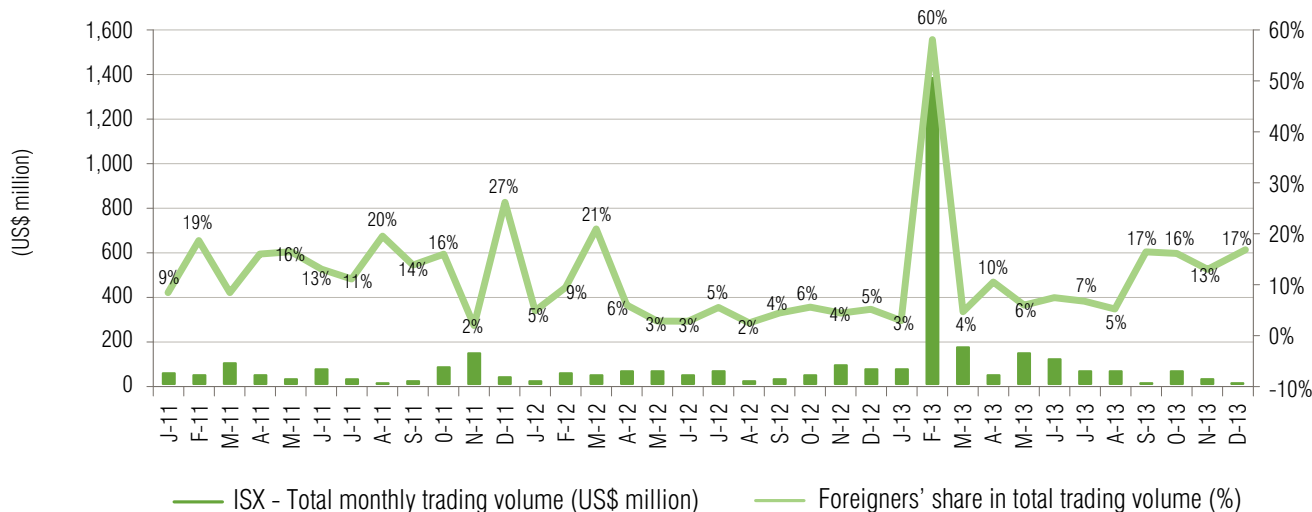
RSISX Index Breakdown	Codes	Weights*
Baghdad Soft Drinks	IBSD	15.3%
Bank of Baghdad	BBOB	13.0%
Gulf Commercial Bank	BGUC	12.7%
North Bank	BNOR	12.1%
Middle East Bank	BIME	11.9%
Asiacell	TASC	8.2%
United Bank	BUND	8.2%
Investment Bank of Iraq	BIBI	8.0%
Mosul Bank	BMFI	7.2%
Mamoura Real Estate Inv.	SMRI	3.4%
Total		100.0%

*As of end of December 2013

Foreigners' growing interest in ISX trading

ISX opened to foreign traders in August 2007. Foreigners' share in total trading volume reached 12.0% in 2011 from 8.9% in 2010. This ratio decreased to 6.2% in 2012, however, in 2013, foreigners' share jumped to 31.4% with the contribution of their 70% participation to Asiacell listing. In 2013, total trading volume in the ISX increased to US\$2.30 billion by 209%, a significant growth compared to 2012. Excluding Asiacell's listing date effect, foreigners' share increased to 10.5% in 2013, from 6.2% in 2012. Total trading volume of the ISX, excluding Asiacell's listing date effect also increased by 48% year on year (y/y) to US\$1.10 billion in 2013, which is still a very significant growth.

Chart: ISX - Total monthly trading volume (US\$ million) and foreigners' share in total trading volume (%)



Source: ISX, Rabee Securities

Top-5 performers in 2013

Iraq Stock Exchange (ISX) is not yet adjusting the historical closing prices of the listed companies, after the capital increases and dividend distributions. As a result, adjusted closing prices are absent in the market. As a premier Brokerage House in Iraq, we are providing adjusted closing prices for our clients. Based on our adjusted price calculations, 25 out of 81 listed companies increased more than 10%, 20 of them increased more than 20%, and 15 of them increased more than 30% from the end of 2012 to the end of 2013. Top-5 performers' share prices increased within a range of 90%-115%. In the same period, 26 out of 81 listed companies decreased more than 10%, 19 of them decreased more than 20%, and ten of them decreased more than 30%. Top-5 worst performers' share prices decreased within a range of 46%-66%. Remaining 30 listed companies prices moved between -10% and +10%.

Best performers (2012-end / 2013-end)

Company Name	ISX Code	Price (IQD/share)	Price Chn (%)
Baghdad Soft Drinks	IBSD	2.99	115%
Iraqi for Seed Production	AISP	7.23	104%
Al-Ameen Financial Inv.	VAMF	1.52	104%
Baghdad Passengers Transport	SBPT	83.00	98%
Al-Ameen for Insurance	NAME	2.00	90%

Worst performers (2012-end / 2013-end)

Company Name	ISX Code	Price (IQD/share)	Price Chn (%)
Al-Ameen Estate Inv.	SAEI	1.00	-66%
Modern Paint Industries	IMPI	1.12	-51%
Dar Es Salaam Inv. Bank	BDSI	1.12	-51%
Karbala Hotels	HKAR	1.30	-48%
AL Nukhba for Construction	SNUC	0.90	-46%

Top-5 traded volume (2013)

Company Name	ISX Code	IQD billion	US\$ million
Asiacell Communications PJSC	TASC	1,753	1,423
Iraqi Islamic Bank	BIIB	189	154
Iraqi Middle East Bank	BIME	141	114
United Bank	BUND	103	84
North Bank	BNOR	88	72

Source: Rabee Securities' calculations according to ISX data. Please note, the Price performances were calculated based on our adjusted price calculations. The historical prices provided by ISX are not adjusted prices.

Banking sector

The banking sector comprises 49.6% of the US\$10.2 billion Mcap of the ISX as end of December 2013. There are 21 banks on the ISX with a total market capitalisation of US\$5.0 billion.

Profit growth slowed down in 9M13, mainly due to slower growth in banking operating revenues in the 2nd and 3rd quarter. ISX banking sector, including four Islamic and 17 private banks, generated IQD435 billion profit in the first nine months of 2013 (9M13), an 8% increase compared to IQD404 billion profit for the same period of 2012. Following, the very strong growth of ISX banking sector's total profit by 50% in 2011 and 51% in 2012, profits grew significantly by 65% in 1Q13 to IQD157 billion. However, due to slowdown in total banking operating revenues growth, sector profit decreased by 13% y/y in 2Q13 and by 6% y/y in 3Q13, which resulted in a slower growth in nine month profits. We expect profits to grow faster again with the growth in capitals in the following periods. As end of 9M13, ISX banking sector's total deposits increased by 19% year to date (ytd) to IQD8,600 billion, total paid-in capital increased by 23% ytd to IQD3,784 billion and reserves increased by 19% ytd to IQD914 billion. On the assets side, ISX banking sector's total cash rose by 14% ytd to IQD7,359 billion, monetary credits grew by 25% ytd to IQD3,576 billion, investments increased by 17% ytd to IQD1,631 billion and assets reached IQD14,110 billion, with a 16% ytd growth. We are looking forward to

more M & A activities in the banking sector and we are hoping to see new entrants into the stock market in this sector. Iraq is enormously under banked.

Recent developments about CBI's Capital Increase Requirement for the private banks

Although, the Central Bank of Iraq (CBI) required all private banks to increase their capital to IQD250 billion with a deadline of June end 2013, only five out of 21 listed banks have completed increasing capital to IQD250 billion or more as end of December 2013. These eight banks are Mosul Bank (BMFI), Union Bank (BUOI), Bank of Baghdad (BBOB), National Bank of Iraq (BNOI), Bank of Baghdad (BBOB), National Bank of Iraq (BNOI), Credit Bank of Iraq (BROI), Economy Bank (BEFI), Investment Bank of Iraq (BIBI) and Sumer Commercial Bank (BSUC). In December 2013, three of the remaining eight banks (Ashur Bank (BASH), Islamic Bank (BIIB), Commercial Bank (BCOI)) announced that they will hold General Assembly Meetings to discuss increasing their capital to IQD250 billion, while five listed banks still haven't announced a decision to increase the capital to the target capital. These five banks are Dijlah & Furat Bank (BDFD), Elaf Islamic Bank (BELF), Iraqi Middle East Investment Bank (BIME), Dar Es Salaam Bank (BDSI) and Babylon Bank (BBAY).

On 23 October 2013, CBI made the first announcement in relation to the private banks which have not reached the last target capital. CBI announced that its Board decided in its meeting held on 5 October 2013, to prohibit all private banks, which have not reached the

IQD250 billion target paid-in capital, from entering the dollar auctions (includes selling cash, opening LCs, and money transfers). In the announcement, it was mentioned that these banks would not be allowed to grow (opening new branches) until they increase their capital to IQD250 billion, as well. In addition, CBI stated that these banks would be given a four month period to complete the capital increase procedures and provide CBI with a letter of completion from the Registrar's office. However, one day after that announcement, on 24 October 2013, CBI cancelled its decision to prohibit private banks from the dollar auctions for an unspecified period of time.

On 1 November 2013, CBI has decided to give Iraqi Islamic Bank (BIIB) a new deadline to reach the IQD250 billion paid-in capital. The new deadline had been set for 31 January 2014.

On 17 November 2013, CBI decided that Commercial Bank of Iraq (BCOI) and Iraqi Middle East Investment Bank (BIME) have been banned from CBI's dollar auctions due to their failure in taking serious steps to increase their capital. On 2 January 2014, CBI cancelled its decision for BCOI, due to the bank's decision to increase its capital to IQD250 billion.

As end of December 2013, CBI made announcements for the three of the eight banks (BIIB, BCOI and BIME), which haven't reached the target capital yet. As a result, we expect similar announcements for the remaining five banks including punishments or deadline extensions in the following days.

Table: ISX Listed Banks – Ranked according to Paid-in Capital

Bank Name As of 26 December 2013	ISX Code	Current Capital (IQD billion)*	Target Paid-in Capital set by the CBI for end of June 2013 (IQD billion)	Mcap (IQD billion)	Mcap (US\$ million)
Kurdistan Int. Bank	BKUI	300	-	675	554
United Bank	BUND	300	-	354	290
North Bank	BNOR	265	-	549	450
Mosul Bank*	BMFI	252	-	219	180
Union Bank*	BUOI	252	-	340	279
Al-Mansour Bank	BMNS	250	-	435	357
Bank of Baghdad*	BBOB	250	-	515	422
National Bank of Iraq*	BNOI	250	-	205	168
Credit Bank of Iraq*	BROI	250	-	603	494
Economy Bank*	BEFI	250	-	200	164
Gulf Commercial Bank	BGUC	250	-	288	236
Sumer Commercial Bank	BIBI	250	-	243	199
Investment Bank of Iraq*	BSUC	250	-	250	205
Ashur International Bank	BASH	210	40	155	127
Iraqi Islamic Bank*	BIIB	202	48	261	214
Dijlah & Furat Bank*	BDFD	156	94	92	76
Elaf Islamic Bank	BELF	152	98	117	96
Iraqi Middle East Bank	BIME	150	100	240	197
Dar Es Salaam Inv. Bank	BDSI	150	100	168	138
Commercial Bank of Iraq	BCOI	150	100	138	113
Babylon Bank	BBAY	150	100	105	86

Note:

*The banks that are in the process of capital increase. Only the original shares are trading in the market. The new shares from the capital increase haven't resumed trading yet. So, while we are calculating Mcap, we multiply the number of shares that the company will reach after the capital increase with the market price of the share, adjusted according to new capital by the market.

Rabee Securities (RS)

We bought Rabee Securities (RS) in 1999, on the hopes that sanctions will end in Iraq and we would be able to play a role in the finance sector. The story of our growth is tied to the history of the ISX.

RS is a premier broker established in 1995 headquartered in Baghdad. We are the prime broker for the majority of Iraq specialty funds in addition to several large retail and High Net Worth Individual (HNWI) clients. Our research department was established in 2007, and today we provide the following products:

Coverage Reports

- 24 companies under coverage, of which eleven are banks
- Total Market Cap of companies covered is approximately 80% of ISX Market Cap

Quarterly Sector Update Reports

- Banking Sector – Quarterly update on banks' valuation ratios and development in the banking sector including corporate actions

Monthly Sector Update Reports

- Oil Sector - Major developments in Iraq's oil & gas sector

Weekly adjusted price charts of ISX listed banks

Daily, weekly, monthly bulletins - ISX market update bulletins

In 2008, RS signed partnership agreement with US based company, Auerbach Grayson. This agreement helped us to facilitate buying of Iraqi shares by US Institutions. Currently, we are making most of the foreign trades in the market. In June 2011, Erbil branch was opened, followed by Sulaymaniyah branch in July 2011 and representative office in Istanbul, Turkey in March 2012. We are still the only brokerage firm with official branch offices in Iraq and representative office in Turkey.

The future

As a participant in the financial sector in Iraq we believe that we in the sector, like the country, is just beginning to emerge. In both cases it is timely to establish a strong economic and financial foundation to ensure the rapid and smooth growth of the country and safeguard the rights of future generations.

Some concrete, immediate steps could be taken to strengthen the market, namely the establishment of an international custodian in Iraq. This will open the market to a whole new array of Institutional Investors. The liquidity available for those funds will ensure the ISX's access to new capital that will otherwise filter to other frontier and emerging markets, regardless of the attractiveness of investing in Iraq.

We should also expect public education and promotion to encourage the public to invest in the ISX. To date this is only done by professional investors and market "players," the average educated Iraqi, does not know the existence of the market, or how to invest in stocks. This effort will also encourage more entrepreneurs to look at the ISX as a source of capital. At the moment, no Iraqi businessman believes that he could utilise the stock exchange to increase his capital and grow. This mentality, which does not exist elsewhere in the region, is bound to change but again we need to expedite this by incentivising private businesses to go public.

Finally we need to improve the credentials of our professional financial class. We have been lagging behind in the professionalising of our workforce. As such, the only thing to do is expedite its development to catch up. We need massive educational and professional training, and also need to nurture the younger professionals to take the lead. These developments will assure that the financial sector in Iraq will prosper. ■



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Financing the Iraqi private sector - Where there's a will there's a way

Jorge R. Vila, General Manager, IMMDF

The Iraq Middle Market Development Foundation (IMMDF) was created in 2004, by Global Communities (formerly CHF International), a Washington DC based international non-profit organisation, with the support of the Overseas Private Investment Corporation (OPIC), an agency of the United States Government which finances private sector development projects, for small and medium size enterprises in Iraq (SMEs).

All involved knew the challenges that were ahead, particularly regarding the lending and regulatory infrastructure, which were only just being re-established in Iraq and the almost total absence of bank lending to SMEs. However, because long term, affordable credit is vital to job creation and economic growth, IMMDF's founders pressed forward.

In its earliest years, IMMDF's task of identifying creditworthy SMEs and projects, carrying out appropriate credit assessments and disbursing and monitoring loans was very difficult.

But these are the circumstances in which SMEs most need support. However, despite the challenges in originating and monitoring loans to SMEs, IMMDF did not hesitate to finance them, honouring its commitment to generate employment and economic growth in Iraq and confident that where there's a will there's a way.

Currently from our offices in Baghdad, Erbil and Sulimaniyah, we have disbursed close to US\$100 million in medium term loans to SMEs to finance acquisitions of local and foreign equipment, factory expansions and working capital for manufacturing, industrial services and agricultural projects.

Financed projects include: copper cables, rods, bars and sheets for industrial uses; aluminium frames, electrical panels, timber doors, tiles, cement batching for construction; water and juice bottling; food processing; feed and flour milling; corn growing; poultry farming; cold storage; IT; logistic services; and bridge construction.

In this almost nine year period, we introduced stronger, cash-flow based lending and borrowing practices in Iraq, including use of insurance to cover business risks, registration of liens on equipment and corporate shares, compliance with international standards regarding human resources, environmental and other policies; complete and regular financial and other reporting; and generally improving internal accounting and corporate governance by borrowers.

We also learned from this process, developing an understanding of the Iraqi business market and a range of Iraqi industries giving our team of loan officers, the majority of whom are Iraqis, a unique capacity to undertake credit assessments and risk analysis of projects.



We continue to focus our credit analysis on the SMEs' capacity to repay, in excess of the collateral provided by them. This means that not owning land is no impediment to obtaining a loan from IMMDF. We offer loans up to US\$5 million for up to five years, at competitive terms under present Iraqi commercial lending market conditions, with repayment schedules reflecting the needs of each project. Higher amounts for larger projects are possible to the extent that co-financing with local and international financial institutions is available.

With the support of Global Communities and OPIC, we are now developing a project to substantially increase our lending capacity and scope in Iraq during the next five to ten years. We are seeking other partners for this project, and therefore we urge any Iraqi or foreign financial organisation which shares our vision, that lending to profitable, sustainable and viable SMEs leads to the creation of employment and economic growth, to join our conversations with Global Communities and OPIC.

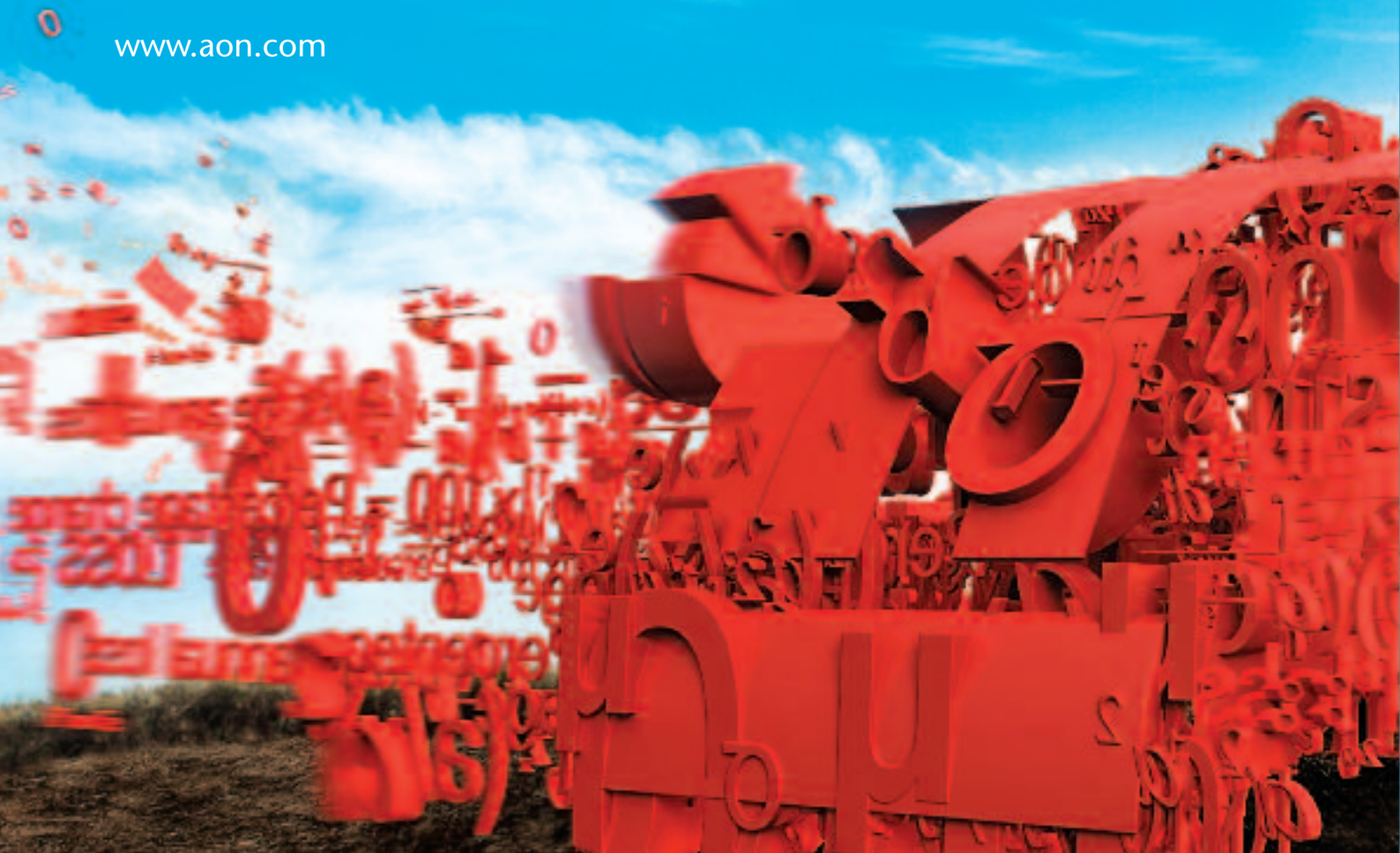
As is always the case, if you are an SME with a manufacturing, industrial, services or agricultural project that generates employment or economic growth, are an Iraqi top tier company that outsources the supply of goods or services from SMEs; you are a foreign company that wants to sell equipment to SMEs or to start a joint venture in Iraq and you believe that you may qualify for an IMMDF loan, please contact us at any of our offices in Iraq or at our office in Amman. ■

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- Qatar
- Abu Dhabi (UAE)
- Sharjah (UAE)
- Iraq (via Bahrain)
- Egypt (representative)



Insurance 2014: A positive outlook from insurers

William Wakeham, CEO, AAIB



William Wakeham

Iraq is still in the midst of regeneration and transition and in this article I'd like to consider the views of local insurance companies. They are closer to the realities of the insurance sector and know better than most the challenges and the opportunities that exist and how the sector is likely to fare in 2014.

1. Setting the context

Iraq today remains a country that has yet to fulfil its true potential. The security climate remains testing, political conflicts exist, ethnic tensions are present in some provinces and allegations of corruption appear widespread.

However there are encouraging signs and progress is being made. A recent World Bank report has confirmed that Iraq's business environment has improved over the last year.

As Dunia Frontier Consultants have assessed; "The coming year in Iraq will provide opportunities for bold investors in its financial services sector. As in past years, oil extraction and government contracts

funded by oil revenues will dominate Iraq's economic landscape. One important trend in the coming year will also be a growth in defence and security contracts".

As has been reported in our own Iraq Business News, on the economic front, there has been a steady flow of positive news. Global oil majors continue to pour money into the development of key oilfields. In 2013, BP allocated US\$2.85 billion to the Rumaila oilfield whilst Exxon Mobil spent US\$1.65 billion on the West Qurna1 field. In fact Iraq aims to raise oil production to six million barrels per day (bpd) by 2017 from the current 3.1 million. This could fund a huge programme of spending on social and physical infrastructure.

