

Kurdistan Business Agenda



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1. Letter of Business Associations in Kurdistan

In The Name of Allah, Most Gracious, Most Merciful

Your Excellency the Prime Minister of Kurdistan Region Government

Your Excellencies,

The efforts of our elected national government to reconstruct our dear Kurdistan Region and to reestablish its progress and advancement in all fields—despite the short span the government has spent in office—are accelerating.

Meanwhile, numerous economic legislation and laws have been promulgated that pave the way for the sought-after economic shifts within the Kurdistan Region to render it an attractive investment hub.

Hence, we—the leaders of the chambers of commerce and business associations within the Kurdistan Region—have found that it is our obligation and duty to assume our responsibilities towards the private sector in the Region. We will support the efforts put forth by the Kurdistan National Council and Kurdistan Regional Government in their endeavors to attain the goals set for the well-being of the people of Kurdistan.

Our incumbent, while still honoring key responsibility, is to assume the role we play in identifying the economic problems and barriers to development efforts being made within Kurdistan Region. The role the chambers of commerce and business associations play in the implementation of the legislative and economic reforms, in monitoring the weaknesses and defects in the economic structure, and in devising solutions and proposals for them, takes priority. Such a role also includes identifying the challenges engulfing the promising economic transformation process within the region and exploring the aspirations that make it on par with similar regions, which provide the economic freedom needed for prosperity and growth.

The chambers of commerce and representatives of various economic sectors in the region have joined forces to devise an agenda that sets the priorities based on the economic problems—whether those which represent a domestic challenge or those sustained by the Kurdistan Region due to effective central legislation and laws. Preparations of this agenda have taken several months, starting in November 2006. The *Center for International Business Enterprises (CIPE)* has played a praiseworthy role in patronizing the current version of the agenda, which will be a resource for the reforms desired by the private sector in the region. This activity has been completed in a fashion that will facilitate the efforts of both the National Kurdistan Council and the regional government to fulfill the requirements and achievements the private sector would like to seek.

We hope that this modest work will receive your attention and allow the public and private sectors and the legislature greater opportunities for cooperation, dialogue, and deliberations of the content of this agenda in favor of our dear Kurdistan.

May Allah bestow success on us, and kindly accept our due respect.

Union of Chambers of Commerce and Industries—Kurdistan

Businesspersons Union—Kurdistan

Transporters Union—Kurdistan

Hotels and Restaurants Association

Travel Agencies Association—Erbil

Importers and Exporters Union—Kurdistan

Contractors Union—Kurdistan
Industries Union—Suleimaniya
Economists Union—Kurdistan
Iraqi Association for Defending the Rights of the Consumers—Kurdistan
Kurdistan Center for Economic Development
Kurdistan Organization for Economic Development

2. Center for International Private Enterprise Letter

Private sector organizations in many countries of the world typically prepare national agendas, through which they identify the priorities of the legislative and economic reforms that they deem necessary for advancing their countries' economies. In view of such agendas, private sectors can attract the attention of both the public and high-ranking officials to the obstacles that obstruct the development and growth of the business sector. The private sectors can also offer the solutions they may deem appropriate for such impediments.

National agendas mobilize and urge the business community to have its impact on general pieces of legislation by setting the legal and regulatory priorities that should be revisited, and by conveying one unified voice to decision makers. The aim is to remove the routine and regulatory obstacles and barriers that the business owners encounter, consequently improving the overall business climate.

Many organizations in numerous countries throughout the world, including Malawi, Nigeria, Peru, Romania, Russia, and the United States, have devised their national agendas. They have succeeded in conducting numerous economic and legislative reforms with significant impact on combating corruption, solving the problems of the non-formal sector, handling the requirements of industries, enhancing the role of the business community and its organizations in building the strategies that would affect their businesses. An agenda can be national, regional, or mono- or multi-sectoral. However, regardless of the type or level of the agenda, the secret underpinning its success lies in the active involvement of the organizations taking part in its preparation—an effort that fosters a sense of ownership and encourages them to take the initiative and maintain outcome sustainability.

The Center for International Private Enterprises (CIPE) has supported numerous agendas around the globe. In Ukraine, CIPE worked with the director of a Romanian research and studies center to build a coalition among the Ukrainian participating organizations, and rendered advice to such associations on several topics. Key thematic subjects included strategic planning, assisting those entities in identifying their priorities, increasing the business community's awareness, and devising a mechanism for submitting their agenda to decision makers. In Russia, CIPE organized training courses for business associations, resulting in the building of regional coalitions among these organizations, which the received training from CIPE's experts. Those staff members transferred their knowledge and expertise in the areas of workshop management, specialized seminars, dialogs between public and private sectors, posting of a website for disseminating prepared regional agendas, and coordination among regions. CIPE played an effective role in supporting many organizations and an agenda in a number of other countries, including Paraguay, Romania, and Afghanistan.

In Iraq—particularly in Kurdistan—CIPE has provided technical and financial support to numerous organizations in order to support their institutional capacities and

strengthen their position and capability to play an effective role in the democratic and economic processes. The Kurdistan agenda is one of these programs. Work on this agenda started in November 2006 with many business organizations and associations as well as with the chambers of commerce in Kurdistan Region. During the implementation of this work, the most important economic sectors in the Region were identified and an agreement was reached with the organizations on the mechanism for coordination among them. The participating organizations jointly and collaboratively selected those significant sectors. They worked on identifying the main common barriers to such sectors and offered solutions for them. In subsequent months, a number of workshop management coordinators (focal points) were designated for those key sectors. Some forty workshops involving the leaderships of more than 32 organizations and scores of specialists and researchers in the economic affairs of the Region were organized by the end of the Project. The events were meant to allow the participants the chance to discuss their ideas and aspirations, propose solutions they would find appropriate, and contribute to developing the sectors in question. Work with a group of consultants from the Region was initiated to coordinate and consolidate such thoughts. The consultants reformulated this booklet in a single format in accordance with international standards. The resulting agenda is the fruit of this effort, comprising eleven economic sectors, which are considered pivotal—by all parties involved in creating this agenda—to advance and promote the economy of Kurdistan in Iraq.

The Center for International Private Enterprise hopes it will be able continue supporting such organizations to help them make their voice heard by decision makers in Kurdistan and Iraq. CIPE also hopes that the agenda constitutes a step that the Kurdistan Region will take in order to give the private sector's organizations their role in the development process so that they may achieve sustainable development in a democratic climate. Success is to be attributed to all—organizations and individuals alike—a fortune that helps promote the standard of living for all people of the Region so that they will be active and effective contributing members within the framework of a robust regulated economy.

I would like to extend my deep thanks to the organizations and individuals that have contributed to finalizing this agenda. My thanks also go to all CIPE–Iraq staff members, particularly to Dr. Nabil al-Ethari, who put forth significant efforts to make this project a success. I am also thankful to Mr. Mahmoud al-Naimi for the oversight effort he has given for logistical activities.

Khaled Bakleh

Iraq Office Director

Center for International Private Enterprises

3. List of Associations who contributed in developing this Agenda.

- 1.Erbil Chamber of Commerce&Industry.
- 2.Suleimanyiah Chamber of Commerce.
- 3.Duhok Chamber of Commerce & Industry.
- 4.Iraqi Business Men Union-Kurdistan.
- 5.Iraqi Business Men Union-Suleimanyiah.
- 6.Iraqi Business Men Union-Duhok.
- 7.Iraqi Business Men Union-Kirkuk.
- 8.Kurdistan Transporter Union.
- 9.Kurdistan Contractors Union-Erbil
- 10.Kurdistan Contractors Union-Suleimanyiah.
- 11.Duhok Contractors Union.
- 12.Kurdistan Hotels& Restaurants Association-Erbil.
- 13.Kurdistan Hotels& Restaurants Association-Suleimanyiah.
- 14.Kurdistan Hotels& Restaurants Association-Duhok.
- 15.Travel and Tourism Companies and Agents Society-Erbil.
- 16.Kurdistan Economists Union-Suleimanyiah.
- 17.Kurdistan Economists Union-Duhok.
- 18.Kurdistan Economists Union-Suleimanyiah.
- 19.Kurdistan Economists Union-Suleimanyiah.
- 20.Union of Iraqi Importers&Exporters-Kurdistan Region.
- 21.Suleimanyiah Federation Industries.
- 22.Kirkuk Federation Industries.
- 23.Iraqi Society for Consumer Rights Defence-Kurdistan Region.
- 24.American Society for Kurds.
- 25.Kurdistan Economic Development Organization.
- 26.Kurdistan Center for Economic Development.

4. List of Agenda coordinators.

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2. Eng. Ahnek Aref Ra'ouf
3. Hussam Aldein Hakim Barazinji
4. Dr. Salah Aldein Othman Abu Baker
5. Faisal Ali Khorshied
6. Sherwan Anwar Mustafa
7. Kamran Othman Mohammad
8. Dr. Las Jamal khorshid

List of Agenda revision committee.

1. Dr. Azad Ahmad Aldosky- Supervisor
2. Dr. Haitham Yousef
3. Dr. Qussay Salman
4. Dr. Sameer Alwaely

5. Introduction

Different business sectors have diverse needs that fall, directly or indirectly and to varying degrees, within the state's scope of responsibilities. These sectors cannot achieve advanced productivity levels unless a minimum set of these needs are met.

While each sector has its own specific concerns, there are common problems and challenges that most of them face. The Supervisory Committee, responsible for the final review of the Agenda, chose to have a separate file for these common challenges that were repeated in almost all of the eleven files that agenda coordinators had prepared.

The large overlap and interdependence among different sectors' economic activities necessitates that all those concerned with economic affairs at the governmental and business levels consider all sectors in a balanced manner in order to maximize production and optimize resources utilization across all sectors.

In the same context, interdependent sectors face a series of similar problems that impede continued economic activity. For example, one of the main issues of the housing and contracting sector is the desire to re-zone agricultural land to residential land. Those concerned with the agricultural sector perceived the issue from a different perspective and do not want agricultural land to be re-zoned into residential land. The tourism sector agenda included similar demands.

Although such conflicts reflect the norm of competition—where each party defends those rights they perceive to result in increased profits—they also assert the need for regulation and oversight in civil life and in business, hence the need to comprehend all relevant administrative elements. This is a decisive factor in determining the basis for balancing these needs, and the aforementioned disagreements comprise just one example of many such divergent interests.

The most important conclusion in this section is the existence of large overlaps between various business sectors and their needs, which necessitates the formulation of a wide-scale and long-term strategic vision that defines priorities and creates a solid foundation for resolving such problems.

This section presents the common problems of business sectors. Further details on the impact of each problem on these sectors, as well as proposed solutions by principal parties for each sector, are presented in the subsequent sections.

6. Shared Features Document.

Problems

Infrastructure

1. The crumbling infrastructure led to major shortcomings in the basis on which different economic activities rely.
2. The expanding role of the state struggles amid the absence of planning and regulatory frameworks that govern this role. Hence, the state suffers from administrative laxness, the spread of disguised unemployment, the absence of financial transparency in some governmental administrations, the absence of legal accountability (because financial oversight reports are neglected), and the overlapping laws and regulations that govern the economic activities of various business sectors.
3. The wasting of water resources, the continued decrease in groundwater levels, and the lack of sewage systems hurt sector development.
4. Problems arise from the continued oil derivative crises resulting from the absence of an oil refinery in the Region, dependence on the federal government and neighboring countries for meeting demand, and the spread of the black market fuel trade.
5. The deteriorating internal and international roads and the lack of railways.
6. The continued deterioration in the region's capacity to provide electricity and the limited-capacity power generators operated by the private sector hinder progress.

Financing, Financial Services, Insurance, and Taxes

1. The underdeveloped financial and banking services, the inability of individuals and companies to issue letters of credit, and the fact that services lag behind international levels of development led the private sector to abstain from dealing with governmental banks.
2. The absence of a stock exchange for trading stocks and bonds would contribute to the development of various economic sectors.
3. The instability of the dinar skews prices and costs in all sectors.
4. Insurance and re-insurance companies, which cover insurance risks for economic activities, have ceased operations.
5. The existence of an outmoded fiscal system and the inconsistency in the tax codes between the region's provinces limit financial activities.
6. The chaotic manner in which customs and transit fees are collected undermines success.

Statistics, Information, and Scientific Research

The lack of coordination between research centers in universities and governmental planning departments on one hand, and the different economic sectors on the other hand, led to a total absence of information, statistics, and scientific, economic, and demographic analyses on different economic activities in the Region.