Investment in oil production may have been upto US\$20 billion in 2013 according to the US Department of State.

So the potential for sustained growth and economic development is clear; the fundamentals remain sound.

2. Insurance in Iraq: 2014. The view from the Iraqi insurance Diwan

The latest report issued by the Diwan (November 2013) paints a picture of an expanding insurance market, with thirty insurance companies now registered and licenced.

The Diwan is charged with supervising the sector and it has worked hard to discharge its responsibilities in a challenging environment, engaging with the local market and focusing on applying existing law and regulations as opposed to introducing any large scale additional regulatory developments.

The fact that there are a record number of companies registered with the Diwan is a vote of confidence in the future of the sector, and a credit to the Diwan. It shows that the market continues to attract additional capital.

In 2014, we expect that the Diwan will be taking action against some unlicensed companies that are operating in Iraq without licences (typically based outside of Iraq). Their actions risk harming the reputation of the market and can result in claims remaining unpaid: local insurers are increasingly vocal on their concerns in this area.

3. Insurance in Iraq: 2014. The view from insurance companies

AAIB was the first broker registered and licenced in Iraq and since then it has built up important connections with local companies at a senior level. An annual survey is carried out to test the mood of the local insurer community, understand how insurers see the future, what the key challenges are that they face and what they will focus on over the coming year. This year's results show some very interesting findings.

• Selecting an insurer: What's important?

Looking at the most important factors that customers are felt to



consider when selecting an insurance company, having an efficient and effective claims service was felt to be the most crucial element, followed by flexibility in dealing with customers, with an ability to tailor cover to a clients' needs. Having the lowest prices in order to win business was not mentioned by any of the respondents.

So concentrating on service and striving to be more customer focused demonstrates that insurers are looking at providing added value in their interactions with customers and not going down the route of 'commodity' insurances, as we have seen in some areas of personal lines insurance in more mature markets.

• Business growth strategies: Anchored in service delivery

Winning new customers, reducing business acquisition costs and



Insurers expect to see growth in most product lines, suggesting sustained demand in the commercial, private and government sectors.



improving customer retention rates (in that order) were mentioned as the most important factors to insurers in efforts to grow their businesses in 2014. We may expect to see more innovation in renewal incentives, such as the use of long term agreements, profit sharing deals on the larger accounts and more attractive payment terms etc.

To boost market share there were a wide variety of responses mentioned, reflecting the profile, capabilities and market position of the different companies.

Almost all respondents agreed that improving marketing and promotions were important elements, followed closely by an ability to launch more insurance products and product variants. Improving customer service levels was also mentioned by most.

Insurers' abilities to design and field appropriate customer propositions whilst effectively segmenting, profiling and targeting customers will come to the fore in the future, as will the ability to reach them via suitable channels of distribution.

This indicates increased levels of sophistication on behalf of insurance companies; it also underlines the contribution that insurance brokers and others can make in helping in product design and in harnessing the needed support from international markets.

• Opportunities for insurers

When considering fifteen sectors of the economy, insurers felt that construction and energy were the most promising with most opportunities for insurance sales in 2014, followed by the power sector, then fast moving consumer goods. Sales will also mainly

come from the manufacturing and engineering, retail, pharmaceuticals, transport and distribution sectors.

This partly reflects the foreign and domestic investment flows. The need to improve the country's infrastructure is apparent as is the importance of supporting oil exploration and production initiatives, and developing and refurbishing energy sector plant, facilities and distribution. Government and private sector plans to succeed in these areas are well known.

Insurers expect to see growth in most product lines, suggesting sustained demand in the commercial, private and government sectors.

Most respondents also feel that the insurance market will largely remain unchanged or that it would be buoyant and expand; overall it is a positive outlook.

4. International insurance and reinsurance support: an essential component for success

Iraq relies on the international reinsurance markets in providing the needed capacity, and in some areas, the technical expertise, wordings, claims management and pricing know how, which, when combined with local knowledge, distribution and risk insight of local insurers enables the required coverage to be agreed and put in place.

Insurance treaties must then have sufficient capacity and flexibility to cater for the expected increase in premium volume across the main lines of business that most insurers are expecting. How reinsurance treaties will be revised in 2014 to ensure their adequacy in an expanding and increasingly demanding environment is a point to watch. ■



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**Middle East
Association**

Middle East Association

David Lloyd OBE, Senior Consultant, MEA

Where much of the MENA Region is in turmoil, the Kurdistan Region is a beacon of security, prosperity and democracy. Part of Federal Iraq, it could not be more different from the Central and Southern areas of the country which continue to face sectarian conflict. The Kurdistan Region may still face uncertainty in this regard but it is well protected by its own security services; its citizens are at peace with themselves; and it offers a warm welcome to all visitors. British business men and women, held in high regard, are no exception.

It is important that British and indeed other Western countries maintain and increase their commercial presence in the Kurdistan Region. It is in our collective interest that it flourishes and that we do everything to encourage economic and social confidence. For the first time visitor, arriving at British designed Erbil International Airport with no visa entry requirement, this is self evident. The KAR oil refinery, MAS Global gas fired power station and new Coca Cola plant are all private sector ventures on the outskirts of Erbil which are very real manifestations of an economy on the move.

Take a closer look at the city and you will see new shopping malls, residential compounds, hotels and hospitals and a very serious joint

multinational archeological operation on the Citadel which will, in the course of time, reveal its buried secrets of continuous habitation over 6,000 years. Five years ago, there was one Western standard hotel in Erbil; now there are five. The same rate of progress will be seen in Dohuk on the northern border with Turkey and Sulaymaniyah not far from the southeastern border with Iran. Dohuk for the past year has been bearing the brunt, with quiet resolve and little fuss, of the influx of Syrian Kurdish refugees, now numbering some 250,000.

Kurdistan has huge potential and what it has achieved in the last six years is to be admired without reservation. The production and export of its own oil resources is now a reality. The sectors in which British expertise can be of greatest help are: agriculture, transport infrastructure, mining, water treatment, healthcare, education and training. Seven years ago when the Middle East Association took its first trade mission to the Kurdistan Region, the UK's profile was negligible. Now, there are 110+ registered British companies. The MEA was instrumental in introducing the Erbil International Trade Fair to British companies four years ago and we now have a significant annual presence. The MEA will continue its pioneering role in the Kurdistan Region with energy and commitment". ■

Strategic events and training

Nawar Abdulhadi, Vice President, CWC Group



Nawar Abdulhadi

For 15 years, CWC Group created strong relationships with over 50 of the world's governments and NOCs. Working in over 35 countries across the globe highlighting through events, key opportunities and challenges facing the global energy industry. These gatherings have become widely acknowledged within the energy community for their quality, prestigious level of government attendance and senior delegations.

Nawar Abdulhadi, Vice President, for the CWC Group said, "CWC Group is a key partner of Iraqi entities and companies operating in the country by running the most established strategic events in the sector, such as Iraq Petroleum, Kurdistan Iraq Oil & Gas, Iraq Mega Projects, Iraq Power and Iraq Telecoms but also the hugely successful Iraq Oil & Gas training courses through the CWC School for Energy, which specifically addresses the challenges and opportunities in the Iraqi oil & gas industry. Our aim is to achieve the maximum excellence

in training Iraqi oil & gas professionals. The diversity of our locations and extensive range of courses attract truly international participants guaranteeing unrivalled knowledge transfer and valuable networking.

"Iraq has the world's fifth largest proven oil reserves, high - grade crude, extraordinary cheap to produce, immense opportunities but also there are risks facing the Iraqi oil & gas industry. Iraq is a major contributor to the stability and security of the global energy markets". Miss Abdulhadi concluded, "we in CWC succeeded in putting together the framework that will help Iraq to move ahead with the development. Colleagues from Iraq who join us every year at our conferences representing the Iraqi oil & gas industry have the vision, the knowledge, and the experience to help Iraq pave the way into the future. Every year we meet at these annual conferences and we hope we see things improved". ■



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Iraq Power Conference

16 June 2014, London, UK



Iraq Power was the first event to bring together leaders of the Iraqi power industry, the Iraqi Government, key private companies, regulatory bodies and the Iraqi Ministry of Electricity. This unique conference provides a platform for industry stakeholders to discuss the Iraqi Government's plan to develop a sustainable power supply in Iraq and the need to build a modern electricity system to support the country's economic and social development.

www.cwciraqpower.com

Iraq Petroleum Conference

17-19 June 2014, London, UK



As Iraq seeks increasing support from international oil, gas and service companies for economic development, Iraq Petroleum hosts the largest gathering of over 300 senior level executives and industry experts from over 90 companies worldwide, and provides an ideal forum to discuss these developments as well as opportunities to network and build relationships.

www.cwciraqpetroleum.com

Iraq Telecoms Conference

28-29 October 2014, Istanbul, Turkey



Iraq Telecoms is the leading annual event in the Iraqi telecommunications industry, supported by the Iraqi Ministry of Communications. The event continues to grow year on year as it gathers senior Iraqi telecoms officials, leading telecoms operators and network service providers to discuss partnerships and opportunities in the Iraqi IT and telecommunications sectors.

www.iraqtelecoms.com

Kurdistan-Iraq Oil & Gas Conference & Exhibition

30 November-3 December, 2014, Erbil, Iraq



New for 2014, we will be adding an exhibition on to the established conference. As the only annual event of its kind, the Kurdistan-Iraq Oil & Gas Conference & Exhibition provides a gateway to oil & gas business in the Region, by bringing together over 800 leaders from key operators, the private sector, Kurdistan Regional Government, Iraqi Government and Iraqi Federal Parliament. The Conference & Exhibition plays a key role in determining the position of the Region on the global energy map, by discussing policies and strategies that determine the future of the oil & gas industry.

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Security can be managed effectively

Andrew Edwards, Managing Director, Iraq, GardaWorld

Conducting business in post-conflict countries is seldom easy, especially where the political environment is complex. In Iraq, the paradox is that business visitors are not being deterred, despite an increased volatility in the security situation in some parts of the country.

The apparent contradiction between a difficult situation on the ground and the rising number of visiting executives, is explained both by the vast and lucrative opportunities opening up in the economy, and also by the professional support provided by risk assessment analysts and private security companies.

Andy Edwards, Managing Director of GardaWorld in Iraq, says “There are now many people visiting, a lot of them from within the Middle East but also growing numbers from North America and Europe, with several scheduled international airlines now operating services to Baghdad, Basrah, Erbil and other major cities. They are drawn, because business opportunities are significant and companies with an understanding of risk, can do very well compared to working in other countries in the region”.

Edwards, who has worked in Iraq for a decade, following a military career with the UK’s Special Forces, comments “The situation is now much better than it was six to seven years ago. Despite the recent

deterioration of the security situation in parts of the country, there has been a significant improvement overall which I expect to continue.”

Iraq’s own security apparatus, including the police and military forces, are steadily building up capabilities to control lawlessness and terrorist threats but private companies continue to play a crucial and growing role, serving and advising both foreign firms, as well as protecting Iraq’s physical assets, ranging from refineries to airports.

Iraq can appear a difficult destination, it is a country open for business and is steadily building a safer environment for its citizens. Edwards says the Iraqi forces are now making a big difference and points out, that there have been very few serious incidents involving foreign visitors for a considerable time. This is a result of high numbers of police and military personnel operating multiple checkpoints.

Visitors do not necessarily have to reside in fortress conditions. “In Baghdad, some opt to stay in the city’s secure International Zone (IZ). While offering a high degree of safety, working from within the IZ does mean lengthy delays for local staff each day, due to multiple layers of check points and searches, because it is also the seat of Government. As a result, some companies and visitors opt to locate and stay in secure accommodation, in guest houses and converted villas in other

upmarket districts of the city, such as Al Mansour, Karadah and Jadriyah,” Edwards says.

However, caution is required. Baroness Emma Nicholson, Executive Chairman of the Iraq Britain Business Council, who has made many visits to the country since 2003, says: “Iraq is not a settled neighbourhood but it’s doing very well. There are many safe areas where you can do business, and one or two hotspots that I’d advise you not to go. It’s a question of knowing the territory”.

UK Trade & Investment says “Business visitors are strongly advised on security grounds, to appoint a private security company to meet, transport and potentially accommodate, during the course of their visit. The cost for these companies varies but can be between US\$3,000 and US\$6,000 per day, depending on the service required and the area to be visited”.

The services provided include embedded security management and risk assessment, planning, situation awareness, selection of routes and shelter, and generally managing the security of clients.

“If there is advanced planning for a visit and advice taken from a security advisor, with necessary precautions taken from those who have long experience of doing business in Iraq, risks can be mitigated,” Edwards says.

“GardaWorld has broadened its protection role for diplomats, to provide services to Iraq’s burgeoning oil & gas industry. GardaWorld provides security for a number of International Oil Companies in Southern and Northern Iraq, and in the Kurdistan Region. In addition, security services are being provided to many of the engineering



service companies, supporting international oil companies in the development of oilfields, such as Majnoon, Zubair, and West Qurna”. Edwards comments.

GardaWorld now have around 2,000 staff in Iraq and the Kurdistan Region, of which 400 are expatriates. Business is growing, as long awaited infrastructure, transport, telecoms and oil & gas projects get underway.

The need for security services is extending in Iraq. A comprehensive range of skills at all levels, is available from specialist operators, with long experience of the complex risk environment in the country and its challenges. This means that despite what can appear to be a daunting situation, people can visit Iraq and conduct business with confidence rather than apprehension. ■



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We are fully licensed and compliant with the laws and regulations set by the Kurdistan Regional Government and central Government of Iraq and the Voluntary Principles on Security and Human Rights.

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GARDAWORLD

Hans Nijkamp:

Shell Vice President & Country Chairman Iraq



Hans Nijkamp

Iraq continues to take significant strides forward in its rebuilding process, recovering from its turbulent history to become a world player in the energy market.

During 2013, there was continued evidence of increased value added investment initiatives to allow for the restructuring of the country to progress.

In Shell we are proud to be part of this journey. As one of the largest foreign investors in the Iraqi oil & gas sector we have the opportunity to make a real difference in helping Iraq to develop the significant natural resources it holds by working with the local private sector and implementing job creation programmes.

The Basrah Gas Company, a 25 year joint venture with state run South Gas Company (51%), Shell (44%) and Mitsubishi (5%), officially started operations on 1 May 2013.

This was followed by the safe and successful restart of the Majnoon oilfield project in September 2013, which is now targeting production to 175,000 barrels of oil per day.

We are also looking forward to the signing of a Heads of Agreement (HoA) with the Iraq Government for the construction of a world scale petrochemical plant (ethane cracker).

This follows our Memorandum of Understanding (MoU) with the Ministry of Industry and Minerals in 2012, and the successful delivery of an extensive feasibility study.

There's little doubt that the oil & gas industry is intrinsically linked to Iraq's development.

The revenues generated from the energy sector will help to drive diverse development plans, as investors are attracted to the country.

It is of paramount importance that we further enable additional capacity building in Iraq as it continues to navigate its way to further economic recovery.

At Shell we will continue to contribute to help developing local business enterprises.

However, this is a long term process that needs to be carried out in tandem with educational development programmes to prepare the next generation of Iraqis to enter the workforce.

Shell is using its expertise to support local oil & gas companies by creating a sustainable supply chain whilst being extremely mindful of minimising the environmental impact of our operational footprint.

Our message is clear - Shell is committed to being a strategic partner in the reconstruction of Iraq not just in the immediate but also long term future. ■

Shell in Iraq: the journey so far

SHELL continues to build on its commitment to support Iraq by further developing oil & gas projects in the country as well as exploring new partnership opportunities.

Its associated history with Iraq dates back more than 80 years when it first helped to discover the Kirkuk oilfield in 1927.

There is little doubt the region has a major role to play in meeting the world's increasing energy demands, driven by a rising global population which is predicted to reach nine billion by 2050. During this time the population of Iraq is expected to double.

However, Iraq has the world's third largest proven petroleum reserves and in 2005, Shell and Mitsubishi, in conjunction with the Ministry of Oil and the Ministries of Industry and Electricity started work on a plan to develop gas production and utilisation initiatives.

Further progress continued in 2008 when the Iraq Ministry of Oil and Shell signed a Heads of Agreement (HoA) to start midstream activities.

This involves gathering, treating and processing natural and associated gas that is currently being flared from three oilfields in southern Iraq - Rumaila, West Qurna1 and Zubair, for future domestic use.

The initiative was formally ratified by the Council of Ministers and as a result of the agreement between the South Gas Company, Shell and Mitsubishi, the country will benefit from the world's largest gas flaring reduction project - the Basrah Gas Company (BGC).

The South Gas Company is the 51% majority shareholder in BGC, with Shell holding 44% and Mitsubishi Corporation the remaining 5%. Operations officially commenced on 1 May, 2013.

To contextualise that further Iraq has estimated natural gas reserves totaling 112.6 trillion cubic feet, the tenth largest in the world.

Basrah alone produces around one billion cubic feet a day of associated gas, while some 700 million cubic feet is flared, due to a lack of infrastructure to develop, treat and process it.

BGC's phased-approach will see it develop the midstream project on three phases of rehabilitation, rejuvenation and expansion with the overall aim of creating a more sustainable energy source and cleaner environment.

The expansion phase is linked to additional Gas Gathering (compression) and Gas Processing.

Since signing the agreement, the joint venture partners have increased production capacity from 240 million standard cubic feet per day (scf/d) to around 450 million of cubic feet per day (MMcf/d) of gas.

The majority of this gas is destined for local markets, however in the future, once domestic demand is satisfied the project includes the option to build an LNG plant for potential export.

This is designed to create a new income stream and help the country increase the pace of its economic growth as well as diversifying its

energy portfolio in line with Iraq's Integrated National Energy Strategy (*INES Report*).

Part of the commitment also includes a significant capacity building programme, including knowledge sharing, with more than 5,000 BGC employees, who have been integrated into the project, being trained to the highest possible standards.

These activities continue alongside the upstream venture at Majnoon, regarded as one of the world's largest oilfields, estimated by the Iraqi Government to hold around 38 billion barrels of oil in place.

In January 2010, the Ministry of Oil and Shell signed a contract to develop the Majnoon oilfield. Shell was awarded a 45% shareholding as lead operator and Petronas 30% with the remaining 25% going to the Iraqi State Partner (Missan Oil Company).

Shell and its partners successfully recommenced production from Majnoon in September 2013. The development of the oilfield involved the drilling of new wells, the construction of a green-field central processing facility (the largest of its kind to be built in Iraq in the last 30 years), and the revamping of brown-field installations.

In line with Shell's commitment to safety everyone working on the project is expected to adhere to the most stringent health and safety standards. Safety training programmes will be an important part of ongoing staff development during 2014 and beyond.

As part of this commitment to safety an extensive de-mining programme has been undertaken to enable the building of the new facilities for the Majnoon project.

To date, more than 22 square kilometres of land, equivalent to 9,000 football pitches, have been cleared of leftover explosive remnants of



war (ERW) with more than 14,000 items of explosives destroyed, all with a perfect safety record.

Shell developed a new approach using heavily armoured bulldozers and loaders adapted for the project. The bulldozers are certified by third-party specialists. These vehicles are now used to excavate and sift a 30 centimetre (12 inch) layer of soil to remove any explosive remnants of war.

Shell has safely transported people and material into the field, driving two and a half million kilometres, the equivalent to 62 times around the world and transported 48,000 tonnes to site, more than the equivalent of the weight of six Eiffel Towers.

To create a supporting infrastructure, another part of the development programme has been the creation of the first jetty on the Shatt Al-Arab waterway enabling the first commercial barge to sail up the Shatt Al-Arab in 31 years.

This achievement will be a key part of future operations as it now provides a safer and more economical entry into the country whilst also helping to reduce the amount of heavy traffic on the roads.



SHELL continues to build on its commitment to support Iraq by further developing oil & gas projects in the country as well as exploring new partnership opportunities.



The Majnoon project created approximately 2,850 jobs for people from the local communities at the peak of construction, and in addition has an estimated 300 South Oil Company seconded Iraqi staff.

In conjunction with its commitment to capacity building in Iraq, Shell also has a variety of sustainable social investment projects in areas like education and health in the immediate communities situated around the developments.

These types of initiatives, which have included the rehabilitation of schools, will be further developed and expanded upon as Shell's reach in Iraq grows.

As part of the company's social investment programme Shell has also signed a Memorandum of Understanding (MoU) with the International Union for Conservation of Nature (IUCN) to cover the design and implementation of initiatives focused on biodiversity conservation and ecosystem management.

Both organisations have been working together to focus on the restoration and management of Hawizeh Marsh, Iraq's first Wetland of

International Importance as designated in October 2007, under the Ramsar Convention on Wetlands of International Importance.

Looking to the future, in May 2012, a MoU for a full feasibility study on a petrochemicals complex in Iraq, was signed between Shell and the Iraqi Ministry of Industry & Minerals.

The intention to move forward with a petrochemical plant follows a meeting between Iraqi Prime Minister Nouri Al-Maliki and then Shell Chief Executive Peter Voser, in November 2013. We continue to work towards signing a Heads of Agreement (HoA) with the Government of Iraq in due course.

The project, called Nebras, Arabic for beacon of light, envisions an ethane-cracking unit that would produce ethylene, a compound used in making plastic.

Overall the outlook for Iraq, its partners and the associated projects is one of positivity as Shell, in partnership with the Ministry of Oil and its partners, continues to demonstrate its long term commitment to the region and the relevant opportunities on the horizon. ■

The drive to renew oil infrastructure gathers pace

Iraq has planned for substantial increases in the country's oil production. Thamir Ghadhban, Chairman of the Prime Minister's Energy Advisory Commission, expects output to reach 2.9 million bpd by the end of 2013, rising to 4.5 million bpd by the end of 2014.

Under the Integrated National Energy Strategy (INES), unveiled in 2013, Iraq is considering three scenarios for increasing oil production. The lowest production level envisaged is six million bpd though in the medium term this could see output rise to nine million bpd by the end of 2020. In a high production scenario, up to 13 million bpd could be produced.

In order for any increases to be sustained, huge oil infrastructure investment is now underway. Large projects are pending, one of which is seeking to address the need to provide increases in water injection to maintain reservoir pressure and thereby boost oil production.

Since fresh water is a scarce commodity throughout the region, substantial volume of treated seawater will have to be pumped in via pipelines. The Iraq Common Seawater Supply Project (CSSP) proposal, involves a two stage project to be developed near the port of Khor Al Zubair.

The first stage is planned to provide 827 million litres per day of treated water. According to, James Prette, CH2M Hill's Project Director for the scheme, the treated water would be supplied to the Rumaila, West Qurna1, West Qurna2 and Majnoon fields, now under development by international companies.