Human Resources

The poor skill level of the regional workforce hinders regional success. Workers lack the necessary expertise and do not keep up with worldwide developments in their areas of specialization, as many of the more experienced

employees favor working in the public sector due to the prevailing culture of preferring the benefits and guarantees provided by the government.

There is a clear cognitive gap between the output of the educational system (including graduates, research for personal promotions and advancements, master's theses and PhD dissertations), particularly in sectors related to productivity and administrative issues, and the actual skill needs of the region's markets and various economic sectors. This chasm renders the products of the educational system incapable of meeting and anticipating the private sector's needs.

Master Plans of Cities and Real Estate

1. The master plans of cities in the region ended in 1980, which led to the deformation of estate and economic maps of cities.
2. Unplanned construction created obstacles in the economic development of real estate, including:
 - Conflicting interests among different sectors, regarding land property and land use. For example, private agricultural sector businessmen call for stopping procedures of re-zoning agricultural land to residential land, while housing sector businessmen call for the exact opposite. This also applies to the tourism and housing sectors, and is attributed to:
 - The need of the industrial sector to own land, rather than building on land owned by another party or leasing the land.
 - The high rent the business sector pays for real estate.

Chambers of Commerce, Industry and Agriculture, and Businessmen Associations and Societies

The role of Chambers of Commerce, industry and agriculture, and businessmen associations and societies in advocating for the rights of the business sector and adopting its issues are limited. The coordination with government institutions and commercial representation offices at Iraqi embassies is absent. The participation of these organizations in drafting legislations in all economic sectors is lacking.

Natural Resources

The diversified and distinguished resources of the region are not optimally utilized, including oil, water resources, marble, and the marvelous environment. This has led to the depletion of some of these resources, such as groundwater, and the neglect of some others, such as marble and other mineral resources, amid an absence of a clear vision of the future of these resources and their use to achieve sustainable development within an integrated economic project that advances the region at all levels.



7. The Housing and Contracting Sector

Abstract

The housing and contracting sector in Kurdistan is expanding rapidly and the number of local and foreign housing companies that operate in the region is increasing thanks to the prevailing security and stability and to the facilities provided by the government. Because of the absence of modern technological tools, however, this underdeveloped sector still lacks access to demographic statistics and the rates of population growth and per capita and household incomes are neglected in housing planning. In addition, topographical surveys, which are necessary for preparing master plan of cities, are absent or outdated. Moreover, the land classification laws, which are vital for striking a balance between housing and agricultural requirements, are weak. The sector also faces several problems because of the current Landlords and Tenants Law, which is incapable of balancing the interests of both parties to leases. Obtaining building licenses is a lengthy and complicated process due to red tape, the lack of rules governing completion, and overlapping instructions. Furthermore, the sector suffers from a lack of funds for financing the production of construction materials and from implementation problems related to such basic utilities as water, electricity, and roads, which, in turn, are related to the absence of comprehensive strategic planning plans for cities and new population centers. Regional and international standards and specifications have not so far been adopted in relation to designing master plans and ensuring the provision of services.

Nevertheless, the housing and contracting sector is seriously seeking to amend several laws governing land classification as well as the Landlord and Tenant Law. It aims to enact special laws that regulate credit facilities and taxation, reduce fees levied from housing units, and facilitate the process of issuing certificates of deposit for financing housing projects. Moreover, there is a need to identify an independent party that would coordinate with all the departments involved in lands, construction, electricity, water, roads, and bridges; address problems arising from overlapping decisions and instructions; and define the contexts of work for these departments.

Introduction

Throughout the world, the housing and contracting sector is the foundation of reconstruction revival. Countries compete with each other to build skyscrapers and other architectural masterpieces. In addition, many countries now have an abundance of housing, despite having suffered from strangulating crises until only very recently.

This sector is a major investment-attracting area in the Middle East in view of the recurring and varied housing crises.

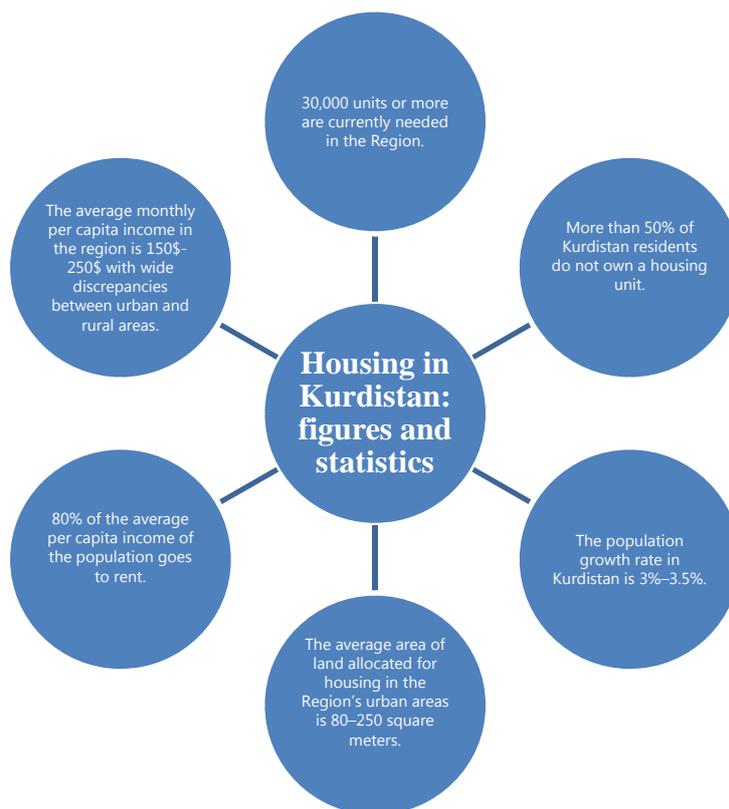
Compared with other areas in Iraq, Kurdistan enjoys stability and security. This creates a favorable environment for the flow of foreign investment into the housing and contracting sector, which relies on the private sector to establish development and construction projects. This relatively distinct situation requires the stakeholders in this sector—be they governmental agencies or private sector investors—to come up with several alternatives for managing the region's resources in this sector. Doing so will attract foreign and local investment, facilitate the tedious legal procedures facing investors in their bid to contribute to the reconstruction of Iraqi Kurdistan's economy, and provide the required legal guarantees, tax exemptions, and other privileges, alongside stable security conditions, to attract new investors and creating new investment opportunities.

This section is designed to identify approaches, scrutinize and attempt to remedy problems, and identify the future aspirations of this large sector with a view toward enhancing and developing laws and implementation mechanisms.

Characteristics of the Housing and Contracting Sector

The housing and contracting sector is underdeveloped because of the absence of modern technology uses, including materials, equipment and machinery, and information systems. The sector is characterized by institutions and organizations that go back to the early years of establishing the modern Iraqi state, including the various construction workers' unions and engineers' associations, as well as the Contractors Federation. Businessmen associations were recently established. The procedures, methods, and skills of public servants working at the relevant departments are antiquated and backward. The same applies to the relevant public administrative systems, starting with the basic master-planning of cities and going through statistics, laws, and by-laws that regulate the sector. Iraq, in general, and Kurdistan, in particular, suffers from a serious housing crisis, which may become aggravated unless the different stakeholders adopt a strong stand in front of the challenges that face the sector. Diagram (1) shows some of the visions pertaining to this crisis.

Diagram 1. Figures and Statistics



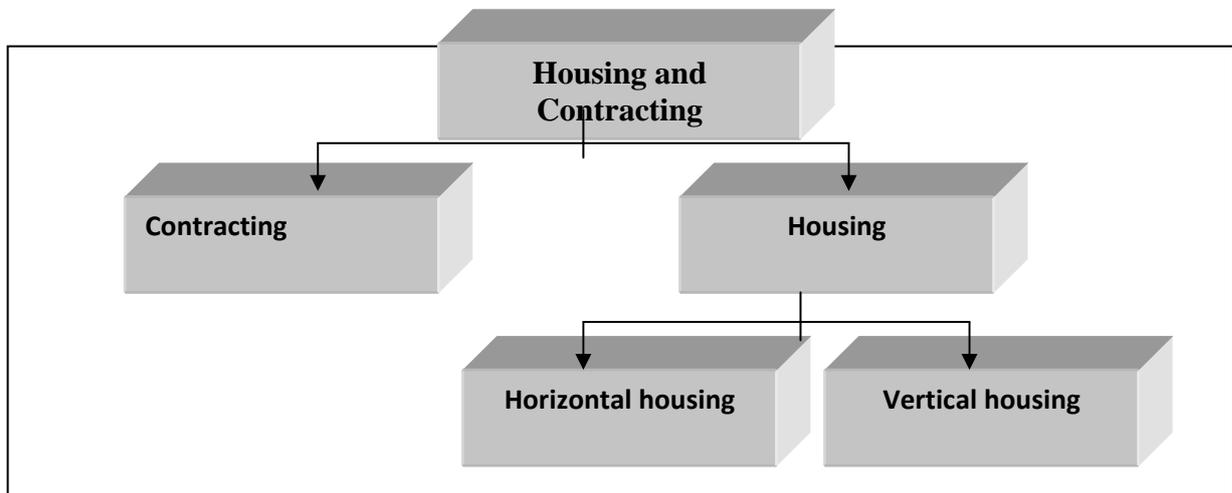
Methodology

Major Partners

1. Chambers of commerce and industry in the region
2. Kurdistan Contractors Union
3. Iraqi Businessmen Union

4. Owners of local companies
5. Owners of construction material factories
6. Owners of quarries and washers of construction materials
7. Construction experts and engineers.

Classification of the Housing and Contracting Sector



Problems and Proposed Solutions

Housing (Master Plans, Statistics, and Surveys)

Problems	Proposed Solutions
1. The master plans of cities and towns are antiquated and their virtual life expired in 1980. Since the 1980s, the region has witnessed successive increases in population. There will probably be more chaos if work continues with these master plans.	1. Design a new master plan for the entire Kurdistan region with the help of specialized international companies and under the supervision of the International Monetary Fund (IMF). This plan should be considered vital for the derivation of laws and regulations that serve as a code for city planning. <u>Stakeholders:</u> Ministry of Housing
2. There is a lack of demographic statistics, such as population growth rates, per capita and household incomes, and accurate topographic surveys for cities, all of which are essential for the different urban planning schemes.	2. Activate the role of statistics departments in the region in order make information available to specialized governmental departments as well as local and foreign investors. <u>Stakeholders:</u> Ministry of Planning Ministry of Housing
3. There have been many violations of the urban planning. Strict accountability measures regarding these violations are non-existent.	3. Activate laws, regulations, and instructions with a view toward curbing violations of urban planning. <u>Stakeholders:</u>

	Ministry of Planning Ministry of Housing
4. The current master plan rests on errant foundations that carry the plan from the cramped old areas and moves outward toward neighboring areas. This has created a state of ambiguity as to the future of old neighborhoods in the major cities.	<p>4. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Start with the surrounding new counties, districts, and facilities and move gradually toward the middle in order to avoid costs and depreciations and the problems related thereto. ▪ Amend the expropriation laws and explore the possibility of granting stock options to homeowners in these old neighborhoods to participate in building the new areas and replacing their old houses. ▪ Amend the existing <i>Musataha</i> Law to make it helpful for homeowners and investors in the new areas. <p><u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities</p>

Legislation

Problems	Proposed Solutions
1. Existing laws regulating the re-zoning of agricultural land, with a view toward balancing the need for housing units with the region's need for agricultural land, are weak.	<p>1. Amend laws regulating re-zoning of agricultural land and trim down the government's role by restricting its work to the provision of services.</p> <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Housing</p>
2. Laws regulating insurance of housing units and other establishments are weak.	<p>2. Amend existing insurance laws, encourage insurance companies to operate in the Region, and seek to link existing insurance companies with international ones.</p> <p><u>Stakeholders:</u> Ministry of Finance.</p>
3. The current Tenants and Landlords Law is weak and incapable of balancing the interests of landlords and tenants.	<p>3. Amend the Tenants and Landlords Law or enact a new law that distinguishes between commercial and housing leasing and strikes a balance between the interests of tenants and landlords.</p>

	<p><u>Stakeholders:</u> Ministry of Justice Ministry of Housing</p>
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Building Licenses and Documents

Problems	Proposed Solutions
<p>1. Obtaining building licenses and the necessary documents is a difficult and prolonged process because of protracted routine measures, the absence of any rules regulating completion of the various phases of construction, and the overlapping of instructions.</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Expedite the adoption of administrative measures that employ e-government approaches in order to facilitate the process of obtaining the documents required for securing a building license. ▪ Examine and explore the possibilities for reducing the cycle of documents required for implementing investment projects. <p><u>Stakeholders:</u> Ministry of Justice Ministry of Municipalities</p>
<p>2. Procedures for granting building licenses are not the same in the different provinces in the region and the time therefore varies with the specified authorities granted to the concerned parties involved therein.</p>	<p>2. Unify licensing procedures in all areas within the region and shorten the period of time required for issuing licenses.</p> <p><u>Stakeholders:</u> Ministry of Municipalities</p>
<p>3. Once the building license has been issued, there are numerous governmental parties that intervene and hold the license holder accountable.</p>	<p>3. Consolidate the governmental office that issues licenses and holds license holders accountable after the issuance of the license in order to guarantee rights of both the citizen and the state.</p> <p><u>Stakeholders:</u> Ministry of Municipalities</p>

Financing

Problems	Proposed Solutions
<p>1. Funds are insufficient for financing productive enterprises in the area of construction materials. Funds are also scarce for financing mega housing projects in the absence of efficient banking systems or a governmental strategy that seeks to meet the huge financing requirements in this sector.</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Establish a fund for extending housing loans and credit. Also, establish a housing bank. ▪ Devise an investment mortgage program. ▪ Extend banking facilities for housing projects from governmental banks. ▪ Enact new laws to regulate taxation and reduce fees levied on housing units.