The US based CH2M Hill is contracted by the state owned South Oil Company, to provide Project Management Consultancy Services to the CSSP for the first phase of the US\$3.5 million - US\$5 million project. According to the company, it will then continue to provide services and



support through operations and maintenance. When the facility is commissioned, the ultimate capacity of the CSSP could rise to two billion litres of water per day.

CH2M Hill has already reviewed earlier work carried out for the project by the US' Fluor and UK's Mott Macdonald, when the latter were contracted by the initial developer, Exxon Mobil. Final design for the project is expected to be completed by September 2014, with engineering, procurement and construction contracts to be then awarded in the first quarter of 2015, enabling the facility to be commissioned later in 2017.

Projects such as the CSSP and reliable electricity supplies are vital for developers to reach their targets. However, the Government's projected production increases which are to double then treble existing output, also depends on substantial improvement and expansion of infrastructure.

Iraq's oil exports are currently running at near full capacity in the south, while export capacity in the north has been restricted by sabotage, old deteriorating pipelines and an inability to receive more oil from the main fields in the south, due to the lack of a modern and enhanced strategic pipeline. (*International Energy Agency 2013*)

2013 has seen accelerating development of the country's oilfields. Drilling contracts valued at US\$95 million and US\$82.4 million have been awarded to the US' Weatherford for work in the Missan field, being developed by China National Offshore Oil Corporation (CNOOC). Further awards valued at US\$96.7 million and US\$73.8 million respectively have also been awarded to China's Bohai and the oilfield services division of CNOOC. (AP 4/9/13)

The next year will see these efforts to rehabilitate and overhaul Iraq's oil infrastructure intensify. The Oil Ministry, for example, plans to increase oil storage capacity from the current 30 million cubic metres to 43.2 million cubic metres, through the upgrading of existing storage depots.

An estimated US\$2 billion project to build new crude oil storage tanks in the south of the country involves construction of 29 tanks, each



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with a capacity of 66,000 cubic metres. Seven are to be built at the Nasiriyah oil depot and 22 at the Bin Umar depot near Basrah. (*MEED* 2/8/13)

Bids for the work have been received from China Petroleum Pipeline Bureau, South Korea's Daewoo Engineering, France's Entrepouse, India's Punj Lloyd, Italy's Saipem and Japan's Toyo Engineering.

In May 2013, BP signed a five year deal with General Company for Ports of Iraq to build a new terminal at the port of Khor Al Zubair. BP will help Iraq build an advanced terminal there to receive refined oil product shipments and also to export products in the future. (*Reuters* 1/5/13)

BP and China National Petroleum Company (CNPC) have a service contract with Iraq to develop the Rumaila field, which has estimated reserves of 17 billion barrels and produces around 1.35 million bpd, representing a third of the national crude output.

The initial phases of development at Khor Al Zubair will improve the efficiency of existing infrastructure, to bring in higher volumes of oil products and then in the future, to build new facilities.

The major focus of infrastructure development thus far, has been on increasing the volume of oil shipped to overseas customers through Iraq's Crude Oil Expansion Project (COEEP). This aims to expand export capacity to 4.5 million bpd by building loading buoys anchored offshore.

Known as Single Point Mooring systems (SPMs), the first two, each with a capacity of 856,000 bpd, were completed in 2012 as part of a

US\$733 million first phase. This has also seen installation of two 1.3 metre diameter pipelines, extending eight kilometres onshore and 48 kilometres offshore.

A second US\$500 million phase of the COEEP programme is underway, which is intended to double the capacity of the system. This includes fabrication and installation of a central metering and manifold platform, located near Al Basrah Oil Terminal. A range of contractors are involved including the UK's Petrofac, who announced a US\$99 million extension to its contract in October 2013, a follow on from its first award valued at US\$100 million for operations and maintenance services on the offshore facilities.

The Government has said it has plans for five SPMs, four for simultaneous pumping with a fifth for back up, each with a capacity of nearly 900,000 bpd. The four mooring points which are able to load the very largest oil tankers, will be operational at the start of 2014. At this stage, the Government plans to suspend activities at the onshore Basrah oil terminal in order for it to be rebuilt and expanded. The nearby Khor Al Amaya terminal is also to be upgraded later. (*Bloomberg* 27/9/13)

Japan's International Cooperation Agency is providing US\$518 million of financing for a third phase of COEEP development. Known as the "Sealine Project", this will include installation of a third 1.2 metre pipeline and a valve station. (*Hydrocarbons-technology.com*)

According to the Deputy Prime Minister for Energy Affairs, Dr. Hussein Shahrastani, "Production will exceed five million bpd within three years. Export capacity will also exceed six million bpd once the four



The major focus of infrastructure development thus far, has been on increasing the volume of oil shipped to overseas customers through Iraq's Crude Oil Expansion Project (COEEP).



SPMs are operating and terminals in the south are upgraded" he says. (*Bloomberg 27/9/13*)

In addition to improving infrastructure to expand exports via the Gulf, Iraq is also seeking to expand other strategic export outlets, all of which are necessary to accommodate the substantial increases in crude production planned over the next few years.

Whatever the level of production ultimately achieved, a huge programme of urgently required pipeline development is now progressing. An export pipeline linking oilfields under development at Halfaya, Bazurgan, Fakka and Abu Ghraib in Missan Province to ports in southern Iraq, is due to be built at an estimated cost of US\$317 million. The 80% of the proposed pipeline is to be built by China Petroleum Pipeline Engineering, with Iraq State Company for Oil Projects responsible for the remaining balance. (*MEED 9/8/13*)

In addition, the Oil Ministry is planning to build a new 280 kilometre, 1.1 metre diameter oil export pipeline connecting Kirkuk fields to Turkey's port of Ceyhan on the Mediterranean. This pipeline is intended to act as a backup, to an existing one which is only partially operational. At present, the latter is Iraq's only major crude oil export

pipeline. The facility consists of two parallel pipelines with a combined design capacity of 1.65 million bpd. It has been subject to repeated disruptions and the pipeline has deteriorated, to the extent that flows need to be routed back and forth to bypass failed sections. As a result, only one of the two pipelines is operational, offering a maximum capacity of 800,000 bpd according to the International Energy Agency.

Bids line up for export pipeline to the Red Sea

The Oil Ministry is preparing to build a strategic oil pipeline, which will carry crude from the south of the country to the north and then through Jordan to the Port of Aqaba. In April 2013, the two countries agreed a project to build a 1,700 kilometre pipeline to carry 850,000 bpd of oil and 7.3 million cubic metres per day of gas.

There are distinct advantages accruing to both countries. Iraq will gain a new maritime outlet for its crude exports and Jordan will receive more reliable supplies of oil and at a reduced price of transit. At the beginning of 2013, Jordan was importing around 10,000 bpd of oil from Iraq which is expected to rise to 15,000 bpd. While sold at a discount, the crude has at present to be transported by truck which increases costs.



The 650 kilometre cross-border section of the pipeline will run from the PS-5A pumping station in Haditha in Anbar Province, to the Port of Aqaba in Jordan. It will include a connection for a potential 150,000 bpd branch pipeline to Jordan's Zarqa refinery, as well as a parallel fuel link, that will supply gas to power the crude pipeline's pumping stations.

There are two separate potential contracts involved in the Strategic Crude Oil Export Pipeline Infrastructure Project. The Basrah to Haditha section, financed by the Ministry of Oil, is to be organised as a conventional Engineering, Procurement, Construction (EPC) basis.

The project will involve provision for a 1.4 metre diameter pipeline and an associated gas pipeline, tank storage at Rumaila able to store seven

days flow of oil, a pumping station in the Rumaila oilfield itself and three other pumping stations to be located in Haditha, Samawah, Najaf and Ramadi. Further tank storage will be also be required at Haditha to store up to five days flow.

Once the 1,020 kilometre Basrah to Haditha pipeline is built, the second section linking Haditha to the Port of Aqaba will go ahead. Canada's SNC Lavalin is advising the Ministry of Oil on this contract. The latter is due to be offered on a Build-Own-Operate-Transfer (BOOT) basis, whereby the successful bidder will be offered a 20 year concession to operate the pipeline.

The BOOT element of the project calls for the construction of a 1.1 metre diameter pipeline and a twin gas pipeline with a spur to Jordan's Zarqa refinery near Aqaba and two pumping stations in Jordan, together with tank storage for three million barrels at Zarqa. A further seven million barrels of storage capacity is projected for Aqaba. Pumping stations in Jordan and in Iraq will also have to be built, as well as metering stations at Haditha, Zarqa and Aqaba. ■



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Supporting Iraq's oil & gas sector: Al-Futtaim Integrated Services

Davey Kirk MA CBE, Managing Director, Al-Futtaim Integrated Services



Davey Kirk

As Iraq implements plans to more than double the size of its oil production from less than three million barrels per day to six million barrels per day (bpd), one company which has been quick to react to a major business opportunity is Al-Futtaim Integrated Services, a subsidiary of the Dubai based Al-Futtaim Group.

Al-Futtaim is a very successful Middle East trading conglomerate, privately owned by the Al-Futtaim family since its establishment in the 1930s and made up of more than 150 companies employing more than 20,000 people across 28 countries. It is structured in four divisions: automotive, retail, real estate and general services.

The cornerstone of its automotive division is a 55 year relationship with Toyota, through which Al-Futtaim has exclusive distribution and dealership rights for the marque in the UAE. A Toyota philosophy permeates the culture of this division, in key areas of customer engagement and service delivery.

In addition to Toyota, the division also boasts relationships with a range of other international brands, including Honda, Volvo, Chrysler, Jeep, Dodge, and now Lotus. Running Al-Futtaim's automotive division is Len Hunt, who is an ex-partner

of Gallup, CEO/President Kia Motors America and Volkswagen of America, a senior industry figure with many years' experience.

Hunt's and the Group's vision for its automotive division is to dominate the value chain and provide its clients with a high quality and professional service that will result in an enduring relationship with Al-Futtaim and continuing repeat business.

Elsewhere within the Group, Al-Futtaim's retail division also sees itself as a trusted partner to major brands, so operates four IKEA stores across the Middle East and has a substantial engagement with Marks & Spencer.

The real estate business developed and operates Dubai Festival City, a multi-use district, including retailing, leisure facilities and residential property. It has just opened Cairo Festival City, while within the general services division, Al-Futtaim has its own insurance company and has substantial funding leverage.

Spearheading the Group's current expansion into Iraq is Davey Kirk, a former British Army officer who is now Managing Director of Al-Futtaim Integrated Services. For the past two years he has managed

Al-Futtaim's presence in Afghanistan, an experience which has equipped the Group for its move into southern Iraq, as well as further forays planned in East Africa.

"Having got into equipment leasing for prime contractors [in Afghanistan], we started to build that business out and wanted to add a service and maintenance capability", explains Kirk. "While waiting for a lease contract, we built up a service and maintenance capability and a state-of-the-art service centre in Helmand Province.

"The need for compliance in UK and US Government contracts is paramount, so contract management is key," says Kirk "when you look at markets like Iraq, there is a significant security and logistics consideration and those two things have to be central to your business planning. In our world it is an important cost and our business has to take account of this".

Kirk and Al-Futtaim Integrated Services concluded that if it could do all these things to successfully manage government contracts, then the Group could certainly do it for the oil & gas sector. Compliance in the oil & gas sector is very much centred on health and safety and equipment certification, so the Group took the view that if it were compliant in government contracts, it would already be meeting most of the compliance requirements in the oil & gas sector.

Southern Iraq represents a very exciting opportunity, with four major oilfields - Rumaila, Majnoon, West Qurna and Al Zubair. Within those four fields there is a considerable amount of work as Iraq aims to lift oil production from just under three million barrels bpd to six million bpd. The amount of infrastructure that is required to double production is extensive, much of it in the form of Engineering, Procurement and Construction (EPC) contracts.

Each of these EPC contracts is likely to include a requirement for a range of equipment involving heavy, construction, mechanical handling, passenger vehicles and armoured equipment. This will



all need to be managed properly to mitigate risk and ensure an optimised return.

By sourcing such equipment through Al-Futtaim Integrated Services, the contractor undertaking an EPC contract does not incur the procurement risk, while Kirk and his team will look at innovative ways to fund its acquisition of the equipment, as well as offering clients further support, ranging from training to software management solutions.

Kirk says that there is a real appetite within Al-Futtaim to develop an oil & gas capability as an extension of what the Group already offers - if it is providing automotive support, then that could lead to a service providing rig moves for the drilling companies, as well as "people logistics" - in Rumaila alone there will be a considerable amount of people coming in and out of the oilfield every day. The software management solutions that Al-Futtaim can offer will be able to handle complex data and ensure the timely movement of the correctly trained people to the right site, at the right time.



Spearheading the Group's current expansion into Iraq is Davey Kirk, a former British Army officer who is now Managing Director of Al-Futtaim Integrated Services.



Future growth is going to come partly through organic investment and partly through contract wins. Kirk's principal targets are major oil companies and their integrated service providers - companies like Halliburton, Baker Hughes and Schlumberger - and as part of that package there may be a requirement to establish additional maintenance capabilities.

What interests Kirk is what he calls people logistics - there are so many people moving around in the oilfields - some of them will be ex-pats who require protection, and some will be locals. There are a substantial number of commuters moving in and out of these oilfields every day, so the challenge is to find efficient means of transporting them in a safe and coordinated way.

While Al-Futtaim Integrated Services in Iraq is currently focused on the oil & gas sector, the Group is also looking at localised power generation services. The Group has its own capability in Pakistan, which can manufacture generators and utility tractors, both of which can be assembled in Dubai, then be branded Al-Futtaim Integrated Services for use in Iraq.

"At the moment, I want to concentrate on supporting the oil & gas sector in Iraq because I think the opportunities are there. We have found good Iraqi partners and are confident that together we can build

a very successful business. Our immediate plans are all about establishing capability in Southern Iraq and winning sufficient work to build a network of Al-Futtaim facilities that give us access to winning significant market share.

"However, we are not complacent and appreciate that we need to remain innovative and flexible in responding to the needs of the market. In the future, I want to explore how we can harness the full spectrum of Al-Futtaim's businesses across automotive, retail and real estate in Iraq.

"My future focus is on potential of strategic alliancing and developing the service proposition into new areas such as marine leasing to support offshore activities and littoral logistics. We are currently looking at high performance offshore boats and how we can configure a cost effective solution to deal with crew transfer, onshore logistics and installation servicing.

"If I can do both onshore and offshore oil & gas then I have a very wide spectrum and will have business opportunities to sustain us for the next five to ten years. The market is there and the need is there right now in the oil & gas sector. I firmly believe that there are extensive opportunities where we can bring the Al-Futtaim Group's skills in automotive, retailing and real estate to Southern Iraq". ■



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Refinery strategy seeks to provide self sufficiency

Iraq possesses some of the world's largest hydrocarbon reserves and within a few years could vie with its neighbour Saudi Arabia as the Middle East's principal crude oil producer. However, in spite of these vast reserves, the country has lagged far behind in the production of petroleum and other refined goods. This has resulted in these essential supplies having to be imported from neighbouring countries eg. Kuwait, at an estimated cost of some US\$4 billion in 2012. (*MEED 19/4/13*)

The Government is now increasing its efforts to attract foreign investors to build up to five new modern refineries. The country's current installed refining capacity is 886,000 bpd but since the existing refineries' technology and infrastructure are antiquated, this makes it impossible for them to reach their full capacity. Actual output is estimated as low as 540,000 bpd with about half of production limited to heavy fuel oil. (*PIW 30/9/13*)

Iraq has three principal refineries and ten smaller distillation units. The main facilities comprise the Al-Doura refinery in the centre of Baghdad Province, the Baiji refinery in the north of Salah Al-Din Province and the Ash Shaabiya refinery near Basrah.

Some modernisation and new units for these has been provided by the Czech company Prokop Engineering but existing facilities will not keep pace with increasing national demand for a range of refined products including petrol, aviation fuel, specialist products as well as fuel oil.

OPEC estimates that Iraq currently consumes around 600,000 bpd of refined products, up from 450,000 bpd in 2003. At its current level of growth of 3% a year, consumption could reach 900,000 bpd by 2020.

Iraq has not built an oil refinery in more than 30 years but has now decided on this radical programme and is to press ahead with constructing long discussed brand new facilities. According to Deputy Oil Minister, Fiyadh Niama, Iraq plans to build four new refineries that will see the country's refining capacity surge to 1.5 million bpd.

The first refinery project which is due to have a 140,000 bpd capacity is expected to start at Karbala. Another 150,000 bpd capacity oil refinery is due to be built near Kirkuk as well as a 150,000 bpd facility close to Amarah in Missan Province, near the Bazurgan oilfield. In addition, a 150,000 bpd capacity refinery, is also projected for Nineveh Province.

However, the most ambitious plan is for a 300,000 bpd capacity refinery, which is intended to be integrated with the nearby oilfield development, planned for Nasiriyah. (*National Investment Commission*)

While many of the proposed new refinery projects have been discussed for several years the pace is now quickening. Such huge ventures involve complex contractual arrangements. The process is being helped by a changing investment environment which the Government hopes will bring in foreign investors to accelerate the expansion of modernisation of Iraq's refinery sector.

While private sector investment in the refining sector has been allowed since Parliament passed Law 64 in 2007, breaking with the tradition of state control in the industry and enticing foreign investors to commit to multibillion dollar investments, this has not proved to be easy. The law was amended in 2011, to provide greater incentives including the guaranteed supply of crude oil feedstock with a 5% discount for a



period of 50 years. (*Presidency Council Law of Private Investment in Crude Oil Refining No. 64 of 2007 investpromo.gov.iq*)

With refining margins relatively thin, investors have up to now still been wary of such capital intensive schemes. Baghdad hopes to change all this with the model for its planned integrated Nasiriyah refinery.

Construction of it will be carried out in parallel to the upstream development of the field and be divided into two phases, each consisting of a production facility with 150,000 bpd capacity.

The project will see the developer paid a fixed fee for each barrel of oil refined, based on international prices and not on Iraq's heavily subsidised fuel prices. The responsibility for marketing the refined products has also been removed from the investors, with the entire production bound for domestic consumption.

There are indications that refinery plans are now taking shape. In October 2013, Prime Minister, Nouri Al-Maliki's office announced

that a Memorandum of Understanding (MoU) had been signed with the Swiss engineering company Satarem to build the refinery in Missan on a 50 year Build-Own-Operate (BOO) basis. The US' Shaw Stone & Webster carried out a US\$150 million contract for designs of the proposed US\$2.5 billion complex in 2010. (*Iraq PM's office 12/10/13*)

In addition to the projects outlined by the NIC, Japan is reported to have offered its largest ever loan to Iraq amounting to US\$832 million, repayable over 40 years to help fund construction of a processing plant near the Rumaila oilfield. The facility would process gas liquids into naphtha and other petrochemical products. Construction companies for the project would be selected by tender in 2014 with work expected to start in 2015. (*Nikkei, Platts13/6/13*)

The Karbala refinery project is the most advanced and the first to go to the tendering stage with funds for the venture allocated in the 2013 federal budget. In January 2014, the Government was reported to have approved a deal between the State Company for Oil Projects and South Korea's Hyundai Engineering & Construction, with the latter winning a US\$6.04 billion contract to build the 140,000 bpd oil refinery on a site in the south of the province.

In June 2013, Iraq's State Company for Oil Projects awarded France's Technip a US\$71 million Project Management Consultancy (PMC) services contract for the Engineering, Procurement and Construction (EPC) phase of the Karbala project. Technip conducted engineering design for the proposed refinery earlier in 2010.

The company's UK office in Milton Keynes is carrying out the initial PMC work involving the issue of tender enquiries for the contract, bids, clarification, evaluation and contracts finalisation with contractors. A



The Government is now increasing its efforts to attract foreign investors to build up to five new modern refineries.



second part of the contract involves overall management of the EPC contract's execution. (*Technip*)

Karbala, Nasiriyah and the country's other planned refineries will provide huge opportunities for engineering work and require training of Iraqi technical and management personnel over many years. The end result will mean Iraq will be self sufficient in refined goods for the first time in decades.

Giant Nasiriyah integrated refinery set to go ahead

There is strong international interest in Iraq's mega Nasiriyah oilfield development and integrated refinery project. Some 26 international companies have responded to a call by the Ministry of Oil to express interest for the management of the multibillion development of the oilfield and its planned adjoining 300,000 bpd capacity refinery complex. (*IBN 3/7/13*)

Nasiriyah oilfield is located in the southern Thi Qar Province. At present, production is only around 35,000 bpd but the field has immense potential containing an estimated four billion barrels. It is the last of Iraq's mega fields to be offered for development by international companies and unique, in that bids will have to embrace the Government's intention to see enhanced production linked to construction of what will be Iraq's main refinery and one of the largest in the region. Developing the project could cost more than US\$15 billion. (*MEED 19/4/13*)

The complex will process crude from the nearby Nasiriyah field and the Gharaf and Rafidain oilfields. It is planned to concentrate on providing

domestic needs and will meet fuel demands in southern Iraq and supply refined products to the Baghdad metropolitan area.

Pre-qualified developers for the Nasiriyah upstream and downstream elements include Japan's JGC & Tonen General Corporation, India's Reliance Industries, and Russia's Rosneft and Zarubezhneft. France's Maurel & Prom is reported to have bid for upstream work.

Potential developers of the downstream part of the project include the US' Brown Energy Group, India's Essar and ONGC, China National Petroleum Corporation, South Korea's GS Engineering & Construction, Russia's Lukoil and France's Total. (*MEED 23/8/13*)

As Iraq's ambitious refinery projects finally move forward, the potential development of the country's nascent petrochemicals industry is also looking to elevate. Shell is reported to be nearing an agreement with the Government for an estimated US\$11 billion investment in a plant in southern Iraq, The Nebras (Beacon of Light) project foresees an ethane cracking unit to produce ethylene, a compound used to make plastic.

Shell has said it is working with the Government towards signing a Heads of Agreement in due course. Though such an agreement is non-binding on either party and designed to provide guidelines for the preparation of contract documents, the proposal fits in with Shell's earlier US\$17.2 billion gas contract. This latter deal, signed in 2012, involves collection of gas associated with oil production, in Iraq's southern oilfields and is currently wasted through flaring. ■

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Pell Frischmann: Water expertise in Iraq

1. Introduction

Pell Frischmann is one of the leading multi-disciplinary engineering design and project management consultancies in Europe and has been operating in Iraq since 2004. Our areas of expertise include:

- Architecture & Masterplanning
- Water and Wastewater
- Buildings
- Roads and Highways
- Bridges
- Infrastructure and Regeneration
- Traffic and Transportation
- Environment and Sustainability
- Rail & Metro
- Energy and Power
- Fire Engineering

We operate an office in Baghdad and work with a broad range of local and regional partners to ensure our services are delivered, with a true appreciation of the complex cultural and technical variables.

Some of the projects we are undertaking or have successfully delivered are:

- Design and Supervision of the Mid-Western Water Supply Sector Loan Project.

- Masterplan and Infrastructure Strategy for the City of Kirkuk.
- Water, Waste Water and Surface Water Infrastructure design for the Basrah Oil & Gas International Free Zone.
- Three Traffic Masterplans for the cities of Basrah, Najaf, and Hillah
- Design and Supervision of 56 individual building projects as part of the Iraq Security and Justice contract.

2. Water projects in Iraq

Many cities and towns in Iraq do not have adequate water and sewage treatment facilities. According to statistics from the Ministry of Municipalities and Public Works, access to safe drinking water is increasing, however much of this is through the installation of temporary treatment facilities. The Government of Iraq have therefore determined that the construction of new water treatment facilities is indispensable as a permanent solution for the country.

The water supply situation in mid-western Iraq has been recognised as more severe, due to security problems in the past delaying reconstruction. Recent improvements in security however, are now allowing the implementation of major water supply development projects.

Pell Frischmann is currently designing the Mid-Western Iraq Water Supply Project. This is a large scale project aiming to provide, treat and distribute water to nearly one million people across ten towns located in three Governorates. Ba'shiqa-Hamdaniya Project in the Nineveh

Governorate (northern Iraq), Haditha Project in Anbar Governorate (western Iraq), and Baji-Siniya in Salah Al-Din Governorate (mid Iraq).

The Ministry of Municipalities and Public Works for Iraq have arranged financing from the Japan International Cooperation Agency (JICA) towards the cost of the Water Supply Sector Loan Project. The total value of the loan is in excess of US\$400 million.

Pell Frischmann's work includes topographical and geotechnical surveys, preparation of detailed design for all project components, preparation of a procurement strategy, preparation of tender documentation and assistance to the client with tendering.

There will be a total of nine construction contracts. In each Governorate there will be three contracts for rehabilitation of existing water treatment schemes, another three for new construction of water intake facilities, water treatment plants pumping stations and pipelines and three further contracts for water network distribution pipelines in the towns being supplied.

Our Client's overall aim, through this project, is to contribute to the future enhancement of economic and social development for the towns in these regions.

Pell Frischmann has teams in Iraq who interface closely with the Client both nationally and regionally, our design teams are based in the UK, UAE and India. Project designs started early in 2012 and the first of the construction projects are programmed to start by summer 2014.



Pell Frischmann will also be managing the construction supervision of all projects.

Some of the project's key parameters are summarised below:

- Three new water treatment plants ranging in size from 72,000 cubic metres per day to 206,000 cubic metres per day
- Three rehabilitated water treatment plants ranging in size from 30,000 cubic metres per day to 72,000 cubic metres per day
- Approximately 170 kilometres of new transmission mains and booster pumping stations
- Approximately 780 kilometres of distribution mains. ■

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Years of
Excellence
through innovation

Pell Frischmann and its dedicated Middle East focused trading company, Conseco International, have been involved with project management, planning, infrastructure, engineering and reconstruction works as consulting engineers in Iraq since 2003.

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- Infrastructure
- Structural Engineering
- Traffic and Transportation
- Environmental and Sustainability
- Highways
- Water and Wastewater

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Parsons Brinckerhoff: Power expertise in Iraq

Jeff Larkin, Director of Power & Water, MENA, Parsons Brinckerhoff



Jeff Larkin

Jeff Larkin is Director of Power & Water in MENA for the global consulting firm Parsons Brinckerhoff. He spent seven years in Iraq from 2004, responsible for delivering a series of power projects across the country. During this period, Iraq's electricity system recovered from total non-functionality to a fragile but stable system providing the majority of the population with an increasingly reliable power supply. His final role was the preparation and delivery of a 20 year masterplan for the long term reconstruction of the country's power systems. In January 2013, Larkin was awarded the OBE for services to the reconstruction of Iraq. In this interview he describes his firm's ongoing work in the country and provides an assessment of the progress being made to develop one of Iraq's most vital economic sectors.

Q. How and when did Parsons Brinckerhoff become involved in Iraq?

Parsons Brinckerhoff mobilised to post war Iraq in March 2004 after being awarded a contract in joint

venture with Worley Parsons to support the US Government's reconstruction efforts, funded through the Iraq Relief and Reconstruction Fund (IRRF). The joint venture was named the Iraq Power Alliance (IPA). It was IPA's job under this contract to support the US Government with programme management services in the electricity sector. The IPA joint venture helped manage a budget of US\$3.6 billion and delivered over 600 power projects to the Ministry of Electricity, including numerous capacity development and training projects and over US\$75 million of spare parts and non-construction related items.

Q. What is Parsons Brinckerhoff currently doing in Iraq?

Parsons Brinckerhoff is currently working in the Kurdistan Region where a small team of consultants are supporting the Ministry of Electricity in Erbil with programme and project management services and specialist technical support. The programme in the Kurdistan Region is valued at US\$1.6 billion and

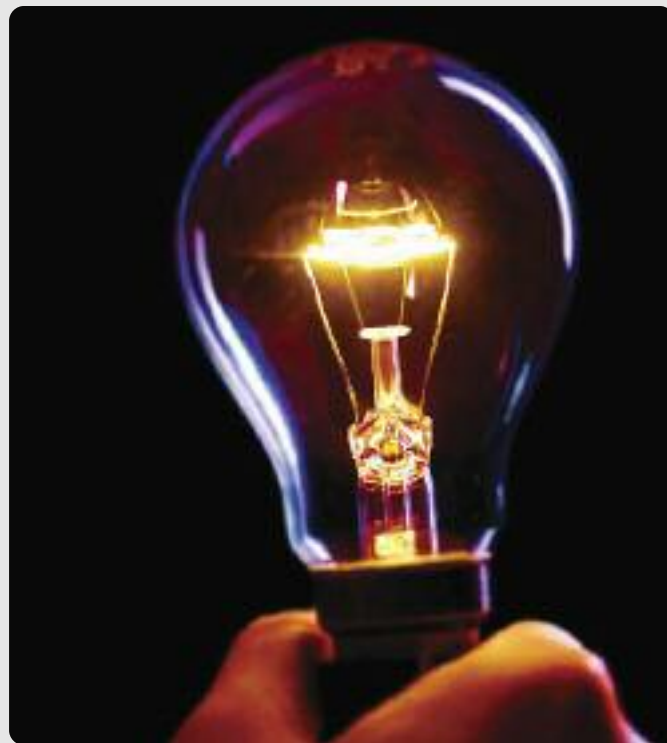
covers nearly 100 projects. Parsons Brinckerhoff has also just completed a one year protection study of the Iraq Transmission System, which modelled the entire 400kV and 132kV transmission networks and simulated the protection systems installed on the network to investigate if they would function correctly under various fault conditions.

Q. What is your assessment of the power sector at this moment in Iraq?

The power sector in Iraq has developed a tremendous amount since 2004 and today it is well placed for growth into the future. It still has a long way to go in terms of development and evolution into a fully modernised, privately owned and operated utility. The Ministry in Baghdad has been given many of the building blocks and skills necessary to develop into a modern day utility, and through many of the capacity development initiatives, it has been given the training necessary to use them. The power sector in the Kurdistan Region has developed at a different pace than that in Baghdad, largely due to the better security climate in the region and a more permissive environment which has helped attract private investment. How the sector develops in the future is now entirely in the hands of the two ministries and the Government's desire to develop a privately owned and operated power sector. The first challenge, however, is still to match demand and achieve 24 hours a day of power.

Q. How many hours of power supply are currently available in Baghdad and other principal Iraqi cities?

I am not sure of the exact figures at the moment in different cities but



I believe we are looking at approximately 22 hours of power in the autumn months and 12 hours of power in the summer per day. The Ministry in Baghdad is producing about 11,000MW of power throughout the year, which is close to total demand in the autumn when the weather is cool but about half the demand in the summer when the weather is hot. The Kurdistan Region is doing well, and it is now seeing on average about 22 hours of daily power across the whole region.

Q. What were the main power developments in 2013? Is the situation improving?

The main development was the construction of the many gas turbine power plants which were contracted by the Ministry in Baghdad a few years ago. Construction is ongoing and it is anticipated that a number of these plants will be commissioned and operational in 2014.



The power sector in Iraq has developed a tremendous amount since 2004 and today it is well placed for growth into the future.



Q. How much more generating capacity will come on stream in 2014?

There is about 10,000MW of generating capacity under construction at the moment and we should see a good proportion of that capacity being commissioned in 2014; how much of this will be able to generate electricity will depend largely on the availability of fuel supplies and how many of these plants can be supplied with gas.

Q. How much progress has been made in addressing Iraq's electricity needs?

A great deal of progress has been made and is continuing to be made; one only has to look at the state of the power sector across Iraq in 2003 to witness how much work has been done to date. A number of privately financed power plants have been built and are now in operation in the Kurdistan Region, which is now seeing almost 24 hours of power per day and has set up the region for economic growth, driven by the more reliable availability of power. The Ministry in Baghdad has new plants under construction across the country and hopefully being commissioned in this coming year. Obviously, generating capacity is intrinsically linked to fuel availability and with the oil & gas sector now being developed in the south and oil & gas production increasing, the country is now in a position whereby new plants being built will be

ready to utilise the additional gas supplies that should be coming on-line soon. So the Ministry of Electricity in Baghdad is in a very good position now, better than it has been for many years.

Q. What factors are determining the development of the country's electricity sector?

We see the difference between the Kurdistan Region and the rest of Iraq, and the two main determining factors have got to be security and the availability of fuel. You must have security in order to build large projects cost effectively and in order to attract private investors. Once built, you must have access to the right fuel supplies in order to generate power cost effectively.

Q. What are the main problems? How far do these relate to the generation of power or its distribution?

The main problem over the last ten years has been the lack of available generation capacity and the availability of the right fuels to drive the generation fleet. The transmission and distribution networks have been built over many decades and can supply power to consumers for the limited time that power is available. The networks are not without issues but the main problem has been the lack of available generation capacity.

Q. To what extent does the growth of electricity generation depend on gas developments and the building of pipeline infrastructure?

As I have stated, they are intrinsically linked. The Iraq Electricity Masterplan that Parsons Brinckerhoff helped to develop, demonstrated that the most cost effective generation source for Iraq was to utilise gas turbines running on gas. It may seem obvious but it is a key message that has taken many years to demonstrate. The abundance of oil & gas in Iraq makes gas a very cheap and available resource. When considering gas versus other fuel sources and types of generation technologies, gas turbines running on gas are far more cost effective than any other means of generating electricity.

Q. Are any new laws governing electricity being proposed or discussed?

One of Parsons Brinckerhoff's projects in Iraq was to develop a regulatory law that would help to establish an Office of Regulation. This was developed to support the aim of bringing private sector investment into the power sector in Iraq. That was drafted and currently sits before the Iraqi Parliament waiting to be passed into law. It is not the only piece of legislation required but does form a major building block in most privately financed and operated power sectors. It is just one of the elements required to de-risk an Independent Power Producer (IPP) investment project and helps to ensure its bankability.

Q. Iraq's Kurdistan northern provinces have witnessed considerable private power schemes. Does the IPP model have a role in the rest of Iraq?

Yes, it certainly does but it does need other enabling factors to support

its development. Security is one, access to fuel is another, a regulatory environment that investors understand is another, and of course payment security is another. Most of these elements are, or are close to being, in place which would support the development of IPPs if the Government wishes to go down this route.

Q. So much of Iraq's future economic plans are dependent on its electricity projects being successful. Do you feel that planned and existing projects can be implemented successfully over the next few years?

Yes, they can, even with the security situation as it is now. Security has improved since 2008, and security can be managed on a power project, just as any other identified project risk has to be managed. It's not ideal but it can be done. As power projects do come on-line, and these support greater economic activity, I believe that this will itself improve the security situation and thus make larger projects much easier to implement and cheaper to execute.

Q. How much of a role is there in Iraq for renewable energy such as solar, wind and hydro?

I would say it is limited for solar and wind for the economic reasons mentioned earlier; they are still not economic compared to gas. There will always be some remote applications where they can be utilised effectively but I do not see a large renewable sector developing in Iraq. Hydro capacity is different - there is scope for such projects in the Kurdistan Region and these projects could be developed but there are major environmental and political issues that would need to be overcome before these projects could move forward. ■

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New Five Year Plan focuses on industrial development

Iraq's new Five Year Plan (2013-2017), which aims to diversify the country's economy and develop Iraq's dormant industrial sector, also emphasises the role of the underdeveloped private sector by encouraging public-private cooperation.

Up to now the dominance of the state in industrial production has meant that private sector businesses have been relatively small scale and involved mainly in retailing, construction, transportation and light industry.

The environment is changing and in the last few years larger, privately owned enterprises have begun to develop in areas such as ICT and as providers of technical services for the country's expanding oil & gas industry. This process is continuing but promises to develop much further into areas that have hitherto been dominated by state managed organisations.

Iraq's manufacturing sector was once the backbone of the country's economy but years of sanctions and war shattered the ability of Iraqi manufacturers to compete with cheaper foreign imports. The last decade has seen factories closed or converted to warehouses and many are for sale. The Government is determined to reverse the decline by stimulating private investment.

Article 25 of the Iraq Constitution stipulates that the State shall guarantee the reform of the Iraqi economy in accordance with modern

economic principles, to ensure the full investment of its resources, diversification of its economy, and the encouragement and development of the private sector.

The policy is reflected in the expectation that almost a quarter of the US\$357 billion investment during the course of the Five Year Plan is to be contributed by the private sector. This means the latter's role will develop and expand substantially in industry and manufacturing. Foreign participation is vital to achieve this and the Ministry of Industry and Minerals is eager to attract investment in all sectors from heavy industry to light manufacturing.

Deputy Prime Minister for Energy Affairs, Dr. Hussein Shahrstani has commented: "The Government made a decision to focus on other resources in the country instead of oil, so the new plan will basically focus on industry instead of oil".

International investment interest is building up. The National Investment Commission has granted a licence to India's Welspun Corporation to go ahead with a potential US\$450 million venture to set up a pipe manufacturing plant in Basrah.

Luxembourg based global steel maker ArcelorMittal and Turkey's Dayen Company have plans to build a plant in Erbil, to produce steel rebars from scrap metal at an annual production level of 250,000 tonnes.



Iraq's State Company for Iron and Steel has signed a memorandum with UB Holding for a US\$600 million steel production complex in Khor Al Zubair in Basrah Province. Korea's STX is expected to build a 100MW power station to serve the plant, which is expected to produce one million tonnes per year.

In 2013, GlaxoSmithKline (GSK), a long time supplier of drugs and vaccines to Iraq, reached an agreement with the Baghdad based company Modern Drug Industries, for a number of GSK medicines to be packaged locally including Augmentin, Ventolin, Zofran tablets, Zantac and Zinnat. The company has plans to introduce further products in 2014.

South Africa's Mondi Company, has also started production of industrial bags in Sulaymaniyah in a joint venture with the local Kaso Group. The plant is the first of its kind in Iraq and will serve the country's expanding cement industry.

Given the country's huge construction backlog, its demand for building materials is growing fast with private ventures increasingly taking the lead to increase output. The French group Lafarge now has a controlling shareholding in three cement production plants. These are located near Sulaymaniyah and Karbala. The Karbala plant which has received a US\$200 million refurbishment and expansion, enabling it to raise capacity from 576,000 to 1.8 million tonnes per year.

In September 2013, a consortium of Egyptian based ASEC Cement and Iraq's Erbil based Qemnet El-Iraq announced an agreement to rehabilitate and manage the state owned Muthanna Cement plant. (*ASEC Cement*)

ASEC Cement's Chairman, Georgio Bodo commented: "Iraq has embarked on a robust plan to rebuild and modernise its infrastructure and has launched major housing, industrial and community projects. The rehabilitation of Muthanna is an important part of Iraq's investment in bridging the supply gap, particularly in the south".

Muthanna Cement is one of seven state plants controlled by Southern Cement State Company. Built in the 1980s, the plant was designed for a total annual clinker and cement production capacity of 1.92 million tonnes and two million tonnes per year respectively. The plant is only operating at 20% capacity. ASEC aims to reach full production of two million tonnes per year at Muthanna in August 2016.

Turkish company Partner Teknik was also awarded a US\$110 million contract to modernise the state owned Samawah Cement plant in southern Iraq in 2011. The plant has struggled to reach barely 20% of its designed production capacity of two million tonnes per year. The contract called for production to be raised to 1.8 million tonnes by the middle of 2014.

China National Building Material Company and Jordan's Al-Doh Investment Company are also involved in building a second cement plant near Samawah, that is expected to involve a US\$200 million investment.



The aim is to reposition Iraq among the leading regional economies and to increasingly integrate the country into global markets.



Investors can draw on Iraq's copious amounts of minerals for basic building materials such as gypsum and cement as well as materials used to manufacture glass, ceramic materials, tiles, pipes and bricks.

As well as utilising these minerals, there is huge potential to exploit world scale deposits of phosphates in Anbar Province and sulphur in Nineveh.

The Al-Mishraq State Sulphur Company was set up in 1969 but closed down production for six years after 2003 due to damage and looting. However, the company is now making a comeback and has resumed production of filtered sulphur, concentrated sulphuric acid and agricultural sulphur at its plants 20 kilometres south of Mosul.

Major expansion is now taking place with the company equipped with a sulphur purification plant under a US\$78.5 million deal, signed in 2012 with the US company Devco. The plant utilising underground deposits, will be used to produce 500,000 tonnes of sulphur products with a potential to rise to one million tonnes per year.

China's Taihua Bentonite Scientific & Technology Development Company has drawn up plans for a 75,000 tonnes per year capacity plant near Fallujah, to convert calcium based bentonite into a sodium based product for use in oil & gas drilling. It is estimated by Geosurv Iraq that Iraq possesses a 22 million tonne reserve of calcium bentonite in the country's Western Desert.

Since virtually every sector of the economy, ranging from engineering, construction materials, textiles, food and pharmaceuticals, to

chemicals, has been controlled by the state for many decades, the scope for outside investment is considerable and increasingly required.

There are nearly 70 State Owned Enterprises (SOEs) controlling more than 200 factories throughout Iraq. Most of the enterprises are unprofitable and as a result of years of sanctions and conflict, suffered from under investment and quite often physical damage. The corrosion of sanctions has meant too that factories have fallen behind global manufacturing standards with outdated technology, facilities and management methods.

The Ministry of Industry and Minerals (MIM) is responsible for overseeing the transition from SOEs to a progressive privatised industrial base. When this transition is completed and private investors become more involved, Iraq will be able to substantially reduce reliance on imported products, apparel and light industrial products.

An increasing number of SOEs are seeking to form strategic partnerships with foreign firms, to obtain the investment and managerial expertise they need to become viable operations. Legislation covering investments in Iraq's industrial and manufacturing sectors are led by Law 13 of 2006, which is a core element in encouraging and protecting foreign investments in Iraq.

While a number of the SOEs offer a well established brand presence, and long established distribution channels and priority access to government procurement, it is recognised that defunct uncompetitive operations are unattractive to investors. Rather than trying to encourage the takeover of state owned concerns in such circumstances, Iraq is

trying to unlock the potential of its industries through joint venture contracts with foreign and local firms.

MIM has listed a range of opportunities for investors to rehabilitate and upgrade SOEs as a whole, or focus on individual factories. Opportunities include a cable factory and an aluminium sections facility in Thi Qar Province, paper production in Basrah and Missan and a medical products company in Baghdad.

There is also significant scope for profitable investment in food processing, including dairy products factories in Abu Ghraib, Mosul and Diwaniya, vegetable oils in Baghdad and sugar processing in Missan and Mosul.

In terms of long term capital intensive investment, the MIM also wants to attract interest in the production of urea fertiliser in the provinces of Anbar, Basrah and Nineveh, which would use locally available supplies of natural gas.

A comprehensive overhaul of the state owned manufacturing sector and the commitment of government to further economic reforms, reinforces an economic diversification strategy. The aim is to reposition Iraq among the leading regional economies and to increasingly integrate the country into global markets.

Motor industry set for big expansion

Iraq's auto sector made headway in 2013, with an announcement by the State Company for the Automotive Industry (SCAI) that the country's first domestic car production plant had been completed, with vehicle assembly due to begin in October 2013.

The assembly plant at Iskandariyah, 40 kilometres south of Baghdad, has already attracted a number of international motor vehicle

producers from Europe, China and Iran, given the huge potential market for both cars and trucks. According to UN statistics, Iraq has just 50 vehicles per 1,000 of population compared to a ratio of 336 in neighbouring Saudi Arabia which has a smaller population.

The new plant's supervisor Ismail Mutlaq, says the factory has been designed with a capacity to produce 120,000 cars a year. With this level of activity he estimates that 2,000 jobs would be provided, while also generating indirect work for up to 10,000 others.

SCAI already has an agreement with China's BYD, which will open two production lines at the plant. The plant is also due to begin assembly of Renault trucks in 2014.

Initial truck assembly agreements have also been concluded with Scania and Mercedes Benz. The US\$42 million contract signed with Volkswagen owned Scania, involves an initial assembly of 800 trucks per year. The agreements also allow for some parts to be manufactured in Iraq such as batteries and tyres.

A number of other foreign auto manufacturers have also reached preliminary agreements to establish assembly ventures in which they will provide engines, bodies, chassis and components in knock down form. South Korea's Hyundai Kia Automotive Corporation, for example, has an agreement to establish the assembly of 2,000 cars per year in Iraq by 2015.

The German company MAN has signed a deal to assemble 3,000 trucks per year at the factory complex near Baghdad. Iran's Khodro automobile company has also announced plans to set up an assembly line in Iskandariyah, with the long term aim of producing up to 30,000 cars per year for the Iraqi market. Another Iranian car producer, Saipa, has also expressed plans to establish assembly operations in Iraq. ■

Construction opportunities increase throughout the country

Iraq's construction market is gaining momentum. All sectors require substantial building and civil engineering work. This need is increasingly apparent in the major new oil refineries, pipelines, transport improvements, commercial, civic and residential projects being planned or due to be started.

"Much of the necessary and overdue work relates to an overhaul of infrastructure," the Minister of Construction and Housing, Mohammed Al-Durraji, says.

Iraq needs to build 500 new bridges and 7,000 kilometres of new highways.

A number of major prestigious schemes are part of planned government expenditure. A new Central Bank headquarters, as well as a Parliament building and a new National Museum are some of the major projects awaiting development in Baghdad.