	<ul style="list-style-type: none"> ▪ Enact new laws that facilitate the issuance of deposit certificates for financing housing projects. ▪ Coordinate between the Central Bank and local banks to promote housing operations in consultation with private sector organizations. ▪ Utilize other means to support investors through the banks, e.g., the well-known American “leasing” method, by virtue of which the banks lease the equipment and machinery they purchase to the contractors. ▪ Use real-estate mortgage advances as incentives to promote the construction of housing projects in counties and suburbs. <p><u>Stakeholders:</u> Ministry of Finance Central Bank</p>
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Land

Problems	Proposed Solutions
<p>1. Plots of land are ceded to end users without resolving complications related to the presence therein of government-owned pipes or cables.</p>	<p>1. Identify an independent party to be responsible for coordinating with all concerned parties with matters related to land, construction, electricity, water, roads, and bridges and manage all the problems arising from overlapping decisions, instructions, and operational contexts.</p> <p><u>Stakeholders:</u> Ministry of Finance Ministry of Municipalities Ministry of Housing</p>
<p>2. When implementing housing projects, problems have emerged in relation to the provision of basic services—for example, delivery of the water and electricity services and access to roads.</p>	<p>2. Promote the establishment of public companies that provide special services to housing areas.</p> <p><u>Stakeholders:</u> Ministry of Housing Ministry of Municipalities</p>
<p>3. There are numerous problems related to procedures for the allocation of lands in cities, counties, and districts.</p>	<p>3. Earmark shares for investment in state-owned and title-deed lands, and allocate such shares to housing investors. Reconsider the mechanism for allocating lands in accordance with a “points” system in the light of currently employed</p>

	mechanisms. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Finance
4. Prior strategic planning of new cities and population centers is non-existent in the absence of Iraqi or regional specifications for master plans and the related services.	4. Impose lucid controls and minimum requirements over newly-established cities and adopt Iraqi or regional specifications for implementation. <u>Stakeholders:</u> Ministry of Housing Ministry of Municipalities

Quality Control and Construction Laboratories

Problems	Proposed Solutions
1. Systems for controlling the quality of imported construction materials and the outputs of the construction operations are weak.	1. Proposed solutions: <ul style="list-style-type: none"> ▪ Set up new mechanisms for quality control and the inspection of imported materials. ▪ Promote the establishment of scientific entities specialized in construction material quality control in order to embark on the necessary initiatives towards scientific and technical progress in the different aspects of housing and construction. ▪ Permit the establishment of non-governmental laboratories to inspect and enhance confidence in construction materials through legislation that regulates the work thereof and ensures strict control. ▪ Give civil society organizations the opportunity to protect consumers against poor quality and problems related to industrial and commercial fraud. <u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities. Ministry of Housing

Quarries and Construction Materials

Problems	Proposed Solutions
1. There are no governmental plans to encourage the establishment of factories or companies for producing and	1. Proposed solutions: <ul style="list-style-type: none"> ▪ Provide the opportunity for introducing available substitutes to

<p>importing construction materials.</p>	<p>materials used in construction and, when proven usable, allow for testing and adopting these substitutes.</p> <ul style="list-style-type: none"> ▪ Subsidize imports of construction materials by providing the necessary facilities and reducing taxes and fees. ▪ Open an independent free market for all construction materials. <p><u>Stakeholders:</u> Ministry of Trade Ministry of Housing</p>
<p>2. There are no controls over the establishment of quarries and stone breakers.</p>	<p>2. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Set up a new system for stone breaking plants in quarries, as well as modern packing and wrapping systems, and use quarry surpluses for paving roads. ▪ Impose strict technical control over the use of quarries and factories involved in the production of construction materials. ▪ Examine the possibility of reducing fees imposed on quarries and resolve fuel-related problems. <p><u>Stakeholders:</u> Ministry of Industry Ministry of Housing</p>

Housing Culture Values

Problems	Proposed Solutions
<p>1. The housing culture concepts among the population are backward in the areas of construction, materials, and housing systems.</p>	<p>1. Develop a clear housing policy to pave the way for formulating a governmental media strategy that enhances the citizens' and civil servants' understanding of the concepts of housing in order to make them accept new patterns in the areas of construction, materials, and housing systems and styles.</p> <p><u>Stakeholders:</u> Ministry of Housing</p>

Human Resources

Problems	Proposed Solutions
<p>1. The housing sector relies heavily on foreign labor because of the high cost of the local labor force. However, many problems confront expatriate workers,</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Formulate a labor and social security law that complies with international laws.

<p>such as the absence of a party that protects their rights. They also face problems related to residence permits and remittances.</p>	<ul style="list-style-type: none"> ▪ Grant facilities and remittances to foreign workers. ▪ Assess the basic needs of foreign workers and craftsmen. ▪ Provide residence facilities for foreign workers. <p><u>Stakeholders:</u> Ministry of Interior Ministry of Planning Ministry of Labor and Social Affairs</p>
<p>2. The capacities of engineers working in the housing sector are weak. They lack knowledge of the new best international practices in engineering and software applications in design and implementation. Also, there is a scarcity of skilled and unskilled construction craftsmen.</p>	<p>2. Proposed solutions</p> <ul style="list-style-type: none"> ▪ Activate the implementation of the Social Security Law. ▪ Build the capacities of housing crafts practitioners by affiliate them with international shareholding companies in order to defray the cost of enhancing their knowledge and acquainting them with modern construction methods. ▪ Develop trainers for the workforce by coordinating with the labor unions and engineers' associations. ▪ Obligate engineers associations to devise a professional and educational classification of civil engineers and architects. ▪ Obligate the labor unions to come up with a classification of the labor force, provide workers with identity cards, and test and verify their abilities. <p><u>Stakeholders:</u> Ministry of Planning Ministry of Housing</p>

Housing and the Tourism Sector

Problems	Proposed Solutions
<p>1. Coordination between the parties involved in the housing sector and the tourism institutions is lacking in the common zones (residential and tourist).</p>	<p>1. Establish a joint housing-tourism commission in charge of laying down controls that obligate residents of tourist “cities” to comply with measures that emphasize the tourist nature of these “cities.”</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Housing</p>

Investors and Investment Companies

Problems	Proposed Solutions
1. There is no confidence between housing companies (which market new housing projects) and their clients.	<p>1. Centralize the Housing Investment Law and restrict its application to only one party, capable of issuing the relevant by-laws and regulations.</p> <p>2. Issue investment instructions and contracts that are equally binding to consumers, buyers, and investors and lay down confirmed legal rules that bind companies investing in housing projects and housing “cities” by:</p> <ul style="list-style-type: none"> – Submitting a clear implementation plan. – Prohibiting companies from selling to citizens before completion of the infrastructure. – Channeling sales through banks, which shall provide the necessary credit and guarantees to safeguard the buyers’ rights. <p><u>Stakeholders:</u> Central Bank Ministry of Housing</p>
2. No consolidated party exists to follow up on housing problems, a situation which is conducive to a plurality of decision making centers and, consequently, confusion of the work of investors or companies.	<p>2. Establish a housing investment commission that has judicial authority over sales contracts.</p> <p><u>Stakeholders:</u> Ministry of Housing Ministry of Justice</p>

Contractors’ Federation and Classification of Expertise

Problems	Proposed Solutions:
1. The experience of the Contractors’ Federation in Kurdistan is infantile and the Federation needs to acquire new expertise and international recognition.	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Provide all possible governmental facilities to conduct training courses to rehabilitate administrative and financial staff at the unions and contracting companies. ▪ Enhance the knowledge capacities of the Contractors’ Federation with opportunities that may be made available for the government—for example, fellowships, specialized technical conferences, and international consultants and

	<p>expertise.</p> <ul style="list-style-type: none"> ▪ Assist and support the Contractors' Federation in Kurdistan in their pursuit to accede to the Confederation of International Contractors' Associations (CICA) and other international federations and organizations in order to benefit from resources and financial, technical, and administrative assistance. <p><u>Stakeholders:</u> Ministry of Planning Ministry of Housing</p>
<p>2. The Contractors' Federation's points-of-view are not taken into consideration when selecting new contractors, as the government is the party that issues instructions for the classification of contractors and supplies them with identity cards.</p>	<p>2. Form a joint commission to issue IDs to new contractors, consisting of representatives of the Chamber of Commerce and the Contractors' Federation.</p> <p><u>Stakeholders:</u> Contractors' Federation Ministry of Housing</p>
<p>3. Government employees and other social groups do not subscribe to a culture that enhances and clarifies contractors' functions and accomplishments. Contractors are also not treated by these parties as partners in work.</p>	<p>3. Raise the awareness of public employees of the tasks and importance of contracting companies, support any efforts that may be exerted to raise the awareness of civil servants of the projects' mission statements, and support the idea of establishing media channels for contractors (e.g., Al-Aqariyah TV Channel).</p> <p><u>Stakeholders:</u> Ministry of Housing</p>

Standards

Problems	Proposed Solutions
<p>1. The Iraqi General Contracting Conditions are outdated. The first and second chapters of these General Conditions were written under stable economic conditions, when the state used to provide support and construction materials.</p>	<p>1. Issue new regulations that meet market requirements in the region.</p> <p><u>Stakeholders:</u> Ministry of Justice Ministry of Housing</p>
<p>2. The second part of the General Contracting Conditions has been disabled because some paragraphs favor the interests of the contractors. On the other hand, only the conditions and</p>	<p>2. Issue new regulations that are commensurate with the exchange rates of the Iraqi dinar, as well as the fluctuating market prices, and inspired by the valid FDIC regulations. These new conditions</p>

<p>specifications issued by the Ministry of Finance are currently applied, after having combined the first and second sections. The combined sections favor the owners' interests and not those of the contractors. All the paragraphs include the phrase: "The Contractor shall...").</p>	<p>should be prepared by a commission in which all stakeholders are represented and which works in coordination with the private sector (contractors), international consultants, and local consultants.</p> <p><u>Stakeholders:</u> Ministry of Planning Ministry of Housing</p>
<p>3. There is a lack of construction laboratories that conduct quality control tests and apply particularly modern and advanced technologies. The standards employed in qualitative testing and specifications are both inferior and outdated.</p>	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> – Set up independent non-governmental laboratories to facilitate qualitative testing and resolve problems that confront contractors. – Modernize the equipment and apparatuses used in governmental laboratories. – Locate and facilitate the importation of the most recent testing methods. <p><u>Stakeholders:</u> Ministry of Housing Ministry of Municipalities</p>

Awarding of Contracts

Problems	Proposed Solutions
<p>1. There s no standard system to regulate the distribution of tenders. Also, the current system lacks transparency or easy access to information.</p>	<p>1. Create a new mechanism for effective coordination with the government, with the aim of abolishing bureaucracy and eliminating any individualistic decisions in regard to awarding contracts.</p> <p><u>Stakeholders:</u> All ministries</p>
<p>2. Absence of a system for classifying contractors upon referring contracts.</p>	<p>2. Activate proper rules for referring contracts according to classification and similar jobs.</p> <p><u>Stakeholders:</u> All ministries</p>
<p>3. The principle of "lowest price" is adopted as the main criterion for awarding contracts, regardless of whether the lowest bid is supported by good implementation quality and the appropriate expertise.</p>	<p>3. Reconsider this criterion when opening tenders and awarding contracts, taking into consideration other factors, such as:</p> <ul style="list-style-type: none"> ▪ The actual analysis of the clause ▪ Similar jobs ▪ Quality of the materials used ▪ The maintenance period