Also, leisure and recreational ventures represent a growing theme. The UAE hotel group Rotana, opened a 185 room hotel in Karbala in November 2013. This follows development of a similar property by the group in Erbil.

Stadiums are being developed nationwide, the largest comprising a 65,000 seat football stadium and sports complex in Basrah. Another equally large facility is planned for Baghdad, with 20,000-30,000 seat

stadiums also proposed for Anbar, Diyala, Karbala, Nasiriyah, Nineveh, Al Hillah and Najaf.

Diyala Investment Commission said in October 2013, that Moscow based Albion M company had been awarded a US\$90 million contract to build a 30,000 seat stadium, other sports facilities and a hotel north of the provincial capital Baqubah. (*Itar Tass 17/9/13*)

The biggest construction task and one of the principal social and political challenges over the next ten years is to provide adequate housing stock for its citizens, with estimates of the shortfall ranging from two million to 3.5 million homes. Karbala, Mosul, Sulaymaniyah, Erbil, Basrah, Al Hillah, Najaf and Baghdad all have substantial and growing requirements for residential developments.

Al-Durraji says the situation is critical and estimates that just 130,000 new homes will be completed by 2016. He believes that Foreign Direct Investment (FDI) is necessary in solving the problem. In September 2013 the Minister commented: "Some Provinces haven't spent more than 25% of their budget because of a lack of contractors. The number of contractors is limited and the amount of work is more than they can take. It's a golden opportunity to enter Iraq". (*Reuters 16/9/13*)

Much more extensive ventures are due to commence, with private sector developers mainly from abroad, involved in up to 80% of new projects. This is reflected in the contract signed by the National



Investment Commission (NIC) with South Korea's Hanwha to build a satellite town at Bismayah on the outskirts of Baghdad. Similar residential programmes are planned by the NIC nearer Baghdad and Karbala.

The estimated US\$7 billion Bismayah project commenced in 2011 and is planned to accommodate 600,000 people. The project also calls for a 750MW power station to be built in addition to schools, health centres, commercial property and a modern road network linking it to Baghdad.

The first 9,000 units are expected to be handed over by 2015, with a balance of 100,000 units due to be completed by 2019. Work is likely to speed up following installation of a pre-casting plant enabling completion of up to 80 units per day.

According to Akram Ogaily, Senior Vice President of the US' Hill International, "Iraq will be one of the major markets in the region for

our company, along with Saudi Arabia in the next few years". Hill is providing management services for the first phase of a multibillion dollar development due to be carried out by South Korea's TRAC Development for the provision of 500,000 homes in Baghdad and Basrah among other Provinces.

The long term development cost, with associated infrastructure is put at US\$35 billion. Other companies involved include South Korea's Hyundai Development Company as general contractor and the US' Nucor Steel and Louvers LED International, as a major supplier. *(Hill International)*

Gulf investors are playing an increasing role in Iraq's development plans. In July 2013, Doha Investment Company was reported to have won a US\$65 million contract to build 480 houses, a school, health centre and other facilities for the Muthanna Investment Commission in the Province's capital Samawah. *(IBN 4/7/13)*

Dubai based Damac Properties signed a Memorandum Of Understanding in 2012, with Al Fao General Engineering, a unit of the Ministry of Housing and Construction. The company has acquired two areas in Baghdad and is working on concepts and designs for developing these sites from its office in the Iraqi capital.

In September 2013, two UAE developers, Al Handal International Group and Bloom Properties announced their US\$4.5 billion Madinat al Mustaqbal "City of the Future" project for Baghdad. The seven year development is designed to provide 30,000 apartments, as well as five shopping centres, 18 schools, offices, a hospital and official buildings. "The project will also focus on providing a Garden City 14.5 kilometres from the centre of Baghdad," according to Bloom's Chief Executive, Simon Azzam.

Bloom Properties, a subsidiary of Abu Dhabi based National Holding, has also signed an Agreement for the "Shores of Karbala" housing



Many other large scale plans are steadily taking shape throughout Iraq, with the Government having outlined spending of up to US\$450 billion on capital projects over the next 20 years.



project. This development will provide 40,000 new homes on a 20 square kilometre site on Lake Razaza. It also includes commercial, education and leisure facilities. (*BMI* 1/4/13)

According to NIC Chairman, Dr. Sami Al-Araji “the project will contribute to the Urban Planning Development of Karbala. Our strategy is to take the Holy City to a new level by improving the distribution of population density and urban centres and shaping it into a vibrant metropolis”.

Simon Azzam, also said: “With the signing of this contract, we are set to commence work on the preliminary planning phase. Initial work will include surveying of the land, issuance of licences and obtaining preliminary approvals.

This is one of the largest real estate projects in Iraq and will be developed on several phases taking into consideration high quality standards suitable for such a project. The Shores of Karbala will cater to all sections of society and it will offer significant investment opportunities”.

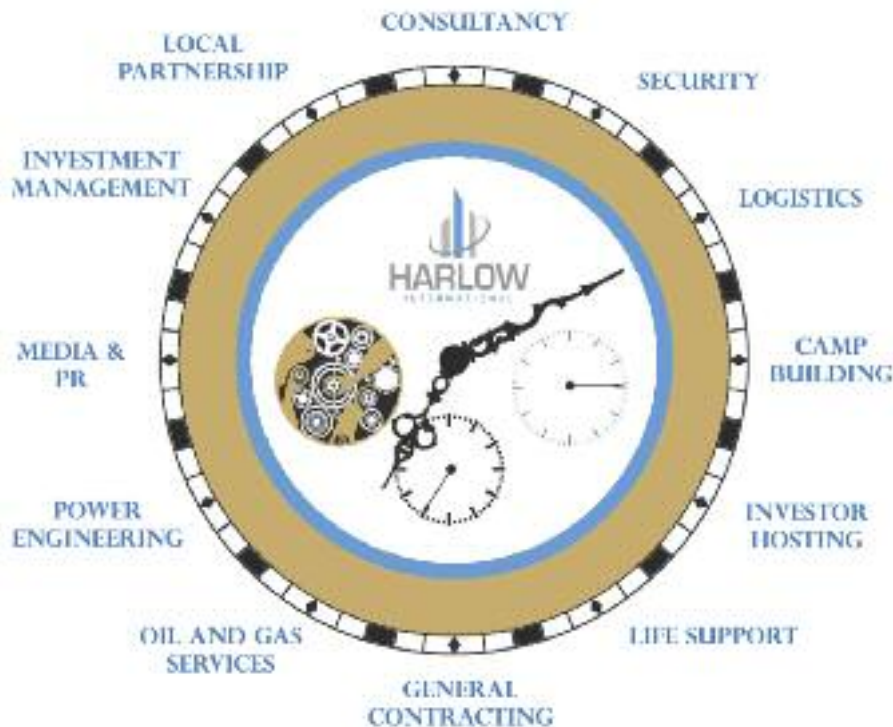
As Iraq’s hydrocarbon exports continue to grow, there are expectations that these ambitious projects as well as those previously announced will begin to make headway, including a US\$10 billion contract for the rebuilding of Baghdad’s Sadr City district.

There is little doubt that the Sadr City development and others are urgently needed. Mohammed Al-Durraji acknowledges that “unless there is adequate FDI, there will not be a solution. We’ve had a problem for the last 40 years. I’m not going to solve it in two to three years. Some Provinces have not spent more than 25% of their budget because of a lack of contractors. The number of contractors is limited and there is more work available than they can undertake. It’s a golden opportunity to enter Iraq,” he stated.

However, the Kurdistan Region has moved forward. As a result of relative calm over the last few years, the Kurdistan Regional Authority has been able to complete new power plants, hospitals, schools and airports and hotels in addition to residential developments. Projects in the region are ongoing and expanding in scope.

Emaar Properties, Dubai’s largest property company announced the launch of a US\$3 billion project in Erbil in November 2013 near the city centre.

Many other large scale plans are steadily taking shape throughout Iraq, with the Government having outlined spending of up to US\$450 billion on capital projects over the next 20 years. The speed of development may have been slow but will accelerate markedly in 2014. Even if not all expenditure targets come to fruition, the country will still rank as one of the largest construction markets in the Middle East. ■



From the second you engage with Harlow International, your operations in Iraq will run like clockwork. We bring strategic projects to your business, advise and walk with you throughout the project life cycle to achieve the ultimate goal - Success. Through dedication and commitment, we at Harlow International have paved the way for international clients to successfully embark on billions of dollars worth of important projects in Iraq, arguably making us one of the leading expeditors of overseas investments into Iraq.

Our partners receive seamless and continuous support throughout their operations from start to finish, whether requiring one or all of our integrated services. Harlow International is amongst the first major companies to be established in the new Iraq and we are growing at a significant rate. We have a long track record of successfully delivering projects, an example being 'Bismayah New City Project' the largest on-going investment in Iraq - constructing a city of 100,000 housing units and related infrastructure. **With a blend of your international know how and our country expertise, we both can ensure a perfect formula coupled with a flawless execution resulting in profitability and success for all.**

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Harlow International: Creating local partnerships



H.E. Prime Minister, Nouri Al-Maliki opening the first International Bank Branch in Baghdad - an event sponsored, secured, coordinated and hosted by Harlow International

There are few organisations in Iraq that can offer the prospective investor as wide a spectrum of support as provided by Harlow International. With a track record of successfully supporting billions of dollars of investment into a variety of projects, Harlow International is a credible, established and high performing organisation that offers a portfolio of services for the prospective investor. These services have one objective - supporting our client's commercial success in Iraq.

Consultancy: Decision making is best conducted from a solid foundation of credible and relevant information provided by sector experts who have the highest level of strategic credibility. Harlow has legitimate and proven access to relevant information that can positively affect investor's success.

Security: Al Murabit Security Services, the security and risk management division of the Harlow Group provides freedom of movement across Iraq that meets the highest security standards as defined by some of the world's leading commercial organisations.

Logistics: Supply chain management into and across Iraq is fraught with a myriad of reasons for delay and loss. We have a proven ability to expedite matériel to projects on time, on budget and without interference.

Camp building: Whether a pilot camp is required, or a long term base for operations, Harlow International has built camps in urban & remote areas across Iraq.

Investor hosting: Investors need to operate in an environment of stability that allows clear thinking and effective decision making. Harlow prides itself on the level of care and attention it provides to its clients while they are in Iraq. However hosting is not limited to the best cuisine and accommodation - it also includes introductions to relevant and strategic decision makers within Ministries and organisations across the region, who best positioned to support our client's aims.

Life support: Harlow goes beyond life support. Harlow Riverside provides a Guest House 'residential experience' that is cloaked in



the best Arabian hospitality designed to delight our partners. There is no comparable secure accommodation available to potential investors in Iraq.

General contracting: Once a decision is made to enter Iraq and conduct trade, Harlow can provide a variety of services designed to provide general support. The general contracting service lifts the burden of finding a way through the early stages of market entry. Whether this includes the provision of facilities management teams or



the procurement of day to day requirements - Harlow is able to provide a 'one stop' service enabling our client's to focus on their core business.

Oil & gas services: Recognising the importance of the oil & gas sector within Iraq, Harlow has developed a portfolio of services that range across all requirements of the industry. This includes a team of engineers and managers with specific experience working within the oil & gas sector, throughout the production line.



Harlow International is a credible, established and high performing organisation that offers a portfolio of services for the prospective investor. These services have one objective - supporting our client's commercial success in Iraq.



Power engineering: In 2011, Harlow partnered with a Korean conglomerate for the provision of a countrywide power project. The conglomerate developed through an Engineering, Procurement & Construction (EPC) phase to become an Independent Power Provider (IPP). Harlow provided a host of services including consultancy, security, housing, assistance with mobilisation, supply chain management and Civil, Electrical and Mechanical on an EPC basis.

Media & PR: Setting up business in Iraq is a notable event for key investors and is a story that needs to be told in, and outside, of Iraq. Harlow has a demonstrable experience of organising key PR events

with attendance that includes Heads of State and Ministries with reportage by the world's media.

Investment management: Harlow can provide financial advice that is specifically relevant to investors and their sector of interest.

Local partnership: Successful Iraq market entry is ultimately driven by the ability to source a trusted and effective Local Partner. Over the last decade Harlow has successfully assisted billions of dollars of foreign investment into Iraq. As a Local Partner, few Iraq companies have a similar track record or pedigree. Finally, Harlow is capable of taking an active equity involvement in selected investment projects. ■



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Advanced technologies drive telecoms market

Apart from the oil & gas industry, telecoms is the most dynamic sector in Iraq with new developments due to launch the country into a new digital era.

The Government recognises that introducing advanced telecoms technologies will act as a catalyst to achieve the broader goal of full economic recovery.

Industry analyst Business Monitor International (BMI), forecasts Iraq's telecoms market will grow at an average annual rate of 6.1% in the next five years between 2013 and 2017. The industry continues to attract the interest of both national and international investors.

In 2013, there has been a vast amount of regional interest, with more than 70% of shares sold in the recent Initial Public Offering (IPO) by mobile telephone provider Asiacell, mainly being bought by investors in the region.

Iraq is currently served by three national mobile network operators, Zain Iraq, Asiacell and Korek Telecom, while the Kurdish Regional

Government (KRG) area is also covered by Mobitel and Regional Telecom. By the end of 2017, BMI expects Iraq to have 37.5 million mobile subscribers, representing a 95% market penetration.

There is considerable interest in the impending announcement on the licencing of a fourth cellular operator. This may accompany an announcement on the issue of a formal tender regarding an auction for frequencies to commence 3G cellular networks. PricewaterhouseCoopers has been advising the authorities on the process since February 2013.

3G networks will allow the provision of a range of new internet based services. Timothy Moore, Chief Executive Officer of Erbil based connectivity services provider FastIraq says: "It is an exciting time for development in Iraq with government and oil & gas sectors requiring robust telecoms infrastructure both locally and globally".

Within this dynamic environment there is a growing amount of business to be gained by small and medium size enterprises (SMEs).



Aberdeen based Nessco Group, saw its turnover double in 2012, helped by two Iraq contracts valued at US\$11.2 million. These involve support for a new offshore manifold and metering platform in Basrah, with the provision of a range of telecoms systems to keep the platform connected with satellite and meteorological systems. The other contract in the Majnoon oilfield involves voice and data systems, internet, security and meteorological technology.

Iraq's future depends on reducing the country's digital divide with the rest of the world. BMI estimates that Iraq had 2.6 million internet users at the end of 2011, a penetration rate of just 7.9%. At present, other than through business, government or universities, access to the internet is mainly available by means of internet cafes in Iraq's major cities.

For most Iraqis individual internet subscriptions still remain expensive, although there are signs that new lower cost services are starting to

emerge. The growth of competition and the introduction of new service packages is expected to steadily boost the number of subscriptions.

BMI forecasts Iraq's internet users will increase to 4.5 million by the end of 2013, with annual growth of more than 16% a year to 2017, when there are expected to be more than seven million Iraqi internet users.

Iraq is fortunate to be modernising its telecoms industry in an era of unprecedented technological advances. These developments are increasing access to international bandwidth making broadband services cheaper and therefore more affordable to more people.

The introduction of Worldwide Interoperability for Microwave Access (WiMax) is particularly significant since it reaches everywhere and can give internet connectivity to computers in the same way that GSM has given telephone connections to mobile phones.

Such communications systems, are also helping to replace fixed landline telephones with the technology used to connect subscribers to public switched telephone networks, using radio signals instead of copper wires over the final distance between homes and exchanges.

The system is seen as a cost effective alternative to small satellite dish networks, which hitherto, have been the only available means of establishing broadband connection due to the lack of copper line infrastructure in Iraq.

A WiMax station can cover a range of up to 30 miles, while mobile WiMax stations can provide signals up to ten miles. Which means WiMax can provide wireless internet access to entire cities.



Iraq is fortunate to be modernising its telecoms industry in an era of unprecedented technological advances. These developments are increasing access to international bandwidth making broadband services cheaper and therefore more affordable to more people.



Microwave and other wireless technologies are transforming the way in which telecoms are going to be provided in the future. Local telecom firms are taking advantage of this opportunity. FastIraq, for example, contracted London based Epsilon Telecom in 2013, to provide international gateway services and “last kilometre” connectivity.

“Iraq has seen rapid development in its telecoms sector. Between 2010 and 2012, there has been exponential growth in internet users and our work with FastIraq is helping to feed this demand. We are going to quadruple the capacity going into Iraq by the end of 2013,” according to Irwin Fouweis, Epsilon’s Chief Commercial Officer.

Another indication of the country’s fast moving telecoms market has come with Ericsson’s partnering with Sulaymaniyah based internet and communications provider Tishknet. This involves deployment of the Swedish company’s Long Term Evolution (LTE) network technology. This will allow 4G broadband services to be offered including very fast wireless broadband services such as HD video streaming as well as rapid internet access.

Firia Ali, CEO of Tishknet says: “We have pioneered forward thinking technology in Iraq since 2011. Our customers’ needs are evolving rapidly and LTE provides them with access to innovative broadband services. The Kurdistan Region is one of the country’s most active

business hubs and we hope to roll out the service across other regions in the near future.”

France’s Alcatel-Lucent, has also completed work on the deployment of LTE technology for the Dohuk based Regional Telecom Company for communications. This has allowed the cellular operator to also become one of the first companies in Iraq to provide 4G technology on a commercial basis.

Regional Telecom Chairman, Kava Junad says: “Broadband services are the lifeblood of the modern digital economy but Iraq has been without widely available broadband for more than a decade, cutting off the country, our businesses and our citizens from the rest of the world. The introduction of 4G LTE services in northern Iraq promises to change that, making a significant contribution to the country’s efforts to rejoin the global community”.

Sulamaniyah based internet service provider IQ Networks, meanwhile, has commissioned US company Menara Systems to supply dense wavelength division multiplexing transmission technology to build a national fibre optic network across Iraq. Service costs are expected to be substantially reduced as a result, especially for business users.

Improvement and modernisation of telecoms services inside Iraq, is also being accompanied by growing connectivity to cross-border

networks. In March 2013, Gulf Bridge International (GBI) announced the launch of “the first ever terrestrial fibre optic link connecting the Gulf region to Europe. This “North Route” provides connections from the cable landing station at Al-Faw near Basrah, in southern Iraq, crossing Iraq and Turkey to reach Istanbul before linking to Frankfurt in Germany.

GBI is owned by the Qatar Foundation and a number of Gulf States sovereign wealth funds. The network provides high speed connections to Bahrain, Iran, Kuwait, Oman, Qatar, Saudi Arabia, the UAE and Iraq.

Laying the cable was a complex operation with engineers having to avoid unexploded ordnance left from previous wars and also by-pass oil & gas pipelines. “It was not easy but this could be a significant foundation stone for the country’s recovery” Ahmed Mekky, the company’s Chief Executive believes.

Ahmed Mekky sees Iraq’s connection to the undersea cable network as a first step in a strategy to turn the country into a conduit for telecoms traffic between Asia and the West. This is going to make Iraq an important hub for connecting Asia to Europe. It’s very strategic for the country”.

Baghdad based Investment Technology Group Company (ITGC), whose largest shareholder is Kuwait’s Al Mal Investment Company, became a significant player in Iraq’s telecoms transmission sector, after winning a 15 year licence to market capacity over the GBI undersea cable.



According to Fadil Mosawi, Chairman of ITGC, “Together with the new GBI fibre cable, the Iraqi people will soon be able to connect to the rest of the world with higher internet connection speed and enjoy new services, including voice communications services over the internet, HD TV and a host of other business applications such as cloud computing. Video Conferencing will make doing business with Iraq simpler and more efficient. Healthcare institutions and universities will also benefit from the availability of large bandwidth and higher access speeds”.

ITGC has also signed a strategic alliance agreement with Hong Kong based PCCW Global to connect Iraq to the rest of the world via the latter’s network.

Other telecoms operators including Vodafone Qatar, whose head of wholesale services, John Maguire, sees huge long term global potential. “Iraq has a very strong position to become a transit point for traffic between Europe and Asia,” he says.

Some of the most immediate prospects are seen in the pending award of a further cellular licence and frequency allocations for 4G

services. The Government is reported to be assessing a range of options that could also include regional Mobile Virtual Network Operators (MVNOs). Such operators while providing wireless communications services, do not own the networks through which they conduct business.

According to the National Investment Commission, the Ministry of Communications is also seeking to build fibre optic cable networks in three areas of the country, through PPPs. Potentially MVNOs would provide services via these networks.

The areas to be covered comprise a northern zone of Mosul, Kirkuk and Salah Al-Din Provinces, a middle zone of Baghdad, Babylon, Anbar and Diyala Provinces and a southern zone of Thi Qar, Wassit, Basrah, Samawah, Diwaniya, Karbala, Najaf and Missan.

The Government also plans to invest US\$500 million on upgrading and expanding the country's fixed-line network and infrastructure. Further developments could involve privatisation of Iraq's national fixed-line operator, Iraq Telecommunications and Post Company, which could also lead to a new source of future investment in a vibrant sector.

Mobile operators enter new phase of growth

The successful public flotation on the Iraq Stock Exchange (ISX) of shares in Asiacell, shortly to be followed by a Zain Iraq's IPO, is consolidating the role of mobile telephone operators in the country's economic development. All three major operators are obliged to float a quarter of their shares on the ISX as a condition of their licences.

Asiacell, a subsidiary of Ooredoo (Qatar Telecom) met the condition with its listing, completed in February 2013, following a US\$1.27

billion share sale. The fully subscribed flotation was the largest ever IPO on the ISX.

Zain Group has established a holding company known as Khatam Communications, through which it will sell 25% of its shareholding in Zain Iraq in an IPO. This is expected to happen by the end of 2013 or soon after.

The latter's Chief Executive, Emad Makiya, said in June 2013 that the company had invested more than US\$20 million in its bid to list on the ISX and had appointed BNP Paribas, Citigroup and National Bank of Kuwait to run its offering.

Zain's move will leave Korek Telecom, which is 44% owned by France Telecom, Orange and Kuwait logistics company, Agility, as the final IPO due to be completed.

Mobile operators are already pushing ahead to launch a range of data-based value added services which they expect to stimulate demand for higher bandwidth services.

Zain Iraq, the country's largest cellular operator by number of subscribers, intends to provide 3G services as soon as it receives the necessary frequency allocation from the Communications and Media Commission, which acts as the State telecoms regulator. The company is working towards providing these enhanced services with Ericsson, Nokia Siemens Networks and China's Huawei.

Korek Telecom also signed a contract in July 2013, with Finland's Nokia Siemens Networks to improve Korek's coverage in southern Iraq, while readying the network for its planned introduction of 3G technology. ■

Bridging the medical skills gap

Dr. Philip Sharples, Medical Director, FrontierMEDEX

Dr. Philip Sharples of FrontierMEDEX explains why investment in medical training is both an essential and rewarding strategy for overseas companies in Iraq.

Iraq's healthcare system is on the verge of a rebirth. For 2014, the Iraq Government has pledged US\$12 billion for healthcare expansion, kick starting many new hospital and infrastructure projects. While large scale construction and refurbishment is achievable, rebuilding a healthcare workforce to deliver a growing healthcare service could, however, prove challenging.

FrontierMEDEX Remote Medical Solutions, a subsidiary of UnitedHealthcare International, is a global leader in the design and delivery of medical solutions in the world's most complex and challenging environments. It brings together healthcare professionals, equipment, local knowledge and a global footprint to take international standard medical care anywhere it's needed. FrontierMEDEX has been a partner to oil & gas organisations in Iraq for more than ten years. Now, as Iraq moves into a new phase of renewal and expansion, the company is also developing solutions to address new situations: helping international organisations deliver their duty of care to local

and expatriate workforces, by providing high quality medical care, in a way that is feasible and sustainable.

Medical brain drain

Decades of turbulence in Iraq have been a catalyst for a brain drain in a healthcare system that once ranked among the most advanced in the region. Many health workers have moved to other countries. Annually, about a quarter of medical graduates from Iraq find their way overseas, usually to the UK, USA and Australia. As a result, World Health Organisation figures for 2011 showed only 7.8 doctors per 10,000 of the population in Iraq, just one third of the ratio in neighbouring Jordan and Lebanon. Of the country's primary healthcare centres, 50% operate without a medical doctor; in remote areas, the percentage is higher.

Today, new opportunities are attracting new investments, a result of which is that an increasing number of international healthcare companies have entered Iraq over the last four years to offer healthcare support; in particular, to the oil & gas industry. Medical skills are scarce and, perversely, as the country regenerates on other fronts, becoming scarcer. The many global organisations returning to Iraq to fuel the growth the country needs are also hiring Iraqi physicians and

healthcare professionals to support their own local workforces. The expansion of the private sector in this way threatens to put the needs of the public sector under further pressure.

Building medical capacity

So how can international organisations with interests in Iraq balance a need to deliver a medical duty of care with the country's own ambitions for medical advancement and healthcare for all?

In response to the challenge, both across Africa and in Iraq, FrontierMEDEX has pioneered a programme to develop local expertise in countries with no or low skills, in the complex area of medical support. It's a strategy that builds capacity, rather than encroaching on resources.

Here in Iraq, working as sole medical provider to an oil & gas organisation in Basrah, FrontierMEDEX is pushing the boundaries for medical localisation in an initiative that aims to deliver wide reaching, fully localised medical delivery through in-country skill development within three to five years.

Developing new skills

Following just ten months of intensive FrontierMEDEX training, seven Iraqi doctors have received Advanced Cardiac Life Support Level qualifications, the first to achieve this standard from training in Iraq. Within just two years of starting the project, successful skill transfer has enabled 60% of the roles in running, developing and



expanding medical delivery to be fulfilled by locally trained staff. Today, five local clinics are staffed and supplied by FrontierMEDEX, predominantly with locally trained Iraqi nationals.

As well as developing key skills for doctors, FrontierMEDEX developed training has been given to Iraqi ambulance drivers, introducing the first Western certified qualification of its type in-country. A FrontierMEDEX ambulance supervisor is working to develop a first cohesive ambulance service to enhance emergency medical delivery.

Reliable, scalable, repeatable

It is this integration of medical training for local staff with the whole process of medical delivery that has made local medical capacity building affordable and achievable, enabling the transfer of skills from international healthcare professionals to Iraqi healthcare professionals in a manageable and cost effective way.



Iraq's healthcare system is on the verge of a rebirth. For 2014, the Iraq Government has pledged US\$12 billion for healthcare expansion, kick starting many new hospital and infrastructure projects.



The use of e-learning has also been significant in extending the scope and feasibility of what can be achieved, proving an effective way to reduce training time and costs. One Iraqi first aid trainer who was originally recruited as an interpreter, completed his City and Guilds PTLLS course, "Preparing to Teach in the Lifelong Learning Sector," with support from FrontierMEDEX. He successfully studied and passed the course using Skype. He then went on to use his new skills to teach basic first aid to staff working at local degassing stations.

FrontierMEDEX's localisation work in Iraq is just beginning but it has already yielded an important legacy in the certainty of a reliable, scalable and repeatable model for medical capacity building; one that can be delivered for organisations anywhere in the country. As a result of its comprehensive needs assessment, which included a review of resources, opportunities and problems associated with medical delivery, FrontierMEDEX has developed a road map for medical localisation across the different regions of Iraq.

Smart practice

After a decade of 'expatriate only medical delivery', building local capabilities for delivering healthcare is a proven reality in Iraq. It's not only feasible, it's smart. It delivers meaningful benefits to the countries

where it is implemented and significant gains to international organisations who invest in it.

Aligned with key national development goals, developing local capabilities for delivering healthcare has significant traction. It builds strong stakeholder relationships with in-country medical and training institutions and government departments. It establishes a secure, consistent supply chain to satisfy stringent company standards. And, it's cost effective, yielding savings in pay differential, mobilisation, transport and life support costs.

While at present there are no measures in place in Iraq that mandate a certain level of local content either in the energy sector or other projects, the trend in other markets across the globe is that local content is on the legislative agenda. Medical capabilities building is a unique way to deliver local content compliance in high-skilled sectors, and is a convincing and competitive solution.

Perhaps the most important aspect of the work being done by FrontierMEDEX, is that local medical content enables international organisations to empower local people in a vital sector, a compelling way to leave a lasting legacy. ■

Iraq launches National Education Strategy

Iraq's economic recovery depends on fundamental improvements to its education structure. This necessity is recognised in the latest Five Year Economic Plan (2013-2017), which identifies educational development alongside agriculture, construction, energy, transport and communications as a key priority in the US\$357 billion national plan.

At the end of 2012, a National Education Strategy was unveiled by the Ministries of Education and Higher Education. The strategy prepared with the help of the UN Educational, Scientific and Cultural Organisation (UNESCO), UN Children's Fund (UNICEF) and the World Bank aims to overhaul Iraq's entire education system.

It will involve considerable federal and provincial investment to ensure success. The focus is on providing free and accessible education from pre-school to higher education together with good quality best global practices.

While Iraq has made some headway in addressing educational needs, a major and sustained investment will be needed to reform a system that has been underfunded for decades. The UN Human Development Index (HDI) places Iraq in the Medium Human Development category for 2012, in 131st place out of 187 countries surveyed.

The Index is described by the UN Development Programme (UNDP) as a summary measure for assessing long term progress in three basic dimensions of human development and a long and healthy life, access to knowledge and a decent standard of living. Access to knowledge is measured by the average years of schooling.

According to the UNDP, Iraqi adults have spent an average 5.6 years in schooling. This is the lowest period of time in the region compared to 7.8 years in neighbouring Saudi Arabia and 8.6 years in Jordan for example. When compared to leading OECD countries such as the UK with an average of 9.4 years or the US with 13.3 years, the gap is even more pronounced.

Many children, particularly girls, do not attend school at all in Iraq's rural areas. Household poverty is a major obstacle to attendance, a poor quality of instruction and politicisation of the curriculum have also influenced attendance. (*UN/World Bank, Joint Iraq Needs Assessment 2008*)

The National Strategy moves education to centre stage in development plans. "This is Iraq's first ever national education strategy, which is unique in Iraq and the region," according to Dr. Mohammed Ali

Tamim, Iraq's Minister of Education at the time of the announcement. "This strategy will respond to the needs of over eight million students presently in school".

Up until recently, there has been a huge deficit between actual requirements and that which has been provided. The consequence has been low student enrolment in primary and secondary schools, compared to other countries in the region. This is a growing problem considering that Iraq, with more than 56% of the population aged below 25 years, has one of the largest youth populations in the MENA area.

Key educational targets in the Strategy, include increasing Iraq's pre-school enrolment rates from the current rate of 7% to 22% by 2020 and the primary school enrolment rate from 93% to 98% by the end of 2015. The strategy also emphasises the importance of having quality curricula, institutions and resources in higher education.

"With the full implementation of this strategy, Iraq will meet the aspirations of its citizens for quality education and lay the cornerstone for a competitive 21st century economy" said Marie-Helene Brisknell, the World Bank's Special Representative to Iraq.

One of the basic challenges is the lack of schools in general. Overcrowded classrooms are the result, which hinders effective teaching and demoralises both staff and students.

The National Education Strategy calls for the completion of work of rehabilitating 30% of the country's run down schools by the end of 2015. New approaches to construction methods are expected to help speed up development. There have been some estimates that over 12,000 schools are needed.



Administrative reforms and making teaching relevant to economic needs are a concern. Providing students with relevant skills to help them find work is a priority. In October 2013, the head of the Ministry of Education's General Directorate of Educational Curricula, Ghazi Mutlaq announced, that English tuition would begin in first, rather than fourth grade.

Iraq is receiving considerable specialist help in the rebuilding of its education system from the international community. UNESCO helped Iraq to establish an education management information system, to assist with planning to help decentralise the education system.

Assistance has been given to strengthen in-country capabilities to publish and distribute textbooks for mathematics and science courses. Some 18 million textbooks have been supplied, mainly from Iraqi based printing companies.

UNESCO has helped provide teacher training and rehabilitation of 165 school laboratories and 55 libraries. Technical and vocational training



The Ministry of Education has also been helped to start an educational television channel. Broadcasting since 2011 via Nile-Sat, a regional satellite service, the 24 hour channel provides a means of study for those unable to attend schools regularly.



institutions have been set up which will also assist in restoring the confidence of the population, in the country's education system.

The Ministry of Education has also been helped to start an educational television channel. Broadcasting since 2011 via Nile-Sat, a regional satellite service, the 24 hour channel provides a means of study for those unable to attend schools regularly. Those reached include Iraqis displaced in neighbouring countries.

The satellite service also provides Technical and Vocational Education Training (TVET) programmes, which is a vital part of the National Education Strategy. A particular focus is on encouraging collaboration between private companies and TVET institutions.

Foreign companies, particularly those involved in developing Iraq's oil industry, are also making a contribution to education projects. In March 2013, Shell announced the completion of a project to rehabilitate Al Rafidain Secondary School at Al Nashwa, 40 kilometres north of Basrah.

The school is one of three in Basrah Province, that the company has supported in partnership with Mercy Corps, a US based humanitarian organisation. The refurbishments have increased the capacity of classrooms and expanded teaching space for both boys and girls.

According to the World Bank Enterprise Survey 2011, companies in Iraq have difficulty finding skilled local personnel. This problem is likely to become more apparent as key areas of the economy seek to expand over the next few years.

This gives an incentive for companies to become involved in educational development. According to UNESCO "the private sector today is seen to be the main actor in shaping the new education of tomorrow".

An example is the academy set up in Erbil in 2012, on a Public Private Partnership (PPP) basis by the Ministry of Labour and Social Affairs in the Kurdistan Region with the Swedish truck manufacturer Scania, together with Sida - the Swedish International Development

Cooperation Agency and the UN Industrial Development Organisation (UNIDO). The academy accepts students from all over Iraq, with both men and women to be taught English, automotive mechanics and general computer skills.

Another academy for financial and banking training has also been established in Erbil with US and German aid. The aim is to provide training which will help Iraqis to work to international standards in the financial sector. (*Iraq Directory 8/7/13*)

New strategy focuses on universities' renewal

The National Education Strategy presents a serious and ambitious roadmap to bring about a qualitative improvement in Iraq's education sector according to the Minister of Higher Education and Scientific Research, Dr. Ali Al-Adib.

However, as with planned improvements to primary and secondary education a massive infrastructure development programme is required. More than 80% of Iraq's higher education infrastructure, had been severely damaged following the invasion in 2003.

This has made holding classes difficult and along with the loss of substantial numbers of the country's most able academic staff, has led to a general decline in standards.

Some 612 students mainly PhD candidates were funded in the first year. Thousands more Iraqis studying a range of disciplines including engineering, agriculture, medicine and computer sciences are also expected to be found places over the next five years.

The new Strategy seeks to vastly improve university level tuition. A three year Higher Education Reform Plan is being promoted which crucially involves giving financial and administrative independence to academic institutions. The plan also seeks to create new specialised universities that emphasise scientific disciplines including medicine, petroleum studies and engineering.

Three additional scientific departments are to be created at institutions in the capital, at Baghdad, Al Mustansirriyah and Al Nahrain universities. New specialisations are also to be developed at universities in Mosul, Basrah, Babil, Wassit, Muthanna, Thi Qar, Tikrit, Kufa, Kirkuk, Qadissiya, Missan and Samara. (*Iraq Directory 23/8/13*)

The rehabilitation of Iraqi higher education, set back by almost two decades of under investment and isolation, is underway in earnest. As physical infrastructure is developed and the management of teaching is overhauled, Iraqis can look forward to an educational system that will once again match the best in the region. ■

Aviation sector set for major expansion

Baghdad, together with other major Iraqi airports at Erbil, Basrah, Sulaymaniyah, Najaf and Mosul are now fully functioning as domestic and international airports. More than a 100 flights were recorded at Baghdad International Airport in March 2013, a number that is a substantial increase from the handful of arrivals and departures of just a few years ago.

The Director General of the Iraq Civil Aviation Authority, Captain Nasser al-Baker, said that 300 flights arrive and depart Iraq each week. Iraqi airports are now set to become much busier as more foreign carriers extend their route networks to Iraq and as Iraqi Airways takes delivery of new aircraft and recommences old routes in the region and beyond.

Around 24 airlines are now operating to Iraq. Emirates, Turkish Airlines, Royal Jordanian, Lufthansa, Austrian Airlines, Gulf Air, Egyptair, Etihad,

Middle East Airlines and Qatar Airways are among major regional and international airlines providing services to the country's main cities.

Qatar Airways opened up scheduled services to Basrah and Sulaymaniyah in Summer 2013, adding to its existing services to Erbil, Najaf and Baghdad. In September 2013, Turkey's Atlasjet and Iraqi Airways commenced services to and from Gaziantep to Erbil.

Turkish Airlines operates to all six of Iraq's international airports from Istanbul. Low-cost carrier FlyDubai also operates five services from Dubai. Royal Jordanian has four destinations from Amman while Emirates and Etihad operate to three destinations from Dubai and Abu Dhabi respectively.

The Civil Aviation sector is becoming big business and after years of under investment and deterioration, significant steps are being taken towards reconstruction of the civil aviation sector.



The Government has a clear vision to develop world class, as well as a strong strategy for rebuilding Iraqi Airways as an international airline.

Iraq's major airports infrastructure enhancement programmes are going ahead and Provincial Governments are upgrading existing airports as well as planning the construction of airports to cater for the country's growing transport needs.

Airport expansions are underway in Baghdad, Basrah, Erbil, Najaf, Mosul, and Sulaymaniyah. New airports are also planned for Karbala, Kirkuk and Dohuk.

Transport Minister, Hadi Al Ameri, has said that, "the programme will require both expertise and funding from the private sector to execute the many planned transport projects". (*Trade Arabia* 4/5/13)

Some US\$50 billion of investment has been mooted for the long term expansion and modernisation of Baghdad International Airport. The investment is needed to rehabilitate and expand the airport's three

terminals and runway, build new access roads, warehousing facilities and hotels and to develop an industrial and business Free Zone.

In September 2013, the UK security and outsourcing firm G4S Risk Management was awarded a two year extension valued at US\$22.5 million to provide aviation security at Baghdad International Airport. The company has worked at the airport since 2010 to develop the Iraq Civil Aviation Authority's capability and international credibility.

G4S has 840 employees at the airport, more than 700 of whom are Iraqis. Training is a vital aspect of the contract. The company says it has sponsored a number of its Iraqi managers through the UK Department of Transport's aviation security managers' courses, either in the UK or in Iraq.

Serco the UK based international service company, in cooperation with its local partner Al Burhan Group, also signed a new agreement earlier in 2013 with the Iraq Civil Aviation Authority (ICAA), to continue providing air traffic control services, training and support at Baghdad International Airport.

Apart from domestic arrivals and departures, hundreds of airlines fly through Iraqi airspace, which is a critical corridor to and from Europe for the region's airlines and it requires safe, competent and efficient air traffic services delivery, according to Serco's Middle East Chief Executive Officer, Zafar Raja.

The company has been providing services at the airport since early 2011. During this period, more than 40 Iraqi controllers have been trained and graduated. As part of its new contract, Serco will provide the Iraq Aviation Academy with additional air traffic services instructors to start training of up to 100 new Iraqi controllers. (*Serco PR*)

A number of new contracts at Baghdad airport are expected to be tendered in the next few months, including the rehabilitation of the Samara Terminal. Basrah airport is also expected to tender for the provision of air field lighting, while Mosul airport is planning a modernisation and expansion programme. France's Aeroports de Paris

Ingenierie (ADPI) has worked on masterplans for airports in Mosul, Basrah and Baghdad. It has also prepared a site survey for the planned new airport at Dohuk.

The UK company, Copperchase has been awarded a contract to develop and expand Najaf International Airport in conjunction with the Baghdad contracting engineering company, Fourth Dimension. The reported 20 year Build-Operate-Transfer (BOT) agreement includes updating equipment, expanding the apron, building a new runway and improving mechanisms for dealing with more traffic.

Najaf is one of Iraq's most visited pilgrimage sites and at peak times operates up to 45 flights a day connecting with Iran, Jordan, Lebanon, Turkey, Kuwait, India and Bahrain.

Erbil International Airport in Kurdistan has already undergone a major reconstruction which is now moving on to further phases. The airport has seen passenger demand exceed expectations since it reopened in 2010. A total of 947,600 passengers travelled through the airport during 2012, a 53% increase on the previous year.

A further new international airport is also planned in the Kurdish Region at Dohuk, to handle up to one million passengers a year. Passenger capacity is also being increased at Sulaymaniyah airport, while the expansion of airports at Kirkuk and Basrah is moving ahead.

South Korea's Incheon International Airport Corporation won the US\$9.03 million project management contract for the new Dohuk airport, having previously completed this role at Erbil International Airport. Lebanon's Dar al-Handasah and France's ADPI are designing the new airport.

Istanbul based construction companies Makyol and Cengiz Holding have been awarded contracts to carry out building works for the first phase of Dohuk airport. This is designed to allow a capacity of 328,000 passengers a year, with final phases increasing this to 1.1 million passengers. (MEED 15-21/3/13)

But the largest aviation project outside Baghdad, will be the planned new Middle Euphrates International Airport. In September 2013, the National Investment Commission and Ministry of Transport announced that the airport, designed by ADPI, would be built on a 45 square kilometre site near Karbala to serve the provinces of Najaf, Al Hillah and Karbala.

According to Nasser Hussein, Director General of Iraq's Civil Aviation Authority, the location has been chosen to accommodate increasing numbers of pilgrims visiting the area and to ease the pressure on Baghdad and Najaf airports.

The new airport will eventually accommodate up to 20 million passengers a year, making it the busiest in Iraq and acting as an additional hub for Iraqi Airways.

First stage work is to be carried out within a four year timetable, providing a 4.5 kilometre runway at an estimated cost of US\$270 million, a terminal building costing US\$950 million, airport infrastructure costing US\$550 million and other specialist areas estimated at US\$60 million in addition to a 64 metre, US\$60 million control tower. A second phase of development will add an additional runway and a second terminal.

According to Nasser Hussein, ideally some of the project will be funded via private investment but if this is not possible the Civil Aviation Authority is ready to step in to meet the expected US\$2.5 billion project cost. (*The National* 26/8/13/ *Construction Week* online 27/8/13)

Iraqi Airways prepares for major renewal and expansion

After years of decline, Iraq's national carrier is about to embark on a huge expansion with Iraqi Airways livery once again becoming a prominent sight in the region and around the world.

The airline, founded in 1945, is among the oldest in the region but the last 20 years have been challenging. International sanctions, war and



Around 24 airlines are now operating to Iraq. Emirates, Turkish Airlines, Royal Jordanian, Lufthansa, Austrian Airlines, Gulf Air, Egyptair, Etihad, Middle East Airlines and Qatar Airways are among major regional and international airlines providing services to the country's main cities.



more recently the threat of litigation have curtailed its operations. In March 2012, legal issues with Kuwait were finally resolved when a US\$500 million debt deal was concluded to end the two decades long dispute.

Iraqi Airways is now proceeding with its expansion plans. In May 2013, the Iraq Ministry of Transport concluded agreements to resume services between Baghdad and capital cities in Romania, Georgia, China, Malaysia, Russia, Sweden and Azerbaijan. (*Iraq Business News*)

The airline's Director General, Saad al-Khafaji, is already planning new flights to Europe and Asia. These are likely to begin with schedules to Frankfurt followed by Copenhagen and Amsterdam. The first Iraqi Airways flight from the UK in 23 years took off in March 2013, landing in Sulaymaniyah. Its outbound Baghdad to London service includes a stopover at Malmo in Sweden for additional security checks. Services have also started again to Kuwait City.

In Asia, the airline has Kuala Lumpur, Beijing, Shanghai, Guangzhou and Bangkok in its sights. Washington DC and New York are also being considered. Additional European destinations including Paris, Madrid and Rome are also likely routes in the longer term.

Since the settlement with Kuwait Airways, Iraqi Airways has taken delivery of three Airbus A320s and two A321s. In addition to these

single-aisle short haul aircraft, one long distance wide body Airbus A330 and a Boeing 777-200LR have also been acquired.

Boeing delivered a Next Generation 737-800 single-aisle airliner to Iraqi Airways in August 2013. This new high-tech variant of the single-aisle short to medium haul airliner is the first of 30 ordered in 2008.

"The new aircraft will play a key role in helping us modernise our fleet and integrate with regional and international commercial aviation systems," Transport Minister, Hadi Al Ameri commented.

Iraqi Airways is spending US\$2.6 billion on new aircraft. In addition to 30 737s, the airline has also ordered ten long-range wide-body 787 airliners from Boeing. (*US Embassy Baghdad 13/8.13*)

In December 2013, the airline confirmed the purchase of five CS300 airliners in a US\$367 million deal with the Canadian aircraft manufacturer, Bombardier. The airline has options to acquire a further 11 of the aircraft, that can seat up to 160 passengers.

Additional 777s are being bought ahead of receiving the latest Boeing 787 airliners. Saad al-Khafaji has said that the airline is also likely to firm up options on a further five 787s to bring its purchases to 15 of the long-haul aircraft. Further Airbus aircraft are also expected to be ordered he says. (*flightglobal.com April 2013*) ■

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IKG Property provides high quality residential and commercial property services across Iraq, applying insight, experience, local market intelligence and resources to help our clients make informed realty estate decisions.