	<ul style="list-style-type: none"> ▪ The contract implementation period ▪ Reservations submitted by the contractor <p><u>Stakeholders:</u> All ministries</p>
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Financing Problems

Problems	Proposed Solutions
1. There is no independent contractors' fund that would facilitate the resolution of problems related to delays in implementation as a result of <i>force majeure</i> .	<p>1. Establish a joint fund to solve contractors' problems under the supervision of a committee from the Contractors' Federation, with significant support from the government.</p> <p><u>Stakeholders:</u> Ministry of Housing Ministry of Finance</p>
2. There is an absence of a specialized bank to finance contracts in such a manner as to conform to the special requirements for winning and implementing the contract.	<p>2. Encourage and facilitate setting up specialized banks for financing the contractors' work, bearing in mind the classification of each contractor when granting loans, credit, and letters of guarantee, in a manner that enables the contractor to use the contract as collateral to finance the work and avoid problems related to the escalating prices of materials. The success of contractors may also be evaluated by the banks through assessing the contractor's ability to repay and his success in meeting his commitments to the bank.</p> <p><u>Stakeholders:</u> Central Bank Ministry of Finance.</p>
3. There is no compensation mechanism in cases where the prices go up as a result of steep market fluctuations caused by <i>force majeure</i> and hyper-inflation.	<p>3. Conduct a comprehensive study that aims to survey severe damages in order to find mechanisms for compensating contractors harmed by the government.</p> <p><u>Stakeholders:</u> Ministry of Justice Ministry of Housing</p>

Implementation Problems

Problems	Proposed Solutions
1. Many of the provisions of the Iraqi Contracting Law are not implemented—	1. Activate paragraphs of the Iraqi Contracting Law and taking the

<p>for example, the paragraph addressing expected profits.</p>	<p>paragraph on expected profits into consideration when compensating contractors.</p> <p><u>Stakeholders:</u> Ministry of Justice Ministry of Finance</p>
<p>2. There are no binding rules or standards that help make advance payments to contractors on time and in concurrence with accomplishment, which makes such payments subject to interpretation and procrastination.</p>	<p>2. Find a new mechanism to make advance payments and meet other financial obligations to contractors within a specified period of time and in concurrence with the completion and quality of the various phases of implementation in a manner that does not allow procrastination.</p> <p><u>Stakeholders:</u> Central Bank Council of Ministers.</p>

Competitiveness and Foreign Participation

Problems	Proposed Solutions
<p>1. There is a lack of partnerships, such as those we see in such Arabian Gulf states as Saudi Arabia, Qatar, and Kuwait, between local and international contractors. This is attributed to the absence of legislation that defines the duties and obligations of the partners as well as the types of partnership between local and foreign partners.</p>	<p>1. Enact a new law that identifies the following:</p> <ul style="list-style-type: none"> ▪ Types of potential partnerships between local and foreign contractors. ▪ The duties and obligations of each party according to the partnership. <p><u>Stakeholders:</u> Ministry of Justice Ministry of Finance</p>
<p>2. There are signs of differentiation and discrimination in the facilities and benefits granted by the government and the various departments of the state that give preference to foreign over local contractors in the areas of financing, compensations, and the awarding of contracts.</p>	<p>2. In order to strike the required balance, the following must be done:</p> <ul style="list-style-type: none"> ▪ Enact new laws that obligate foreign contractors to press charges before local competent courts in case a problem arises with local contractors. ▪ Provide facilities and privileges to local contractors at the same level as those granted to their foreign counterparts. <p><u>Stakeholders:</u> Ministry of Justice Ministry of Housing</p>

Challenges and Aspirations

Challenges

The most pressing challenge faced by this sector is putting an end to the state of chaos that, for many reasons, prevails over its activities—for example, the fact that governmental bodies entrusted with regulating this sector are antiquated; the laws, by-laws, and subsequent amendments brought about these antiquated bodies; the large numbers of individuals and companies that work within this sector; and the overlapping and entanglement of the activities of this sector and the other activities of most of the region's economic sectors. The major challenge lies in developing comprehensive strategies, overall visions, and concerted plans to come out of the chaotic state created by this body of overlapping laws. This should take the form of a road map that paves the way toward regulating the sector's work and activities and expediting the preparation of a new generation of contractors who are capable of working with transparency and flexibility, comprehending the new laws, and coping with their regulatory restrictions and patterns.

The other challenge that faces companies and contractors is introducing modern technology, which is bound to push toward disseminating a culture of new consumption patterns that comply with an economic logic that seeks to reduce costs and waste and produce high-quality and low-cost construction methods that suit conditions in the region.

Aspirations

Individuals and companies involved in the housing and contracting sector look forward to the day in which they share with the state the power to resolve the crises that beleaguer the housing, roads, and transportation sectors. They also hope the state will realize that it cannot resolve such crises alone without the participation of the private sector. This logic has been proven true over long decades; the situation, nevertheless, is aggravating decade after another.

Such participation will not bear fruit unless all the stakeholders (the concerned government departments as well as the private sector) work on shared grounds based on new legislation and master plans for all the cities in the region.



8. Private Agricultural Sector

Summary

The agricultural sector is vital for advancing the economy of many countries worldwide. Its importance stems from the fact that it represents the actual means to bridge the gap between production and consumption. In Iraqi Kurdistan, agriculture has the potential to be a strategic sector because of the suitable climate and soil and because of the abundance and diversity of water sources. Hence, if properly utilized, the sector can be a major component of economic progress, as it produces strategic crops such as wheat, barley, tobacco, cotton, and chickpeas. This sector, however, continues to use primitive tools in various agricultural operations and suffers from administrative, financial, and technical problems. Private sector companies are determined to change the pace of performance and productivity in this sector, especially with the numerous incentives the 2006 Foreign Investment Law provided. This is combined with the abundance of arable land in the region, which amounts to 5 million donums, as outlines in the following table:

Areas	Total donums	Non-arable donums	Arable donums	Rain-fed donums	Irrigated donums
Guaranteed rainfall	۳,۶۶۵,۲۸۸	۲,۹۶۹,۶۵۹	۶۹۵,۶۲۹	۶۱۹,۹۴۹	۷۵,۶۸۰
Semi-guaranteed rainfall	۱,۴۰۳,۴۵۲	۵۰۰,۳۲۷	۹۰۳,۱۲۵	۸۳۹,۵۱۲	۶۳,۶۱۳
Non-guaranteed rainfall	۹۸۷,۷۴۰	۸۱,۳۷۶	۹۰۶,۳۶۴	۸۶۳,۱۱۷	۴۳,۲۴۷
Total	۶,۰۵۶,۴۸۰	۳,۵۵۱,۳۶۲	۲,۵۰۵,۱۱۸	۲,۳۲۲,۵۷۸	۱۸۲,۵۴۰

Despite the availability of arable land in the region, and despite the 2006 Foreign Investment Law, a number of obstacles impede the sector. Most of these challenges fall under the heading of red tape and the fact that current laws regulating agricultural operations are not compatible with the needs of agricultural development. Moreover, agricultural machinery used in the region is outdated; marketing services are weak (agricultural transport and storage); and methods of producing, raising, and marketing livestock are primitive. Hence, the sector seeks a number of interrelated measures:

- Set up firms and factories that depend on local agricultural production;
- Provide the necessary facilities to the sector to encourage this process;
- Fully implement the Investment Law;
- Establish laboratories that conduct soil and water analysis to identify fertilization needs;
- Encourage investors to establish fertilizer factories as strategic investment projects; and
- Establish laboratories to identify plant diseases and adopt the integrated pest management system (IPM).

Introduction

Kurdistan currently faces the grave challenge of an enormous nutrition gap between local production and local demand. The region imports most of its needs from abroad using hard currency. Therefore, developing and modernizing the agricultural sector is of utmost importance, because it is directly responsible for meeting the region's food needs and the industry's raw materials needs. To achieve this, there is an urgent need to address the problems and obstacles that impede this vital sector, to jumpstart its role, and to provide the means to solve its problems and shortcomings.

Advancing agricultural production is vital to overcoming the gap between production and consumption. Technological progress is a major factor since scientific research and technology are important to increasing production, which includes biological factors, preserving genetic origins, standardizing and evaluating them, and introducing new kinds and crossbreeds. There is also a need to increase the use of integrated packages that include all levels of agricultural technology such as large-scale production of high quality seeds, mechanization, and modern irrigation methods. In addition, modern methods of crop management must be implemented, including integrated control, tissue cultivation, preservation of genetic origins, animal production, unconventional animal feed production, and post-harvest processes. It is noteworthy, then, that the current level of scientific research, particularly agricultural research, is quite limited and therefore insufficient to meet these goals, despite major crises in the region.

Developing the agricultural sector in Kurdistan requires raising productivity, increasing cultivated areas, vertical expansion through scientific research and raising the income levels of workers in the sector. The annual average per capita share of domestic product and agricultural product in Iraq for the years 2000, 2001, and 2002 amounted to US\$73,315 – US\$43,992, while the average agricultural share of the GDP during those years amounted to US\$7,936.7 – US\$24,944.7 million. No accurate statistics for these rates in Iraqi Kurdistan are available.

Characteristics of Private Agricultural Sector

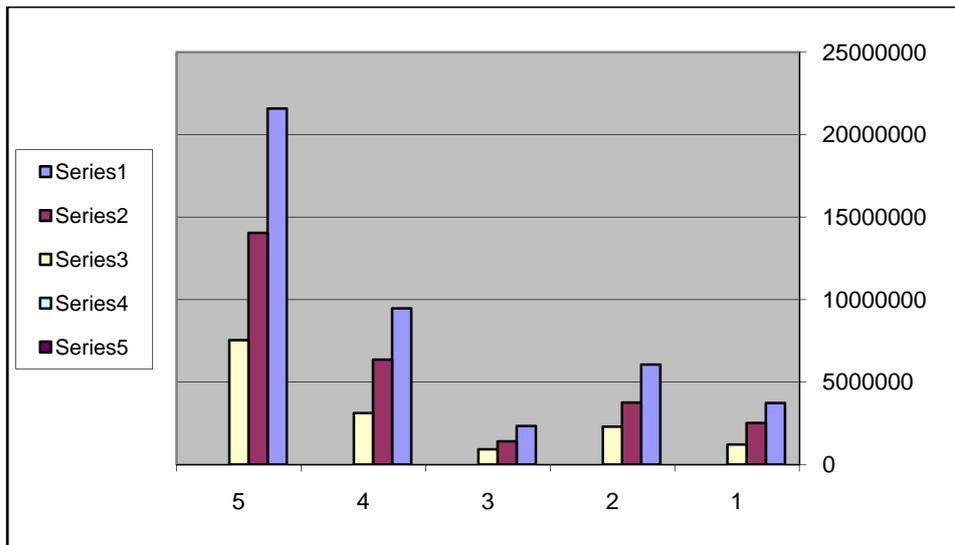
Land Agricultural

Based on available statistics, the area of arable land in Iraq is estimated at around 48 million donums, or approximately 27 percent of the total area of Iraq. Five million donums of this agricultural land lie within Kurdistan, with a total area of around 15,415,280 donums, as outlined in table 1 and chart 1 below.

Table 1. Areas of Land in Iraqi Kurdistan

Province	Arable land in donums	Non-arable land in donums	Total land in donums
Dohouk	1,206,169	2,019,424	3,225,593
Erbil	2,297,462	3,709,018	6,006,480
Kirkuk	921,907	1,408,046	2,330,003
Suleimaniya	3,113,127	6,304,873	9,418,000
Total	7,538,710	14,041,361	21,580,071

Chart 1. Arable Land in Kurdistan



Key: 1. Represents arable land in Dohouk; 2. Represents arable land in Erbil; 3. Represents arable land in Kirkuk; 4. Represents arable land in Suleimaniya; 5. Represents total arable land

Most of this land lies within the areas where rainfall is guaranteed or semi-guaranteed. However, only about 33 percent of arable land is actually being cultivated, which means that around 67 percent of arable land is currently unused.

Crop Structure

The agricultural crops cultivated on an annual basis include:

Grain crops. Grain crops account for 70–80 percent of annually cultivated land, and for many reasons have low productivity per donum. Table 1 in the annex clarifies the crop structure (rain-fed field crops). There is an opportunity to increase these quantities through increased use of arable land and the adoption of modern cultivation methods. Since rain-fed arable land amounts to around 993,838 donums in Dohouk, this means that there are about 471,547 donums that can be exploited to cultivate these crops. The same applies to wide tracts of currently unexploited areas.

Vegetable crops. Vegetable crops rank second in the crop structure, estimated at 7–9 percent of exploited land. Local product may meet local needs with some surplus during productive seasons, but other seasons witness a deficit, necessitating importing produce from elsewhere in Iraq or from abroad. Therefore, there is an urgent need for greenhouse production and other covered farming methods. Cultivated vegetable production and quantities appear in tables 2 and 3.

Orchards. Land cultivated with fruits comprises a small segment of the total due to the deliberate destruction of orchards during the 1980s. As a result, production barely covers the needs of the region. This fact has led to increased demand from other areas within Iraq, which has caused higher prices for local consumers. Fruit cultivation is not currently expanding in a proportionate manner.

Oleic crops. These crops are cultivated on only 3–4 percent of the exploited land. Cultivation is limited because of the lack of processing means. It is extremely

necessary to increase cultivation of this segment and find appropriate means for local processing.

Animal Resources

Kurdistan is a suitable region for raising livestock because of the abundance of pasture areas and water, two main necessities for raising and developing livestock. Cattle, poultry, and fish are raised, with a limited number of private livestock enterprises in different provinces. However, these enterprises are underdeveloped because of the lack of necessary facilities and processes. The currently available statistics on animal resources in the region appear in table 4. Livestock enterprises in Dohouk and Suleimaniya appear in tables 5, 6, and 7.

Water Resources

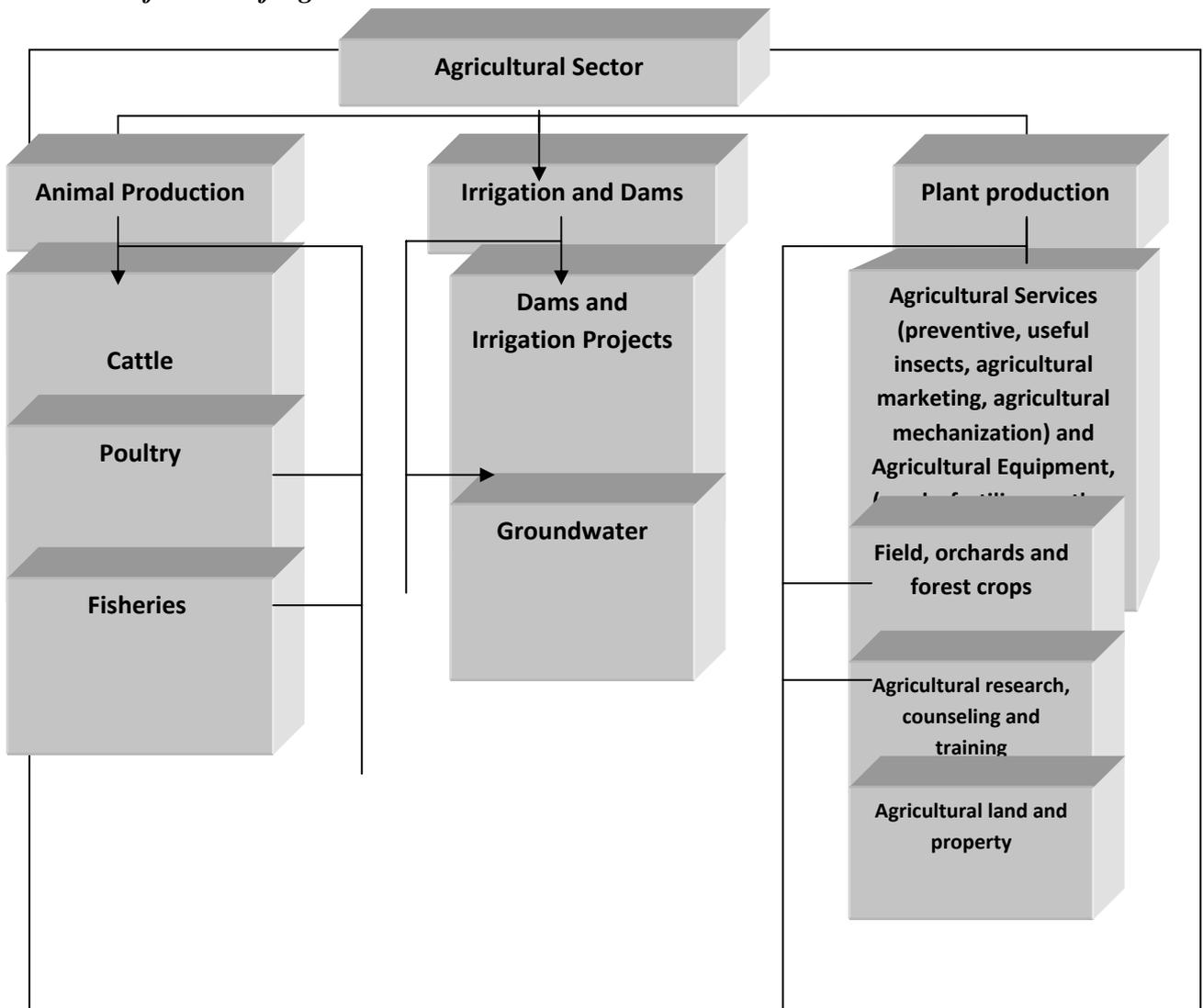
Rainfall, branches of the Tigris River, and groundwater account for the water sources in Kurdistan.

Methodology

Major Partners

1. Iraqi Businessmen Union-Kurdistan.
2. Kurdistan Economists Union
3. ASK Organization
4. University professors and agriculture specialists
5. Experienced farmers

Classification of Agriculture



Problems and Proposed Solutions

Agriculture-Based Industrial Projects

Problems	Proposed Solutions
<ul style="list-style-type: none"> ▪ Lack of agricultural enterprises and firms that depend on local agricultural products. ▪ Difficulty for the private sector to establish agricultural enterprises. ▪ Difficulties in private investments. 	<ul style="list-style-type: none"> ▪ Set up firms and factories that depend on local agricultural products. ▪ Provide the private sector with the necessary facilities. ▪ Implement the Investment Law. ▪ Conduct a fertility survey to identify suitable soils for different crops for domesticating agricultural industries. ▪ Promote the setting up of small-field farming enterprises. <p><u>Stakeholders:</u> Ministry of Agriculture</p>

Fertilizers, Insecticides, and Agricultural Requirements

Problems	Proposed Solutions
1. Scarcity and high prices of chemical fertilizers, seeds, insecticides, and other agricultural requirements.	<ul style="list-style-type: none"> ▪
2. The insufficient methods used to combat harmful insects.	<p>2. Set up specialized laboratories to identify plant diseases and adopt the IPM (Integrated Pest Management) system.</p> <p><u>Stakeholders:</u> Ministry of Agriculture</p>
3. Underdeveloped agricultural mechanization in the region, unavailability of spare parts and the fact that they are unsuitable for the conditions in the region.	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ An integrated plan to facilitate importing modern agricultural machinery that suits the natural conditions of Kurdistan and ensure the availability of spare parts. ▪ Encourage importers, manufacturers, and investors to become agents for world-renowned agricultural machinery companies, and provide farmers with financing on easy terms. <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Industry</p>

	Investment Commission
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Agricultural Land and Forests

Problems	Proposed Solutions
1. Limited agricultural land and the presence of urban development projects on arable lands.	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Cultivate the largest possible area of arable land. ▪ Effective enforcement of the Agricultural Products Protection Law. ▪ Reclaim rocky, non-arable lands and use them to cultivate rain-fed fruit trees. <p><u>Stakeholders:</u> Ministry of Agriculture</p>
2. Forests of the region are deteriorating and suffering from weak management and development.	<p>2. Develop and expand existing forests, stress the ban on cutting trees, protect wildlife, and issue an environmentally friendly hunting law that suitable to the conditions in the region.</p> <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Environment.</p>

Animal Resources

Problems	Proposed Solutions
1. In Kurdistan, animal resources in general, and livestock in particular, suffer from the absence of scientific means for treatment, vaccination, veterinary services, and artificial insemination.	<p>1. Improve the governmental body in charge of providing modern technology for treatment, vaccination, veterinary services, and artificial insemination since private institutions are currently incapable of shouldering this large task due to the lack of investment and commercial agencies for producers of such technologies. Their absence has a negative impact on the sustainability of this resource.</p> <p>Utilize available international assistance to develop current breeds and bring in what is needed.</p> <p><u>Stakeholders:</u> Ministry of Agriculture.</p>
2. Insufficient attention given to the development of natural pastures.	2. Enact laws that regulate pastures, ban arbitrary grazing, and take the necessary measures to remove landmines that obstruct grazing and harm shepherds and their property.

	<p><u>Stakeholders:</u> Ministry of Interior Ministry of Agriculture</p>
<p>3. Obtaining proteins, vaccination, and pullets at competitive prices for poultry is aggravating. For example, the price of one pullet for producers amounts to the cost of more than 1 kg of Brazilian chicken, which makes it impossible for local poultry farmers to be profitable.</p>	<p>3. Study poultry problems, particularly those related to obtaining proteins, vaccination, and pullets, and reach a comprehensive common approach with the private sector toward the future of the poultry industry in the region amid global competition</p> <p>Implement outcome of discussions in a manner that enables the sector to restore some of its competitiveness in the region's markets.</p> <p><u>Stakeholders:</u> Ministry of Agriculture</p>
<p>4. Dumping unreasonably low-priced, imported poultry into the local markets has resulted in the closure of many poultry enterprises in the region.</p>	<p>4. There is an urgent need for enacting a law that protects local producers from the risk of dumping. Assign specialized committees, with the participation of the private sector, to conduct a study on the price and cost structure of producers who market their products in the Region's markets.</p> <p><u>Stakeholders:</u> Ministry of Agriculture, Regional Parliament</p>

Marketing Services

Problems	Proposed Solutions
<p>1. Weak marketing and logistical services (agricultural transport and storage) leads to the perishing of much of the crops before they reach their destination market. An example is the good quality Berwari apples, which become spoiled because of marketing and delivery problems.</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ The public sector must develop a road and transportation system beneficial to agricultural products, and promote and activate marketing institutions. ▪ Provide the necessary facilities to private sector investors to build different storage facilities (sheds, closed warehouses, cooler and freezer warehouses and silos). The state should invest whatever funds are available and provide services to develop the private agricultural sector. ▪ Build modern wholesale markets that provide all necessary services for

	<p>agricultural marketing operations.</p> <ul style="list-style-type: none"> ▪ Provide agricultural loans at governmental banks to farmers and agricultural companies for marketing purposes. <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Finance Ministry of Municipalities</p>
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Scientific Research

Problems	Proposed Solutions
1. There is weak coordination between research centers at the regions' universities and real problems of productivity and modes of production in the region.	1. Focus research on applied aspects, related to problems and obstacles impeding the development of production and productivity of the agricultural sector in the region. This should include the introduction of new types and breeds and setting up fully-equipped research centers.