Our clients range from global corporations to individuals and our commitment is to serve them, whether occupiers, owners or investors, to the highest possible standards across all service lines and asset classes through a dedicated team of professionals. We take an international best practice approach to our services, adding value and delivering the best possible solutions for our clients.

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Kurdistan open for business

Travelling to that part of Northern Iraq, known to many as South Kurdistan and its capital, Erbil, has never been easier than it is today.

Opening for business in September 2010, Erbil International Airport (EIA) with its bright, modern, gleaming clean lines will surprise first time visitors, who in the course of their stay in the Region of Kurdistan, are likely to find other preconceptions quickly cast aside.

The region is safe, stable and very much open to the possibility of business and welcomes those seeking to develop business opportunities.

The link between economic growth and airport development may be lost in more mature markets, where other issues drown out the very real impact good connectivity brings in the form of investment and economic activity but in Erbil and Kurdistan, the evidence is very clear indeed.

In 2013 the airport welcomed Zagros Jet, Iraq's third national carrier, who added one new route to Adana, and bought welcome competition with routes to Ankara, Beirut, Amman and Stockholm. Tblisi in Georgia added further connectivity to Erbil via Georgian Airlines. By the end of 2013, around 1.2 million passengers had passed through the airport.

It is 23 years since Saddam's forces abandoned the former military airbase outside Erbil and sought to partition the Kurdistan Region from the rest of Iraq in 1991. The arrival of the coalition forces in 2003 and the handover of the airfield to the Kurdistan Regional Government (KRG), that year saw the start of a determination to end years of isolation and bring civil aviation to the Kurdistan Region for the first time.



The airport's capacity to surprise is further strengthened by the presence of Airport Director General, Ms Talar Faiq, the Middle East's only female airport Chief Executive. Taking up her role as Director in July 2010, Ms Faiq is testament to the determination of the KRG to ensure women play a full part in government and the development of the region. Her vision and ambitions for EIA are clear:

"Erbil International is one of the largest infrastructure projects amongst many undertaken by the KRG. It is a flagship project, and its success, our safe efficient and secure operation, as a gateway for Kurdistan and Iraq, reflects on the region as a whole.

We wish to provide warm welcome to visitors to the region and work closely with the airlines to ensure a seamless service for passengers". ■

Kurdistan's gateway to business opportunity...



www.erbilairport.net

Erbil International Airport the business gateway to Kurdistan and Iraq

Kurdistan's Erbil International Airport continues to be one of the Region's fastest growing aviation gateways. Since its opening to civilian traffic in 2006, average growth has been 30% per year. Last year passenger traffic grew by 28% to 1.2 million .

The growth reflects the dynamism of the Region's economy. The rapidly expanding private sector is part of the Kurdistan Regional Government's aim to diversify the economy. Erbil is the natural gateway for the whole of Iraq and a safe and secure place to visit and do business.

In 2014, Erbil will celebrate its status as the Capital of Arab tourism. Helping put it on the map and underlining its status as a fast growing city that welcomes tourists and business visitors alike.

Erbil International provide connectivity across the Middle East and to Europe. Its aim is to provide passengers with a safe, secure and comfortable experience as they depart or arrive.

We look forward to welcoming you in 2014, so that you can discover the possibilities and potential the City of Erbil and Kurdistan has to offer.



Sardar Group gears up for growth

The Sardar Group, a leading enterprise founded in the 1970s, has aggressive expansion plans for the new, emerging Iraq.

Whilst the Group has developed a range of activities in diversified industries, from general trading to real estate, it is the automotive division that is developing at the fastest rate. Comprising six main companies we represent worldwide automotive brands such as Jaguar, Land Rover, Toyota and Polaris. In addition we are the exclusive importer for Volvo construction equipment, Doosan Forklifts, Genie lifting equipment and Tata Daewoo commercial vehicles.

Focus on - SAS Automotive Services

SAS was established in 2012, as a joint venture between Sardar Group and Sumitomo Corporation to distribute officially approved Toyota vehicles into the Iraqi market, supply Toyota official genuine spare parts and to provide quality aftersales care by Toyota certified technicians.

SAS already operates from five branches covering Erbil, Dohuk, Sulaymaniyah, Basrah and Baghdad. Plans are already in place to open sites in Mosul and Kirkuk in the near future.

The company is focused on gaining customers and earning their trust and loyalty through the 4C concept

- Convenience – with precise management of inventory, timing and space enabling efficient delivery of new inventory
- Confidence – with a professional attitude and transparency
- Comfort – with friendly SAS personnel who will provide the best service in a pleasant manner, sustaining customer peace of mind.

- Credibility – with highly qualified and trained personnel and transparent process

SAS is also planning an in-house training centre to provide training for new Toyota engineers. This in conjunction with endeavouring to create local employment, helps to improve the vitality of the Country as a whole.

Focus on – Sardar Trading Agencies (STA)

STA were appointed the exclusive importer in Iraq for Land Rover in 2010 and Jaguar was added twelve months later. In this relatively short time we have already supplied in excess of 2,000 vehicles to the citizens of Iraq.

Since we began we have set new standards for the retailing of premium brand products in Iraq, from the quality of our premises, through to our highly trained staff.

STA currently has both showrooms and aftersales facilities open in Erbil and Sulaymaniyah, which are fully equipped with the latest technology, to ensure the customer experience is second to none and vehicles are maintained to the highest of standards.

In 2014, STA will open new facilities in Baghdad and Dohuk that represent the very latest Jaguar Land Rover designs, both involving a very substantial investment from Sardar Group. These will be followed in future years by dealerships in Basrah and Kirkuk.

We believe in each of our Brands' global ambitions

Jaguar – To create the world's most instinctively rewarding performance cars



Land Rover – To be the world's SUV brand of choice today and tomorrow

But also strive to exceed customer expectations through an incredible customer experience.

Focus on - real estate

The investment side of the Group is also very busy with various projects but two of the most exciting are the new Swiss-Belhotel in Erbil and the Qaiwan Towers in Sulaymaniyah.

The Swiss-Belhotel is located less than a five minute drive from Erbil International Airport and is perfectly situated to service the whole city. The hotel is built in a contemporary style, providing superior comfort and hospitality. It offers 108 well appointed guestrooms and suites and is expected to open in 2015. The facilities include all day dining and



specialty restaurants, including the world famous Trader Vic's restaurant, indoor and poolside bars, roof top shisha lounge, a deli, a business centre and a boutique.

Qaiwan Towers is a joint venture project between Sardar Group & Qaiwan Group and is one of the most ambitious projects in the Kurdistan Region. The development consists of two iconic 25 storey towers, located in the heart of Sulaymaniyah. One will feature the five star Rotana Hotel, which is due to open in 2015, and the other will be premium office space. The site also includes an up market shopping mall which has already opened.

In summary, we are a rapidly expanding business and partly through our various recruitment needs, aim to make a real social contribution to the development of Iraq. ■

Ambitious rail expansion programme

Plans to revive Iraq's rail system are gaining pace, with some US\$40 billion of investment required to extend and double track a network that is intended to connect the country's main cities and neighbouring countries. The strategy is to not only make the state owned Iraq Republic Railway (IRR), the principal mover of heavy and bulk goods but also of passengers, many of whom need to travel long distances.

Modernisation of the rail system is a massive long term project but it's time has come, with railways increasingly the focus of the attention in neighbouring countries.

The IRR has of 2,405 kilometres of track, 109 stations, 31 locomotives and 1,685 units of rolling stock. Though, much of the system is not functional, according to US State Department assessments.

Over the last five years, the main task has been to evaluate future requirements and endeavour to restart some services. Important basic

remedial work has been completed, including installation of a US\$60 million US funded Communication Based Train Control system and Digital Microwave Radio Communication Network. This communication system became fully operational towards the end of 2011.

A regular passenger service has now been reinstated between Baghdad and Basrah. In 2012, IRR also completed a 32 kilometre line between Musayyib, south of Baghdad and Karbala. This is Iraq's principal pilgrimage route which is used by hundreds of thousands of visitors during Shi'ite religious festivals.

Other lines in operation include Baghdad-Samara, Mosul-Rabia and Baghdad-Fallujah, which all use the latest wireless communication system. Work is also underway to double the single-track Baghdad-Basrah line and the Hammamal-Ali-Rabia line. Renovation of a line connecting Baghdad with the northern of city of Mosul is expected to begin in 2014.

China's Dongfang Electric Corporation has a US\$115 million order to supply ten diesel multiple unit locomotives, two of which have already been delivered.

ThyssenKrupp signed a further contract at the end of 2012, to provide another 15,000 tonnes of 18 metre rails. This followed an earlier contract which involved the supply of 30,000 tonnes of rail bar, an order sufficient to lay 540 kilometres of railways. However, there is a need for six times this amount to complete the expansion of the national system. According to Thyssen, IRR also need some 2.4 million sleepers and 550 switches. (*ThyssenKrupp/Al-Burhan Group*)

The Government was reported earlier in 2013, to have signed a Memorandum of Understanding (MoU) with the German owned Astra Rail Industries, to set up a joint venture. This would be located in Samawah, in southern Iraq with the aim of rehabilitating railway infrastructure and in the longer term, building a rail system from Basrah through to Western Iraq. (*Iraq Business News 15/3/13*)

While financing major infrastructure projects remains a challenging area, the long term prospects for railway development are among the most comprehensive of any international market. Iraq aims eventually to increase the country's lines to 10,000 kilometres of dual track railway serving electrified trains running up to 250 kilometres an hour.

According to the National Investment Commission, nine major railway expansion projects are part of the transportation plan. The largest in terms of estimated cost is a new US\$11 billion 632 kilometre dual track line, connecting Baghdad, Mussayib, Karbala, Najaf, Samawah, Nasiriyah, Basrah and Umm Qasr. A US\$7.6 billion



investment is envisaged linking Baghdad and Kut, Amarah and Basrah and an US\$8.6 billion project to connect Baghdad to Baquba, Kirkuk, Erbil and Mosul.

A memorandum between France's Alstom and IRR was signed in 2011, for the development of a high speed track between Baghdad and Basrah. A new 650 kilometre line between the two cities requiring a further 150 kilometres of track would connect Karbala, Najaf, Musayyib and Samawah. (*BBC Middle East news and Daily Telegraph 24/6/11*)

Over the next decade, international connections will also come to the fore. In 2011, Jordan approved the construction of a railway from Aqaba to the Iraqi border near Trebil, with IRR planning to extend its



Plans to revive Iraq's rail system are gaining pace, with some US\$40 billion of investment required to extend and double track a network that is intended to connect the country's main cities and neighbouring countries.



line from Ramadi to the border, to connect with the planned Jordanian route running 500 kilometres to the Red Sea port. (*Construction Week online 24/8/11*)

The long term aim follows the planned development of the proposed new grand port at Al-Faw in the south. This would then allow goods to be unloaded from Asia at Al-Faw, then transported northwards via Zakho to Turkey and onto Europe. So instead of a long trip through the Suez Canal and the Mediterranean, it will take just 24 hours. Iraq will become a transit point for transferring goods, according to Mohammed Ali Hashem, Manager of IRR's projects department. (*Reuters 8/5/13*)

Mohammed Ali Hashem envisages around 25 million tonnes of goods passing through Iraq each year once the port and necessary rail projects are completed. The ambitious project would serve to place Iraq as a strategic distribution player in the transportation of goods between Europe and Asia, by paralleling the Suez Canal and adding value and capacity to the global marketplace.

Baghdad overground metro scheme set to go ahead

Baghdad urgently needs new transport solutions to combat increasing congestion, driven by the city's rising population that could reach more than ten million by 2030 and be an alternative to trucks, cars and buses that clog the city's roads and cause serious pollution.

In February 2013, a US\$40 million agreement was signed with Alstom by the Governor of Baghdad, Dr. Salah Abdul-Razzaq, for the French

company to undertake detailed design studies for a long discussed elevated metro rail system, to serve the city.

The proposed metro consists of two lines, one of 18 kilometres and another of 20 kilometres. A total of 21 stations will also be built, which will connect Baghdad's main thoroughfares, including the city's international fair ground. (*Al Burhan PR*)

Starting from Al-Mustansiriya University, a 25 kilometre first phase line would cross the Tigris River over a new bridge near the existing Sarafiya Bridge to reach the city's Kachimiya district. The track would then follow Muthanna Airport road, to finish near Baghdad's central railway station at Alawi, where a depot would be located. Fourteen stations would be built in the first phase of this development.

A second stage would take the line on through Baghdad's Karkh and Bayaa areas to Saidiya. A later third phase would see the line carry on to Jadiriya and Karrada, looping back to Alawi. The full project is estimated to cost US\$1.6 billion and take six years to implement. Financing arrangements have yet to be announced though it has been suggested that the project will be funded by the local government.

France's consultancy organisation Systra was earlier appointed to provide initial design for a proposed and much more ambitious 45 kilometre underground metro system involving two lines under the city. Some reports suggest that the US\$6 billion underground metro project will be tendered in 2014. (*Aswat al-Iraq 26/10/13*) ■

Ports strategy enhances logistics capacity

The development of Iraq's ports is a key element in the country's economic future. More than 80% of Iraq's total oil exports are transported through its southern ports, in addition to such vital commodities; wheat, sugar, rice, industrial and construction materials and containers.

Decades of decline and under investment, are now being addressed with the current National Plan (2013-2017) looking at building one of the world's largest container ports on the Faw Peninsula, to leverage the country's strategic location as a bridge between Asia and Europe. The plan envisages Iraq becoming a major hub in the region and competing with nearby ports, such as Kuwait City, Dubai and Doha.

Currently, many imports pass through the ports of neighbouring countries, particularly those with outlets on the Gulf, which are then transported overland into Iraq.

The focus is on developing and modernising existing ports, essential to increase the supply of materials and machinery needed for infrastructure investment. This effort is also urgently needed to build export facilities for Iraq's expanding oil & gas exports and to meet current demands for imported refined petroleum.

The main port at present is Umm Qasr, which is its only commercial deep water port, and able to handle Panamax vessels, ie. ships of

65,000 - 80,000 deadweight tonnes which can transit the Panama Canal. The port, which handles containers as well as bulk and break bulk cargoes, is located at the confluence of the Khor Al Zubair and Khor Abdullah rivers, 100 kilometres from Basrah and close to the Kuwait border.

In addition to Umm Qasr, ports such Khor Al Zubair, Al Maqal and Al Flous which while smaller, have substantial development prospects as reconstruction gathers pace. This potential has attracted the attention of major international logistics operators. As a result, several major overseas ports and shipping companies have upgraded terminals and are managing them, after winning concessions from the General Company for Ports of Iraq (GCPI), the state body that manages all the country's ports.

The UAE's Gultainer Group operates a multipurpose container terminal on the southern side of Umm Qasr Port at berth number eight. In addition, the Sharjah based concern manages the Iraq Container Terminal (ICT) at berths ten and eleven on the northern side of the port following concessions awarded in 2010.

Gultainer's number eight berth is equipped with two 100 tonne capacity mobile harbour cranes and supporting container handling equipment. The facility handled more than 100,000 tonnes of



containerised cargo and close to 20,000 tonnes of general cargo in 2012.

The ICT was developed at a cost of US\$120 million and became operational in August 2012. The quay has an 11.5 metre draft, which can berth larger vessels. It is equipped with two 40 tonne ship-to-shore (STS) gantry cranes. A further two such cranes are due to become operational by the end of 2013.

Development of the ICT continues, with an additional 100,000 square metres of space added in 2013, with equipment able to handle up to 400,000 twenty foot equivalent unit containers (TEUs), according to GulfTainer's Managing Director, Peter Richards. The commissioning of the new gantry cranes will raise further handling capacity to 800,000 TEUs a year. The ICT is already used by a number of global shipping lines including UASC, Maersk and MSC. Improvements to capacity are expected to attract several more lines in 2014.

GulfTainer has also secured an area of more than 750,000 square metres of land close to Umm Qasr Port, to be developed as a logistics centre serving industrial and commercial clients. The facility, known as Umm Qasr Logistics Centre, is designed to include an inland container terminal and a bonded facility connected by rail and road to the rest of the country. The new logistics park is also aimed at serving the needs of the oil & gas industry in southern Iraq and companies developing infrastructure projects. (*GulfTainer PR*)

The cost of the initial phase of developing the Logistics Centre, is put at US\$48 million. Subsequent phases are expected to bring the investment to over US\$159 million. A large part of the investment is being met by a US\$30 million loan provided by the International Finance Corporation, a World Bank affiliate.

Following a US\$20 million joint venture agreement with GCPI, France's container transportation and shipping group, CMA CGM launched operations at the renovated number four berth in Umm Qasr South Port in April 2010. This has resulted in the introduction of its first direct reefer (refrigerated cargo) service to and from Iraq. The berth is dedicated exclusively to CMA CGM traffic.

In June 2013, they also opened a bonded Dry Port at Abu Ghraib near Baghdad. The company says the facility for the first time allows



The focus is on developing and modernising existing ports, essential to increase the supply of materials and machinery needed for infrastructure investment.



customers an opportunity to clear their cargo near Baghdad, rather than from Umm Qasr. (*CMA CGM*)

The dry port which is three kilometres from railway connections, has Customs Offices located within the inland port which occupies an area of 165,000 square metres with storage capacity for 12,000 TEUs. The facility also has scanner technology to avoid time consuming manual inspections.

Germany's Düsseldorf based Martrade has a joint venture with Kuwait's Gazal Logistics to operate a multi-user container terminal at Umm Qasr South Port's number five berth. The terminal features two gantry cranes and container storage for 7,500 TEUs. The facility is used by an increasing number of shipping lines including Taiwan's Yang Ming, Dubai's Simatech and Singapore's X-Press Feeders.

In May 2013, the Transport Ministry announced plans to build four container berths at Umm Qasr, each able to handle 500,000 tonnes a year in addition to 13 multipurpose berths and a range of associated infrastructure, including warehouses with road and rail links.

The development will also see the port's storage area expanded from 102,000 square metres to 600,000 square metres. Two berths on the southern side of the port were also due to open in September 2013. (*Gulf Ship News 23/8/13*)

Substantial improvements at Umm Qasr and other ports are ongoing. In May 2013, the US Army Corps of Engineers (USACE), said it would seek fixed price offers for work at Umm Qasr to include the design and build of a 165 metre long floating pier and substantial dredging works.

Significant expansion and modernisation is also taking place at Khor Al Zubair Port with new berths and supporting infrastructure scheduled. In addition to its container terminal at Umm Qasr South Port, Martrade also operates fully equipped, multipurpose terminals at Khor Al Zubair Port, where dredging work is underway to increase the draft to 10.5 metres and later to 12.5 metres.

In June 2013, Japan was reported to have offered a 40 year US\$393 million loan to Iraq for the rebuilding of the port of Khor Al Zubair. As a result, Toyota Tsusho Corporation, Toyo Construction Company and

Toa Corporation are expected to bid for contracts (Reuters 11/6/13), (*Oil Review Middle East 14/6/13*)

The Ministry of Transport has previously announced plans to increase the handling capacity at Khor Al Zubair Port by 3.75 million tonnes a year by constructing 13 multipurpose commercial berths, including four berths for containers and a roll-on roll-off berth.

Martrade Group has already invested more than US\$27 million to turn berth numbers seven and eight at Khor Al Zubair into a multipurpose terminal, where the company will provide shipping agency, warehouse and outdoor storage, heavy lift handling and trucking and customs clearance.

The importance of the port to the oil industry was emphasised with BP signing a five year contract in April 2013, to build a new terminal replacing the out of date facility at Khor Al Zubair. GCPI spokesman, Anmar al-Safa said: "BP will help Iraq to build an advanced terminal to receive refined oil product shipments and also to export products in future".

According to BP, the initial phase to build will involve using an existing import facility and improving efficiency to bring in higher volumes of oil products. Imports are expected to commence in 2014.

Iraq relies on imports to meet demand for oil products, such as petrol, because its own refineries struggle to meet demand, and more than 1.5 million tonnes of refined products are delivered in the course of a year,

generating large revenues for BP over the period of the terminal contract, according to a Reuters report.

"This is an important step forward for BP. We are working with the Ministry of Transport in Iraq to help meet the country's demand for refined oil products," said Paul Reed, CEO of BP's integrated supply and trading business. (*Reuters 30/4/13*)

In 2009, BP and China's CNPC, signed a service contract with Iraq to develop the Rumaila field, the largest producing field in Iraq, which has estimated reserves of 17 billion barrels and produces 1.35 million barrels of oil per day (bpd), more than a third of Iraq's total crude production.

Iraq's smaller ports on the Shatt Al-Arab are also a focus of development. Abu Fluos River Port, 20 kilometres northeast of Basrah, has a fertiliser loading facility and is also used to transport construction materials and general merchandise. The plan is to raise handling capacity at the port by 750,000 tonnes a year.

In October 2012, a US\$14 million deal was signed with the US consortium, North America Western Asia Holding (NAWAH) to modernise Al Maqal Port, which also lies on the Shatt al-Arab. The ten year agreement includes dredging work to establish a nine metre draught for vessels using the port. New Jersey based Triton Container International and Chicago based Marmon Crane Services are also part of the consortium.



The modernisation includes the installation of a 64 tonne Liebherr harbour crane, new container and general cargo areas and a reconstructed pier. “Offering container cargo handling less than 85 kilometres from three of the largest oilfields in Iraq is a strategic difference that NAWAH’s port management brings to bear,” says Tom Pritzker, NAWAH’s Chairman and Co-Founder.

Grand Faw begins to take shape

The Government has identified a small fishing harbour at Al-Faw, 100 kilometres southeast of Basrah, as the site for a completely new deep-sea container port.

The Grand Faw seaport venture envisages development of a new port over an area of 30 square kilometres, at a location where the Shatt Al-Arab meets the Arabian Gulf. The port would provide a draft of 15-17 metres, which could accommodate very large vessels and be able to serve up to 6,000 container ships a year, which would then rank as one of the world’s ten largest ports when fully developed. (NIC 19/7/13)

A foundation stone for the estimated US\$6.1 billion first stage of the project, was laid in April 2012. Since then work has begun and is underway. At the end of 2012, a US\$264.8 million contract was awarded to the Greek company Archirodon Construction for the design and build of the staging pier and eastern breakwater. This work is due to be completed by the middle of 2014.

Further contract awards for the port’s main structures and preparing a deepwater channel are awaited. In order to stimulate further development, Iraq has decided to exempt foreign companies involved in the Faw project from customs duties and taxes.