Human Resources

Problems	Proposed Solutions
1. The local residents' lack of knowledge about the means of modern agriculture and the absence of a clear role for agricultural counseling programs.	1. Formulate a strategic plan for agricultural counseling in order to implement advanced programs and motivate the private sector to set up research guidance centers. <u>Stakeholders:</u> Ministry of Agriculture
2. The lack of experience of many governmental officials working in agricultural management, particularly in modern technology.	2. Enroll agriculture officials in regular, specialized courses and establish communication with research and information technology centers in order to enhance their experience. <u>Stakeholders:</u> Ministry of Agriculture Ministry of Higher Education
3. Emigration from rural to urban areas, because of the attractive lifestyle of the cities and benefits of employment, drained many rural areas of their competent workforce.	3. Provide basic services in rural areas and minimize the gap between urban and rural in order to transform rural residents into an agricultural workforce, and thus transform them from consumers to producers. <u>Stakeholders:</u> Ministry of Agriculture

	Ministry of Planning.
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Water Resources and Weather Forecast Stations

Problems	Proposed Solutions
1. Not exploiting available water resources (rivers and groundwater) in an economical manner; the existence of problems related to irrigation methods, including pumps, fuel, and spare parts; the problem of drought and lack of rainfall, and its impact on cultivating grain crops.	<p>1. Economic use of available water resources; constructing dams, and irrigation projects on rivers.</p> <p>Setting up reserve irrigation networks in grain fields for use in times of low rainfall, and planned digging of underground wells.</p> <p>Encourage the cultivation of coarse grains in guaranteed rainfall areas and soft grains in non-guaranteed rainfall areas, and enact legislation to facilitate and regulate these measures.</p> <p><u>Stakeholders:</u> Ministry of Agriculture</p>
2. The lack of advanced weather forecast stations linked to international stations, which makes weather forecasting and identification of trends difficult.	<p>2. Construct modern and advanced weather forecast stations in different areas of the region that provide the necessary information for farmers to benefit from the changes.</p> <p><u>Stakeholders:</u> Ministry of Environment</p>
3. The problems caused by the variation of rainfall in rain-fed land.	<p>3. The gradual transformation of rain-fed land into irrigated land for the purpose of achieving complementary irrigation (by constructing a series of dams and agricultural canals).</p> <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Irrigation</p>

Irrigation

Problems	Proposed Solutions
1. Underdeveloped irrigation systems	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Adopt water-harvesting technologies in rainy areas for limited agricultural and human use in order to ensure human settlement in the area. ▪ Exploit the pressure of waterfalls from mountainous areas in Kurdistan, either by setting up a pipe network of varying diameters or lined canals, to

	<p>irrigate arable land.</p> <ul style="list-style-type: none">▪ Implement a pilot project for designing water networks for use in modern, successful sprinkler and dripper irrigation technologies, and replicate the program in other areas.▪ Encourage investment companies or individuals to import successful sprinkler and dripper irrigation systems, granting long-term credit facilities to farmers—which is beneficial to investors and end-users. The goal should be to have these systems manufactured locally in the future.▪ Specialized investment companies should set up new pumping stations or rehabilitate old ones and should receive fees that vary according to the nature of agricultural use.▪ Set up mobile maintenance workshops for existing and future pumps and irrigation equipment to provide continuous services in return for generous fees.▪ Agricultural and governmental banks should grant soft loans to farmers who wish to purchase sprinkler and dripper irrigation systems.▪ Exploit groundwater, particularly renewable groundwater sources, for cultivating animal feed that may be either exported or used by local livestock enterprises.▪ Set up irrigation systems in guaranteed, semi-guaranteed, and non-guaranteed rainfall areas in order to provide irrigation water during the summer.▪ Adopt the use of a well with a large water reservoir and a unified pump to provide for the needs of more than one core workshop, hence reducing costs and increasing production.▪ Exploit groundwater, shallow wells, and artesian wells. Since these represent the strategic reserves of the region, there is a need to utilize the water from shallow wells.
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	<p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Irrigation Ministry of Finance</p>
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Seeds

Problems	Proposed Solutions
<p>1. Low level of inspection and approval of seeds that farmers receive from the state; adoption of primitive methods mostly based on personal assessment.</p>	<p>1. Proposed solution:</p> <ul style="list-style-type: none"> ▪ Encourage the private sector to establish firms for the purification of fixed seeds. ▪ Provide mobile seed purifiers. ▪ Encourage the construction of modern silos for storing seeds. <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Industry</p>

Legislation and Measures

Problems	Proposed Solutions
<p>1. Absence or inadequacy of current laws to regulate agricultural operations and property, causing many problems and market instability.</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Modernize existing laws to conform to economic development needs. ▪ Enact laws to protect products and consumers, combat dumping, provide economic protection, and regulate fishing and the use of natural resources. <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Trade</p>
<p>2. Weak agricultural quarantine measures in border areas result in the entry of undesired products or pests that often afflict plants in the region.</p>	<p>2. Consider establishing agricultural quarantine centers at border crossings and airports that are equipped with the necessary laboratory equipment to test agricultural products, seeds, and seedlings, and set up one central laboratory for conducting accurate tests and analyses on agricultural products. In the same context, there is a need to encourage the establishment of a number of private scientific and research laboratories.</p> <p><u>Stakeholders:</u> Ministry of Agriculture Ministry of Finance Ministry of Planning</p>

Challenges and Aspirations

Challenges

The massive scale of agricultural business and activities and the amount of overlap with other sectors were major factors in the development of the challenges currently faced by the agricultural sector. The main challenge continues to be the diversification of the sector's sources of income and exploiting its enormous, neglected, and wasted production capacity. This has a direct impact on the lives of people. For this sector to spearhead the strategic shift from consumption to production, it will inevitably face other challenges related to relevant sub-sectors such as strategic industries that rely on agriculture, optimal land use in favor of agriculture, and attention to forests, mechanization, fertilizers, and seeds. Another challenge is human resource development, where residents, including rural women and rural youth, should be encouraged to settle and work in agriculture. Consequently, developing the agricultural sector is an extremely important, top priority that requires analysis and contemplation until a long-term, modern program is formulated in order to move the sector toward a level that is commensurate with available resources, organization, and care.

Aspirations

In a region like Kurdistan, where all inhabitants descend from agricultural communities and families, and the whole of society is aware of the sector's capacity to generate income and provide a livelihood, the private sector wishes for the state to act proactively. It also hopes that all principal parties collaborate to formulate a flexible, long-term strategy, and that they embark on testing, analysis, and research in order to support the private agricultural sector, so that it advances towards a new era of competition based on science and technology.



9. The Private Industrial Center

Summary

The private industrial sector represents the appropriate means to achieve economic leaps and high income levels, which may be sustained for a long period of time through production and exportation. The private industrial sector also represents the appropriate approach to bringing in the new technology that contributes to modernization, development, and integration of all other economic sectors.

In comparison with other countries, the private industrial sector in the region is gravely underdeveloped at the levels of human resources, legislations, financing, technology, and even modes of production. Moreover, it suffers from traditional regulatory measures. This is reflected in the lack of technical cadres specialized in industry, the inability of local industrial products to compete with imported products because of limited investments in this sector, weak import and export legislation, and weaknesses in the financial, technical, and marketing evaluation processes. The private industrial sector is in dire need of an infusion of foreign expertise at different levels. It also needs: a strategy that aims to raise the level of industrial expertise; full implementation of the Investment Law with amendments to include small industrial enterprises with the benefit of ownership of the project's land; foreign investors to be provided with legal protection; the setting up of insurance companies to cover risks of industrial investment; the enactment of legislation that promotes exports in order to develop industrial production; and the granting of tax exemptions to encourage private industrial enterprises. These actions should follow a realistic fiscal study and an end to governmental interventions that increase the costs of industrial production. Serious measures must be made to address administrative corruption and a comprehensive economic reform plan must be put in place to prevent the exploitation of influence to monopolize economic activities.

Introduction

The industrial sector typically grows faster than other economic sectors, because of industry's distinctive ability adopt scientific and technological innovations and modern management and production methods as well as its propensity to utilize mass and specialized production in its various branches. Hence, industry plays a major role because it overlaps with other sectors and has great potential to contribute to a larger share of the GDP.

The industrial sector in the region is weak relative to other countries. The government, however, is giving it considerable attention, as 54 enterprises registered during the period of January 1, 2006 to June 30, 2006, in various industries and with a total capital of around 21 billion Iraqi dinars (approximately US\$17 million). Together these industries employ around 1,865 laborers and employees from different fields.

The Investment Law allows for establishing an investment base and provides facilities that include tax exemptions during the inception phase and during a certain period of post-production. This aims to attract local and external (both Arab and foreign) investments. Hence, the Investment Law seeks to jumpstart and develop industry, encourage investors to build new plants, encourage and help capitalists inside and outside the region establish industrial enterprises that depend on other sectors, particularly agriculture, and encourage inter-sectoral collaboration and integration. The Investment Law also provides a suitable investment environment and introduces the necessary investment methods, tools, and systems to utilize the region's existing resources.

Characteristics of the Private Industrial Sector

The private industrial sector is underdeveloped in comparison with other countries that have similar conditions and resources because of several factors, including obstacles in real estate privatization, the process involved with available financing, and flawed tax and customs policies.

There is a lack of technical cadres specialized in industry and those present do not keep abreast with worldwide technological advancements.

Local industrial products are unable to compete with imported products because of weak protection for local products on one hand and the absence of consumer protection measures on the other. There is also limited investment in the industrial sector, especially regarding foreign investment, which is due to various obstacles.

There are concerns regarding the free market and the absence of a relevant clear policy that provides necessary protection and support, and which reflects the overall economic activity, including industry.

The Ministry of Industry has taken some positive steps. For example, in 2006 it proposed to the private sector a group of industrial projects, classified and approved through a local market study the Ministry had conducted. These are presented in the following table:

Type of Project	Erbil	Dohouk	Total
Construction Materials Industry	١٠٨	٧٠	١٧٨
Food Industry	٥٢	٤٠	٩٢
Textiles Industry	٧	٦	١٣
Chemicals Industry	٩	٨	١٧
Plastics Industry	٤١	٢٧	٦٨
Carpentry Industry	١٦	١٠	٢٦
Paper Industry	١٨	١٤	٣٢
Metal Industry	٦٨	٤٧	١١٥
Miscellaneous Industries	١٣	١٠	٢٣

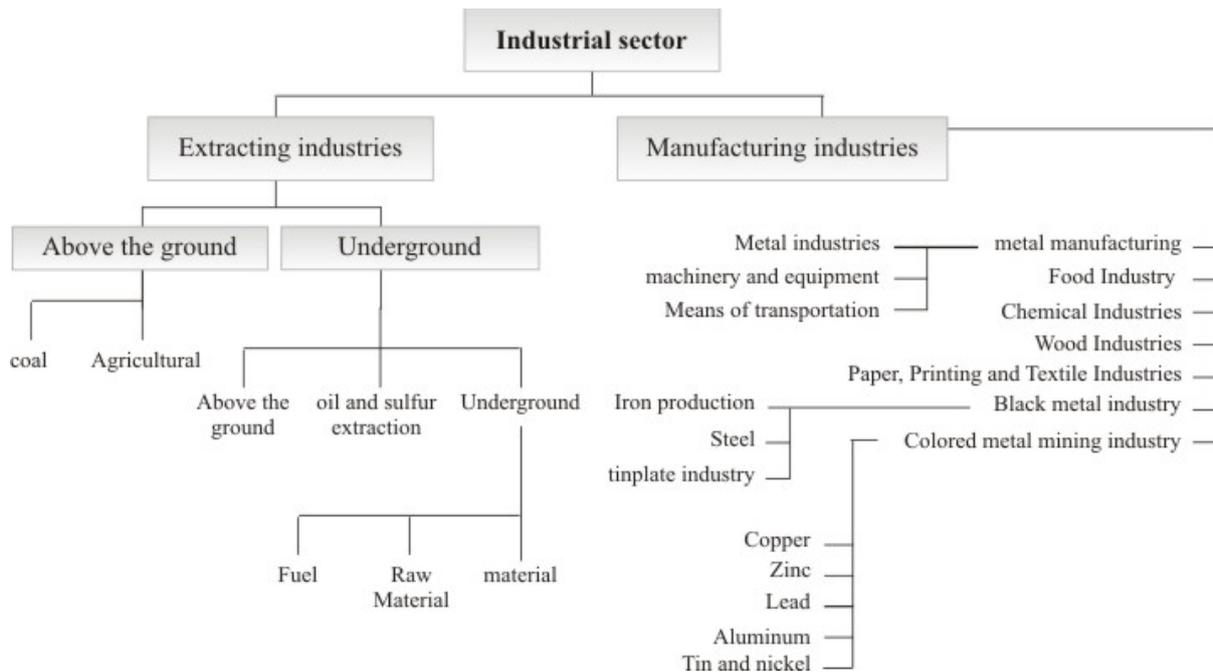
Private Industrial Sector Enterprises in Erbil and Dohouk during 2006

Methodology

Major Partners

1. Suleimaniya Federation Industries
2. Kurdistan Contractors Union-Suleimaniya.
3. Al-Rafidain Bank
4. Chambers of Commerce and Industry in Erbil
5. Chambers of Commerce and Industry in Dohouk
6. Experts, investors, bankers and businessmen in the Region