The GCPI has proposed a port that will eventually offer up to 100 berths. The completed project includes a railway connecting Faw to Basrah and other logistics and administrative infrastructure is an investment that could eventually reach US\$18 billion.

The plan envisages its container capacity reaching three million tonnes a year by 2018 and seven million tonnes a year by 2038, while also increasing general cargo capacity to ten million tonnes a year in 2018 and 40 million tonnes a year by 2038.

A container port on the scale of the Grand Faw facility, will rival Dubai’s Jebel Ali in the southern part of the Gulf. It is also a project with a distinct advantage. With projected high speed rail connections, a modern port could also substantially reduce transit times and the costs of moving goods between Asia and Europe.

Construction of Grand Faw Port is part of Iraq’s long term objective, of turning Iraq into a global artery. This involves renovation and extension of the railway linking Iraq and Turkey, which would allow container traffic to effectively bypass the Suez Canal. ■



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*Google analytics, January - October 2013

A bright star in the dark sky?

Antony Wakeham, Publisher of Iraq Business News

Reading the international consumer press you could be forgiven for thinking that Iraq was on the verge of an abyss. Our own security reports do not avoid the issue of sectarian violence. Read the rest of our ever changing home page though and you get a different perspective altogether. The fact is that in spite of the violence, Iraq continues to grow at a rate western economies can only dream of.

As I write in early November 2013, we carry stories on the Akri Bejeel block going 'commercial', a massive down town development in Erbil, Iraqi 'Young Leaders' exchange programme in the US, the success of a young Iraqi's agricultural machinery business in Thi Qar, and a UNESCO initiative to improve water capacity. Our coverage of trade mission after trade mission includes this week Belorussia, Bosnia and, Herzegovina. None of this hits the television screens nor the international front pages.

Do not assume however that it goes unnoticed. Three years ago when we started Iraq Business News our weekly newsletter went to 5,000 subscribers, today it goes to 18,500. The IBN website has readers in 189 countries. Publishers of digital publications love page view statistics and I am no exception, they give the big picture and as I write our monthly average is 284,859 - wow! However the most telling stats are the 'unique visitor' numbers. So far in 2013 (ten months), we had 829,369 unique visitors, that's 83,000 visitors per month. For an Iraq facing business publication we think that is quite impressive. It represents a 27% increase on the same period in 2012.

Many of these people are American. Given the investment the US is putting into the country that is hardly surprising. What encourages us even more is that the second largest group is in Iraq, 127,000 visits (+30%), with the UK and UAE close behind. In short a



significant audience on a global scale is getting the message that Iraq is open for business.

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*Stats from Google Analytics

Diversification plan focuses on mining opportunities

Iraq has the world's second largest oil reserves and is set to become one of the largest global oil exporters. However, the country also has vast additional mineral wealth that has the potential to become a new pillar of the country's economy.

Phosphate reserves in various locations in the country have been estimated by the US Geological at 9.5 billion tonnes. Located in the country's Western Desert these deposits comprise the second highest in the world after those of Morocco. In the north of the country near Mosul, Iraq also possesses the largest proven global sulphur deposits.

Iraq is one of the few countries to possess all the significant elements and components required to produce agricultural fertiliser. These include phosphates, sulphur and potash as well as ammonia and urea derived from natural gas.

All the key raw materials including limestone, specialist clays, gypsum and ironstone needed to produce Portland cement for large-scale ventures are also available in the Western Desert. Iraq also has an

estimated 22 million tonnes reserve of calcium based bentonite clay in the same region. This type clay is an important mineral used for drilling and is in growing demand from companies now expanding exploration and development of the country's oilfields.

The clay is also useful for decolourising vegetable and mineral oil and in the treatment of low-fertility soil. Iraq is also known to have deposits of dolomite, glauberite, gypsum, kaolin, marble, quartzite and silica sand. All of these can be utilised by producers of specialist industrial bricks, glass making and manufacturing.

The US Geological Survey assisted Iraq's State Company of Geological Survey and Mining (Geosurv) to map Iraq's non-oil mineral resources, over a seven year period from 2004. Exploration and delineation of existing resources is far from over.

In addition to its massive phosphate rock deposits, Iraq has proven reserves of 8 billion tonnes of limestone in Anbar and other provinces. Around 1.2 billion tonnes of kaolin and 850 million tonnes of quartz

sand are also located in Anbar. Nineveh Province contains 600 million tonnes of natural sulphur while 130 million tonnes of gypsum has been found in Kurdistan, and two million tonnes of feldspar in Najaf Province. Feldspar is used as flux in the manufacture of ceramic materials and glass. Around 22 million tonnes of glauberite, with a range of uses including production of medicines and solar cells is located in Salah Al-Din Province. (*US Geological Survey Minerals Yearbook 2011*)

Mining development is seen as a precursor to many potential manufacturing ventures. Iraq's latest National Development Plan seeks industrial growth that will result in significant diversification of the country's economy. In the past a wide range of minerals used in the manufacture of building materials were mined in Iraq. Local plants then produced sufficient cement glass, tiles, pipes and bricks to supply the domestic market. Many of these facilities are now run down and those that survive mostly produce considerably below designed capacity with the result that Iraq is spending on costly imports that the country is well able to supply from its own resources. Given the priority that infrastructure development is being given by the Government the time has come for new ventures to develop and expand mining and associated manufacturing industries.

In an effort to attract foreign investors, Iraq is offering companies a ten year exemption from taxes, extended to 15 years if a project is developed with a local partner. The investment laws include customs duties exemption, protection from confiscation, the right to transfer capital, profits and wages abroad. There is also the opportunity to lease project sites for up to 50 years or more.



Dr. Al-Bassam, has said that rehabilitation of plants at Akashat are among the top priorities. Prior to 2003 the country's open pit phosphate mines were producing around one million tonnes of rock a year alongside the production of phosphoric acid and 400,000 tonnes a year of triple super phosphate and ammonium phosphate.

The downstream production site is close to, two open-cast phosphate rock mines. At full production, in order to produce, one million tonnes a year of phosphoric acid the plant would require six million tonnes a year of phosphate rock and 1.2 million tonnes of sulphur.

Iraq's phosphate deposits are world scale, with four areas in Anbar Province standing out. Deposits at Akashat and Swab have estimated reserves of 1.7 billion and 3.5 billion tonnes of phosphate ore respectively. These two areas together with others at H3, the location of a former major military airfield 436 kilometres from Baghdad, and at Ethna, all of which are in the Western Desert, total some 5.75 billion tonnes.

The cost of rehabilitating the Akashat facilities has been estimated by the Ministry of Industry and Minerals at US\$280 million. The incentive, is the huge potential export market that beckons for Iraqi producers. Morocco's phosphate export earnings, for example, amount to US\$2.8 billion a year. Demand for the product, which is the key element in the manufacture of agricultural fertiliser, is expanding fast in Asia especially in India, Pakistan and Bangladesh.

In July 2013, India's Minister of Petroleum and Natural gas, Marapi Veerappa Molly, signed a memorandum with the Iraqi Government to work towards a letter of intent to establish a urea and phosphate fertiliser production complex in a joint venture to exploit the area's resources.

There is also a growing focus on Iraq's substantial elemental sulphur deposits. Production largely collapsed after 2003, when the state owned Al-Mishraq State Sulphur Company was producing close to one million tonnes a year of sulphur products. These included filtered sulphur, concentrated sulphuric acid, agricultural sulphur as well as liquid aluminium sulphate.

At its height, the company employed 1,500 people to extract sulphur from depths of up to 200 metres, processing the sulphur at a complex 20 kilometres south of Mosul. The site included a 10MW substation, water treatment plant, compressed air plant, nine maintenance workshops and extensive storage facilities. In addition to three plants designed to produce pure sulphur, aluminium sulphate, sulphuric acid and agricultural sulphur.

The cost of re-commissioning the Al-Mishraq sulphur facility is estimated at US\$110 million, to return it to a projected capacity of 820,000 tonnes a year of sulphur. Potentially much of this could go to Akashat to provide sulphuric acid needed for phosphate production.

A major step forward, came in 2012, when the US based company Devco International was contracted to design and assemble a processing plant, financed by the World Bank's International Finance Corporation and then to ship the plant in modular form for reassembly in Iraq for Al-Mishraq. Al Haworth an Iraqi owned Amman based company is due to reassemble the facility.

Exploitation of Iraq's industrial mineral wealth is taking off and this will lead to multiple long term investment opportunities both up and downstream. Iraq's Integrated National Energy Study for instance, seeks more than a five fold increase in the country's cement manufacturing capacity, up to 65 million tonnes per year by 2030.

The Strategy also recommends establishment of an industrial park near Basrah, able to accommodate and expand primary industries such as petrochemical, fertiliser, steel and aluminium production, as well as downstream and support industries. (*Final Report Summary: Iraq National Energy Strategy*)

The Government expects that clusters of inter-related industries and manufacturing, will form around areas of potential mineral extraction. The mining ventures that develop will provide the input for multiple secondary manufacturing ventures for fertilisers, chemicals, ceramic products, glass and other construction and industrial materials. ■

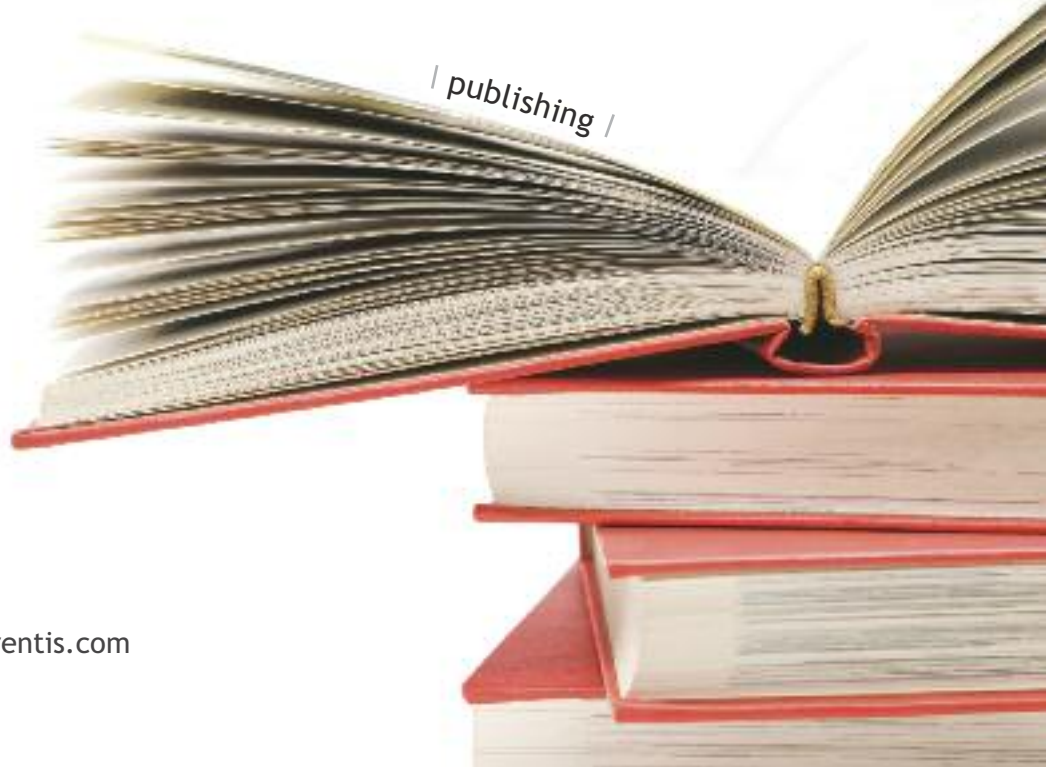
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Agriculture takes centre stage in National Development Plan

Iraq is striving to reach self-sufficiency in key agricultural production over the next four years. The aim particularly is to reduce its dependence on grain imports.

The Plan aims to produce six million tonnes of wheat in 2017, which will meet domestic consumption, and to raise the production of barley from 820,000 tonnes in 2011 to 1.2 million tonnes in 2017, according to Sami Matti Pollus, Deputy Minister of Planning for Technical Affairs.

The total farm output under the Plan would rise by an average of 13% per year, while the country's poverty rate would fall from 19% in 2012 to 18% in 2017. The Government also hopes that the plan will help to reduce economic disparities between rural and urban areas.

The ambitious target follows on from an agricultural initiative that began in 2008. This has seen farmers provided with seeds, fertilisers and pesticides by the Government as well as the implementation of

land reclamation projects. In its four years of operation, the initiative has also provided loans totalling US\$1.8 billion to the farming sector. *(IBN 15/8/12)*

Pressures are growing to fulfil the self sufficiency strategy as quickly as possible. The population is expanding and the cost of food has increased rapidly in recent years. The UN's Food and Agriculture Organisation (FAO) estimates that Iraq's food imports totalled some US\$5 billion in 2011, with wheat the largest imported commodity in value terms followed by chicken and refined sugar.

Currently, basic food items are delivered to the population through the Public Distribution System (PDS). This nationwide organisation is a vital instrument of the Government's food security policy and is intended to provide a minimum standard of living for the entire population, in amounts calculated to be sufficient to meet all of an individual household member's minimum calorific needs.



The Ministry of Trade maintains a near monopoly on importing the basic commodities required for the PDS programme, such as wheat, rice, oil and pulses. These foods comprise Iraq's principal imports by value and are distributed for almost no charge.

While the contribution of agriculture to GDP has fallen over the last 30 years from 8% to 3.4%, the sector remains a major source of livelihood and is still the largest source of rural employment. More than 20% of the population is estimated to be employed in farming.

According to the FAO, of the total 43.7 million hectares area of Iraq, 9.8 million hectares, around 22%, is suitable for agriculture. However, land actually under cultivation, including crop producing areas, meadows and areas left fallow is about five million hectares the UN body says.

In the rain-fed areas of northern Iraq, cereals are the main crop in mixed wheat-barley-forage and vegetable cultivation systems. In central and southern areas, where agriculture depends mainly on irrigation from the Tigris and Euphrates rivers and their tributaries, mixed farming systems are predominant. These typically feature fruit trees inter-planted in date palm orchards with vegetables, especially tomatoes and potatoes.

The problem is compounded by outdated farming methods. According to the FAO more than 80% of the farms have a total size of less than ten hectares and are often scattered over several locations, which results in crop yields that are low by any comparative standards.

The sector's low productivity and growth rates are attributable to a variety of issues and past policies, when the Government maintained low food prices through price and production controls and marketing restrictions. Years of insufficient maintenance and funding have also degraded agricultural services and physical infrastructure, in particular the irrigation network. (*Iraq Agriculture Sector Note FAO 2012*)



USAID assistance has also seen US\$179 million provided to help the private sector rebuild and expand the agribusiness in Iraq. Current support is aimed at improving farming technologies to help them become more productive and competitive.



As with other economic sectors in Iraq, agriculture suffers from the effect of a run down state ownership structure. Before 2003, large state owned industrial enterprises existed for dairy and poultry production around the main cities. Livestock production in the past represented 30% - 40% of the total value of agricultural production and contributed significantly to household nutrition.

Iraq's ten year initiative, launched in 2007, seeks to encourage the formation of farmers' associations and relies on an enhanced role for the private sector and a new land contracts system, where land can be allocated specifically for agricultural production with state contracts. It also aims at improving the availability of production inputs such as seeds, pesticides and fertilisers.

There is also an emphasis on research and genetic improvement of plants and livestock and support for the private sector in developing adequate financial markets and credit policies.

The role of the State is to be specifically confined to rehabilitating and developing the agricultural sector through research, quality control and food safety and veterinary activities, in addition to irrigation,

drainage and improving legislation concerning the availability and use of water resources.

The UN's Educational, Scientific and Cultural Organisation (UNESCO) and the FAO are also supporting the Ministry of Agriculture to develop a national strategy for Iraq's agricultural sector, aimed at enabling the Government, the private sector, land owners and farmers to adapt best practices and policies for a modernised and thriving agricultural sector. (*UNESCO Office for Iraq 22/5/13*)

USAID assistance has also seen US\$179 million provided to help the private sector rebuild and expand the agribusiness in Iraq. Current support is aimed at improving farming technologies to help them become more productive and competitive. (*USAID 21/1/13*)

Hameedyah Mushroom Farm, once one of the largest in the Middle East, is one of the aid recipients with US funds enabling the company to restore production at its site west of Ramadi in Anbar Province.

Al Basrah Dates Company is another also being assisted to help the company step up its production in the domestic market and increase exports to neighbouring countries.

Euphrates Fish Farm in Al Hillah, Babil Province, has been helped to develop the production of carp, while Al Zaytoon Association in Nineveh Province which is developing its olive oil production, has also received US funded assistance.

As Iraq strives to develop its farming sector and reduce the demand for imported food and beverages, imports will still remain high for the time being. However, international companies have an opportunity to gain a foothold in a lucrative agricultural and food market that will be expanding and developing for decades to come, in an increasingly market orientated economy.

Efforts intensify to manage scarce water resources

The agriculture sector is the main user of water in Iraq, consuming 85% of the total amount available. However, aggravated in recent years by drought and climatic variations, the country faces declining storage and irrigation capacities. Water scarcity has also led to more arid conditions, saltier and eroding soils. In turn this has accelerated the desertification of previously arable lands leading to a steady loss in agricultural productivity.

Overcoming water shortages is one of the most urgent and challenging tasks. Extensive irrigation is needed for farming, especially in the central and southern regions. The total managed water area is estimated at around 3.5 million hectares, all of it equipped for full or partial controlled irrigation.

Water levels of both the Tigris and Euphrates rivers have also fallen by more than 60% over the last 20 years, partly as a result of upstream water use and the building of major dams, particularly in Turkey.

Problems with irrigation are therefore severe. They range from widespread deterioration of irrigation infrastructure, to poor operation and maintenance of the systems, inefficient water use, salinity, weak institutional support and lack of a regulatory framework for efficient use and pricing of irrigation water.

The National Development Plan draws attention to the need for an integrated and efficient use of management of water resources for increasing agricultural productivity, through the introduction of improved technologies and working with farmers.

UNESCO has helped Iraq draw up its Integrated Drought Risk Management Report. The study provides a precipitation index, to help analysts identify drought patterns across the country which allows them to predict and monitor future periods of drought and classify the most vulnerable areas.

It is an important first step in order to apply the most productive sustainable methods to make the best of available water resources. The head of UNESCO's natural sciences sector in Iraq, Dr. Andreas Lueck comments: "Understanding any problem is always the first step towards finding appropriate solutions". ■

Key Facts



Situated in Western Asia, Iraq covers an area of some 438,000 square kilometres, slightly smaller than Morocco or Sweden. The country borders Turkey to the north, Syria to the northwest, Iran to the east, Jordan to the southwest and Saudi Arabia and Kuwait to the south. The country has 58 kilometres of coastline on the northern Gulf.

Aviation services have expanded considerably since 2003 and there are regular international flights to Baghdad, Basrah, Erbil and Najaf. Flying time from Baghdad to London is five hours 30 minutes, two hours and 30 minutes to Istanbul and two hours and 15 minutes to Dubai. Umm Qasr is the principal deepwater port and connects Iraq to the northern Arabian Gulf.

Iraq is a parliamentary democracy. Head of state is President Jalal Talabani and the Head of Government is Prime Minister, Nouri Al-Maliki. A Council of Representatives (parliament) of 325 seats is elected by universal suffrage for a four year term in which some 30 political parties are currently represented. The Council of Ministers consists of the Prime Minister and ministers who are approved by parliament. Next elections are due in April 2014.

Bounded by Syria to its west, Turkey to the north and Iran to the east, the Kurdistan Region of Iraq has substantial autonomy. Three provinces, Dohuk, Erbil and Sulaymaniyah, constitute the core of the Kurdistan Region and have a combined population estimated at 3.5 million people.

Iraq is a dry zone. Average temperatures can range above 48°C between June and August. Rainfall occurs mainly between December and April averaging 100-180 millimetres. The mountainous region in Kurdistan receives much more rainfall than the central or southern areas. Around 13% of the land is arable. Iraq is home to an estimated 32 million people, two thirds of which live in urban areas. Baghdad, Basrah, Mosul, Erbil and Sulaymaniyah are the largest cities.

While primarily Islamic and Arab, Iraq displays a diverse culture due to a profound history dating back 6,000 years. Many different ethnic groups and traditions developed in a region that was known as Mesopotamia, in reference to its location between the Tigris and Euphrates rivers. After the First World War when Ottoman control ended and most of the country's modern borders were demarcated, Arab, Kurdish, Turkmen, Assyrian and various other communities continued to live within Iraq. The country's official languages are Arabic and Kurdish while other dialects are recognised as regional languages. English is the most widely spoken European language. ■

IRAQ



Head of State: Jalal Talabani

Prime Minister: Nouri Kamil Al-Maliki

Last national elections: 7th March 2010, next election scheduled for April 2014

Area: 438,317 square kilometres

Coastline: 58 kilometres on Northern Gulf

Border countries: Iran, Saudi Arabia, Syria, Kuwait, Turkey, Jordan

Governorates (provinces): Baghdad, Salah Al-Din, Diyala, Wassit, Missan, Basrah, Thi Qar, Muthanna, Qadissiya, Babil, Karbala, Najaf, Anbar, Nineveh, Dohuk, Erbil, Sulaymaniyah, Kirkuk

Capital: Baghdad

Total Population: 31,129,225 (July 2012)

Population of capital: 5.8 million

Main cities: Basrah, Karbala, Najaf, Mosul, Kirkuk, Erbil, Sulaymaniyah

Climate: Hot and dry in summer, cold and damp in winter while both spring and autumn are shorter and mild. From May to September the daily average temperature is around 41 °C

Languages: Arabic, Kurdish and Turkish

Religions: Islam 97% (Shia and Sunni), Christians 3%

Ethnic groups: Arabs, Kurds, Turkmen

Monetary unit: Iraqi dinar (IQD)

Natural resources: Crude oil, natural gas, phosphates, sulphur, iron, limestone, silicon sands and other industrial minerals as well as precious metals and stones

Major exports: crude oil

Main industries: oil refining, light industries, construction materials, processing of food, beverages and tobacco, furniture, printing, financial services

Main export trading countries: US (21.1%), India (20.2%), China (13.64%), South Korea (11%), Canada (4.7%), Italy (4.4%), Spain (4.2%)

Major imports: food, medicines manufactured goods, machinery, refined petroleum, construction materials

Main import trading countries: Turkey (27.5%), Syria (16.2%), China (12.5%), US (5.2%), South Korea (4.7%)

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Source: IMF, UN, USAID, CIA Factbook

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International Finance Corporation: www.ifc.org
IKB Travel & Tours: www.youshouldtravel.com
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