Classification of the Private Industrial Sector



Problems and Proposed Solutions

Human Resources

Problems	Proposed Solutions
<p>1. Scarcity of technicians in the private industrial sector, and the chasm between the needs of industrial enterprises and output of educational institutions.</p>	<p>1. Proposed solutions</p> <ul style="list-style-type: none"> ▪ Promote a comprehensive program to attract and develop qualified industrial personnel, including training courses for technical staff, with the participation of professionals and owners of private enterprises, in order to benefit from their experiences. ▪ Reform the educational system so that the private industrial sector and investors can fill their needs from the graduates of relevant colleges, institutes, and industrial and vocational preparatory schools. <p>Stakeholders: Ministry of Higher Education and Scientific Research Ministry of Industry Ministry of Planning Ministry of Education</p>
<p>2. The difficulty of bringing in experts and skilled labor from outside the region or Iraq.</p>	<p>2. Reform residency legislations and facilitate bringing foreign laborers from outside the region and Iraq in order to combat the high</p>

	<p>cost of local labor through a balanced policy that does not aggravate rates of unemployment in the region.</p> <p><u>Stakeholders:</u> Ministry of Interior Ministry of Labor and Social Affairs.</p>
3. The minimal benefit from foreign industrial expertise.	<p>3. Facilitate the establishment of partnerships (joint ventures) with international industrial institutions and the mergers of local and foreign enterprises.</p> <p><u>Stakeholders:</u> Ministry of Industry Ministry of Trade</p>

Legislation

Problems	Proposed Solutions
1. Lax implementation of the Investment Law and the fact that it does not cover small industrial enterprises in the benefit of land ownership of the project.	<p>1. Implement the Investment Law and amend it to include small industrial enterprises in the benefit of land ownership of the project.</p> <p><u>Stakeholders:</u> Regional Parliament Investment Commission</p>
2. High leasing rates of sand and gravel quarries, reaching US\$10,000 per donum in Dohouk.	<p>2. Set up a fair mechanism to identify leasing rates for sand and gravel quarries to achieve a balance between the interests of both parties.</p> <p><u>Stakeholders:</u> Regional Parliament Ministry of Industry</p>
3. Insufficient legal protection for foreign investors in addition to an absence of insurance companies to cover risks for small enterprises.	<p>3. Provide legal protection for foreign investors and set up insurance companies that cover potential risks for industrial enterprises.</p> <p><u>Stakeholders:</u> Investment Commission</p>

Industrial Land

Problems	Proposed Solutions
1. The lack of geological surveying for industrial purposes. (The absence of geological surveying of soil and absence of land classification to identify its suitability for industrial purposes.)	<p>1. Conduct a comprehensive surveying of soil, classify land, and conduct geological survey for industrial lands.</p> <p><u>Stakeholders:</u> Ministry of Industry</p>
2. Leasing rather owning land for private	2. Transfer of land ownership to private

<p>industrial enterprises, which often forces industrialists to abandon their enterprises when the state needs the land and forces them to relocate.</p>	<p>industrial enterprises instead of leasing to avoid forcing industrialists to abandoning their ventures.</p> <p><u>Stakeholders:</u> Regional Parliament Ministry of Industry Investment Commission</p>
<p>3. The phenomenon of transferring land allocated for industrial purposes to other purposes.</p>	<p>3. Application of law's role and the guidelines that regulate changes in land classification.</p> <p><u>Stakeholders:</u> Ministry of Industry Ministry of Finance Ministry of Municipalities</p>

Financing

Problems	Proposed Solutions
<p>1. The absence of a stock exchange in the region to trade or facilitate trading public offerings enables industrialists to establish large enterprises.</p>	<p>1. Work diligently to set up a stock exchange in the region.</p> <p><u>Stakeholders:</u> Council of Ministers Ministry of Finance.</p>
<p>2. Weak governmental support to private industrial enterprises. For example, out of 1,200 private enterprises in Erbil, 90 percent went out of business because governmental support ceased. This support used to include providing cement, reserve supplies from companies abroad, electricity, and protection of local products.</p>	<p>2. Discuss the mechanism of partial-phased support for suspended industrial enterprises and provide support for currently operating enterprises by protecting products from the “dumping effect” and providing basic services, cement, etc.</p> <p><u>Stakeholders:</u> Regional Parliament Ministry of Finance Ministry of Industry</p>
<p>3. Some manufacturers “dump” cheap goods in the local market in Kurdistan, where prices of manufactured goods exported to the region are lower than the prices of raw materials locally.</p>	<p>3. Get the private sector's input into legislation that bans dumping and imposes fees on dumped goods to achieve balance and competition for producers in region.</p> <p><u>Stakeholders:</u> Regional Parliament Ministry of Finance Ministry of Industry</p>
<p>4. Weak current taxation system that does not mesh with the current realities, as the private industrial sector faces major challenges and problems.</p>	<p>4. Grant industrial enterprises special tax exemptions to encourage private investment in industry and conduct a thorough study and radical reform on the current taxation system.</p>

	<p><u>Stakeholders:</u> Ministry of Finance Ministry of Industry</p>
5. The continuous fluctuation in the value of the Iraqi dinar has a negative impact on the overall activity of the industrial sector.	<p>5. Maintain stability in the value of the dinar to contribute to proper project assessment and enable the private industrial sector to implement its plans without facing detrimental surprises.</p> <p><u>Stakeholders:</u> Iraqi Ministry of Finance Iraqi Central Bank.</p>
6. Not granting customs duties exemptions on industrial equipment incurs high costs on industrial enterprises.	<p>6. Exempt industrial machinery from customs duties for a period of time to revitalize and modernize industry in the region and bring in the technology that enables it to become competitive.</p> <p><u>Stakeholders:</u> Ministry of Finance Iraqi Central Bank</p>
7. Continued discrepancies and lack of unification in the tax code between provinces of the region and between the region and the Central Government.	<p>7. Unify taxes among provinces of the region and between the region and the Central Government.</p> <p><u>Stakeholders:</u> Regional Ministry of Finance Iraqi Ministry of Finance.</p>

Organizational Procedures

Problems	Proposed Solutions
1. Absence of quality control and standardization contributes to producing and importing either low quality products or imitations, harming both competition and consumers.	<p>1. There is a need for quality control and standardization for local products and for imported raw materials.</p> <p><u>Stakeholders:</u> Ministry of Industry Ministry of Trade</p>
2. Not obliging gravel and sand firms to have a crusher for producing filler material.	<p>2. Oblige gravel and sand firms to have a crusher for producing filler material.</p> <p><u>Stakeholders:</u> Ministry of Industry</p>
3. There is a poor level of industrial monitoring and statistics and an almost total absence of the information the sector needs for planning and evaluating activities.	<p>3. Establish an information center for industrial monitoring and statistics.</p> <p><u>Stakeholders:</u> Ministry of Industry Ministry of Finance Ministry of Planning</p>

<p>4. Submitting feasibility studies upon filing for investment permits is not mandatory for investors.</p>	<p>4. Conducting technical, economic, and operational feasibility studies must be a prerequisite for receiving incentives through the Investment Law and other investment opportunities.</p> <p><u>Stakeholders:</u> Higher Investment Promotion Commission</p>
<p>6. There is an absence of infrastructure-related industrial enterprises.</p>	<p>6. There is a need to encourage infrastructural enterprises.</p> <p><u>Stakeholders:</u> Ministry of Industry</p>
<p>7. Local industrial products are unable to compete with foreign goods.</p>	<p>7. Launch a comprehensive strategy that aims to strengthen the competitiveness of local products with foreign products, open an extensive and comprehensive global dialogue to identify causes for weak competitiveness of local products, and formulate a plan for supporting and enhancing them.</p> <p><u>Stakeholders:</u> Ministry of Industry Investment Commission</p>
<p>8. The red tape faced by industrial enterprises and the lengthy procedures required of industrialists, who have to spend much time on procedural matters, increases their costs because of the time they waste waiting for signatures and stamps.</p>	<p>8. Proposed solutions</p> <ul style="list-style-type: none"> ▪ The need to have control on parties that run industrial transactions and to hold them accountable. ▪ Set up flexible administrative systems that can cope with the difficult economic conditions the industrial sector particularly suffers from in order to meet its needs and issue permits in record time. <p><u>Stakeholders:</u> Ministry of Industry The Economic Committee at the Regional Parliament</p>

Challenges and Aspirations

Challenges

With the major challenges faced by the private industrial sector, it is apparent that the sector cannot develop and advance without critical help from the government. To this end, the government should formulate a private industrial development strategy, based on a comprehensive study, to provide solutions and consultations—all with the participation of the private sector. These include providing cash for private industrial enterprises through a flexible mechanism of soft loans, credit, and estate facilities. Some enterprises failed because of real estate problems, which may deplete a major share of the project's capital. Furthermore, there is a need to give attention to major industries in the region, most prominently extracting and cutting marble and the production of concrete blocks.

Aspirations

Signs of industrial progress in the region had started to show sometime ago, particularly at the private sector level. During recent years, however, several factors contributed to the regression in this sector. The government can overcome these factors by formulating a long-term strategy for developing the private industrial sector. Such a plan must be implemented at several levels, including establishing a bank for providing loans and credit facilities to finance private industrial enterprises, allocating appropriate plots of land that meet industrial needs in accordance with relevant laws, and providing support to local marble plants in order to re-open and develop them to the point where locally produced marble may compete in quality with foreign marble.



10. Infrastructure Sector

Summary

Infrastructure does not set a better status for life, work, or investment, but it represents the foundation on which most economic activities and actions rely. In this section, we shall divide infrastructures in the region into five categories: government directorates, the water and sanitation systems, fuel, electricity, and roads and bridges. The private sector suffers a number of obstacles in these sectors, namely lack of transparency in fiscal management of a number of governmental bodies and insufficient reporting by financial supervision institutions, not to mention the weak technical and administrative performance of the employees of these bodies. Add to these obstacles the lack of feasibility studies (financial, technical, and marketing) prior to the commencement of any project and the government's inability to provide sufficient funding for the development of infrastructure to conform to the level of other developments in the region. In the water and electricity sectors, there is a noticeable waste of resources by citizens coupled with unclear roles for private business and foreign investment. This agenda revealed some facts that indicate a broad desire among all levels within this sector to contribute actively to the sustainable management and development of infrastructures of all types. It also revealed serious efforts to privatize infrastructure, apply strategic planning, and play more significant official roles in different utilities.

Introduction

Infrastructure plays a vital role in promoting the quality of life of individuals and institutions worldwide, whether they are governmental, civic, or private in nature. Upgrading infrastructure is an essential factor in socioeconomic transformation, for effective infrastructure attracts investment and is a major factor in economic development. This, in turn, has a direct impact on corporate competitiveness and public sector services, not to mention the fulfillment of citizens' basic needs and welfare. There is little doubt that any comprehensive development process must proceed in parallel with infrastructure services that aim to improve the living conditions of citizens by providing them with physical and social services, in addition to creating incentives to establish development projects that are income-generating, investment-supporting, and productive, especially since both governments and people view economic development through a lens shaped by their own experiences and their countries' socioeconomic conditions. In many cases, development is defined according to the infrastructure that supports economic operations. (Namely economic growth rates and financial well-being, expressed by secure income and employment, especially in third world countries that suffer crises due to the lack of basic services like potable water, electricity, fuel, and communication, as well as poor state education and health services.) The developed world has witnessed changes in the concept of infrastructure over the past few decades. The concept is no longer limited to the previous definition, for it should include two complementary elements:

- Good governance. Implement less administrative centralization, strong coordination, and cooperation among different governmental circles in order to reduce costs and facilitate procedures, in addition to supporting the absence of corruption and the maximization of institutional capacities in both government and civil society institutions.

- Databases. Grant access to information, build the necessary information systems for work requirements, and adapt with changes in the surrounding environment.

It is evident that modern economic systems began to believe that good governance can be achieved through two main pillars: participation and accountability. Participation means that any stakeholder in government administration wishing to take part shall have as equal a right to do so as anybody else. It also provides for supervision and control instruments guaranteed by the rule of law. Good governance involves the equal treatment of all citizens before the law, without any discrimination, and the equal opportunities to benefit from services provided by the government.

Accountability means that those elected or appointed in the name of the people shall be held responsible by the people for their failures and shall be rewarded for their successes. To exercise accountability, information must be made available, which stresses the importance of transparency in government mechanisms and provides incentives to motivate government officials to fulfill their tasks with integrity. Incentives appear through competitiveness in the selection of employees and civil servants, as well as in implementing policies and devising clear ethics codes to encourage civil servants to serve the public interest and denounce corruption (a feature of bad governance that exhibits nepotism, favoritism and bribery). Corruption is anti-participatory because it violates the principle of equal opportunity; it is also a direct outcome of the lack of accountability.

To avoid overlapping meanings of infrastructure in terms of mega projects and requirements for societies and entities and the purpose of this research, project management decided to concentrate in this agenda on aspects related to the infrastructure implemented by the private sector in Kurdistan.

Consequently, this section covers three areas where the private sector is active in infrastructure in Kurdistan: water, energy, and roads and bridges. In addition, there is a brief presentation on institutional reform because of its importance in laying down the foundations for development and progress in this region.

Characteristics of Infrastructure in Kurdistan

Government Directorates:

The Government Directorates of Kurdistan are characterized by the following:

- Unlike the declared position of government, many economic facts show that the government's decisions on economic activity are taking the region away from a market economy and continue to apply an oriented economy.
- An inflated public sector has too many employees, while the private sector of all branches is unable to absorb much of the remaining labor force because of its weaker capacities in comparison to the public sector.
- Overlapping laws and regulations that govern economic activities and regulate citizens' living and social affairs.

Water and Sanitation Systems:

The water and sanitation systems are underdeveloped and mainly characterized by:

- Increasing demand on water that is disproportionate with population growth in the area.

- Lack of coordination among different authorities working in water management, like the Ministry of Water Resources and municipal departments.
- Increased risk of water pollution and long periods of disruption.
- Absence of any sanitation system, with the outdated existing systems being limited to storm water drainage.

Electricity

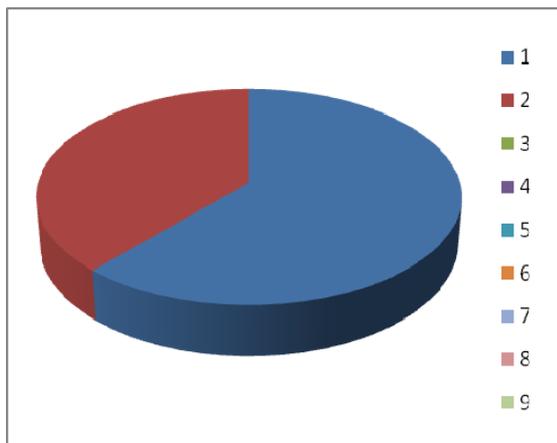
Electric power projects constitute one of the main pillars of economic development in the region, whether for consumption or production purposes. Nonetheless, this sector provides only a small portion of the region's needs and is the main cause of a number of problems and complications affecting other sectors. Its main characteristics include:

- The electricity sector in the region is unable to meet demand in comparison to other areas in Iraq. In fact, there is a huge gap between the demand on electricity and the actual output.
- The waterfalls in the region may be used as a source of electric power, but they are underutilized. There is a difference between the optimal use and the maximum power generated by Dukan and Darbindikhan stations, amounting to 649 MW.

Maximum Electric Capacity of Dukan and Darbindikhan Stations

	Station	No of Turbines	Turbine power	Total energy
1.	Dukan	5	80	400
2.	Darbindikhan	3	82	249
	Total	8	162	649

Source: Nawzad Mohammad Hamad, *Infrastructure and Sources of Financing*, Master's Thesis, School of Administration and Economy, Department of Economics, Salaheddin University, 2002, as demonstrated in the following chart:

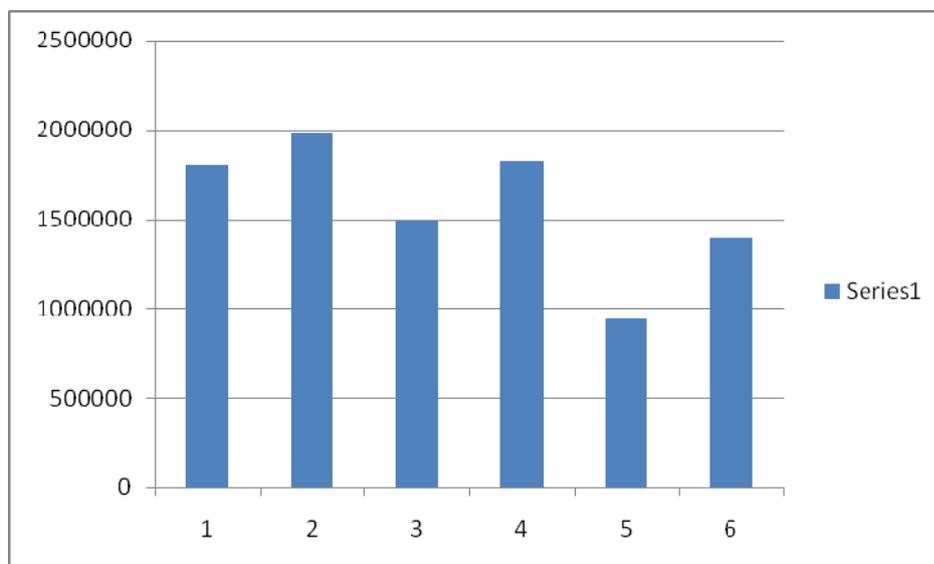


Variation in Electric Output over Years

Electricity output in the region, MW/hr

Years/details	Production	
1988	1,800,700	1
1990	1,983,000	2
1993	1,489,627	3
1996	1,823,294	4
1999	940,476	5
2000	1,393,621	6

Source: Nawzad Mohammad Hamad, *Infrastructure and Sources of Financing*, Master's Thesis, School of Administration and Economy, Department of Economics, Salaheddin University, 2002, as demonstrated in the following chart:



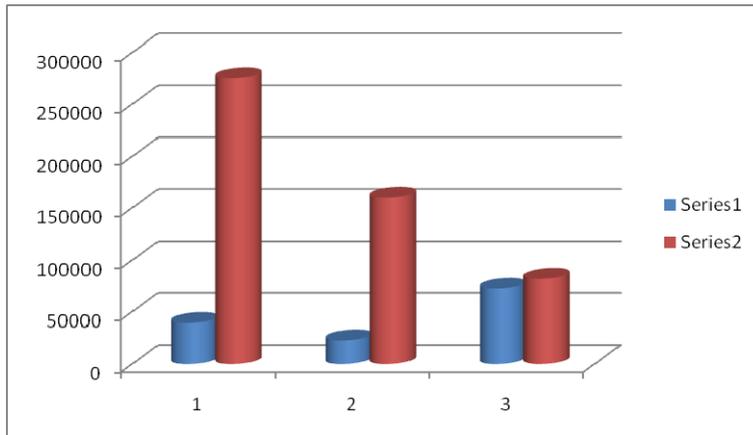
Reliance on Domestic Electric Generators in the Region's Cities to Meet Population Actual Needs

Number of Private Sector Domestic Generators and Voltage in 2000

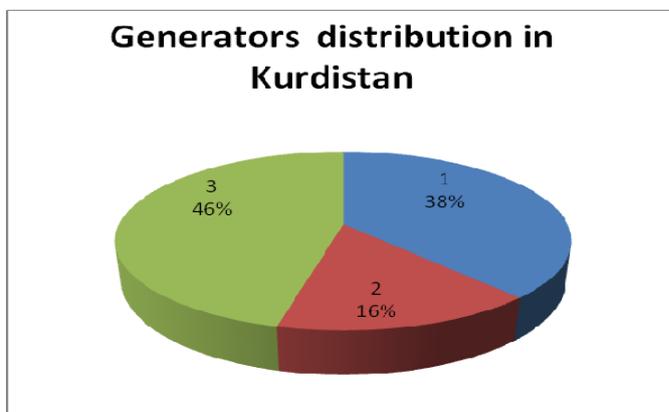
		No generators	Generated energy KVA	Generated energy Mw/h
1	Erbil	288	39,287.5	275,326.80
2	Dohouk	119	22,845	160,097.76
3	Suleimaniya	348	72,518.04	82,061.10
	Total	755	134,650.54	517,485.66

Source: Nawzad Mohammad Hamad, *Infrastructure and Sources of Financing*, Master's Thesis, School of Administration and Economy, Department of Economics, Salaheddin University, 2002.

The following diagram presents a comparison between generated energies KVA and MW/h in the three provinces:



The diagram shows a comparison in the number of generators



This shows the excessive use of fuel from the available electric power produced by the public sector because of the cheap prices—which do not actually cover real production costs

Fuel

The objective of the energy sector in the region is to provide fuel for all socioeconomic uses, in compliance with adopted standards and specifications, in addition to the diversification of sources and forms of fuel to reinforce secure provision, and develop local, traditional, and renewable sources of energy.

Although this sector was open to private investment to improve use, efficiency, and management of the available sources of energy, the move was insufficient to cause a significant boost of private investment in this sector.

The sector is facing major challenges, including:

- Direct importation and reliance on foreign power markets, with the associated high cost of the import of crude oil and oil derivatives,
- Securing the necessary funding to invest in the development of the power industry and facilities within the timeframe needed to meet energy needs,
- Finding a way to maximize efficient and more economical use of energy in all sectors, and

- Raise the specifications of oil derivatives so that they are consistent with international standards and specifications and ensure environmental protection and public safety.

The sector is characterized by the following:

- Almost total governmental control over the management of oil products;
- The government sector is unable to meet the needs of local market, even though Iraq is an oil producing country;
- In spite of the inflated size of the technical and administrative body managing this sector, it is still unable to meet local market demands;
- Absence of laws and legislation regulating the private sector's importation and exportation of oil products.

Roads and Bridges

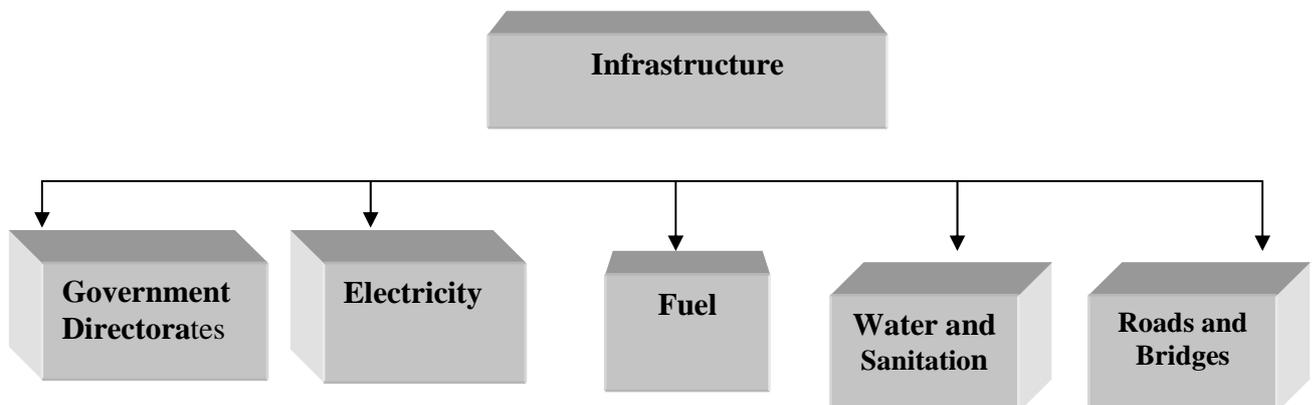
Roads and bridges in the Region are those that link the city neighborhoods to suburbs, and link cities to counties, districts, and villages. There is a significant gap between the size of the population and the needed paved roads. The roads in the region are limited to the use of cars, and there are no railways.

Methodology

Major Patterns

1. Iraqi Business Men Union-Erbil
2. Iraqi Business Men Union-Suleimaniya
3. Iraqi Business Men Union-Duhok
4. Kurdistan Contractors Union-Suleimaniya
5. Kirkuk Contractors Union
6. Kurdistan Economists Union-Suleimaniya
7. Kurdistan Economists Union-Erbil
8. Kurdistan Economists Union-Kirkuk
9. Kurdistan Economists Union-Suleimaniya
10. Kurdistan Economists Union-Duhok

Characteristics of Infrastructure in Kurdistan



Problems and Proposed Solutions

Government Directorates

Problems	Proposed Solutions
1. Inflated government sector and increasing disguised unemployment.	1. Halt inflation in government administrations; rationalize recruitment within the limits of real needs and review no-show jobs. <u>Stakeholders:</u> Council of Ministers
2. Lack of transparency in financial management of some government directorates and ignoring audit reports.	2. Apply transparency in financial management and heed governmental reports and disclosure. <u>Stakeholders:</u> Council of Ministers Ministry of Planning Audit Bureau
3. Overlapping and confusing systems, legislation, and laws governing the different administrative areas and economic sectors.	3. Conduct a thorough review of existing legislation and commence comprehensive administrative, legal, and legislative reform involving representatives of the private sector in the overall discussion. <u>Stakeholders:</u> Regional Parliament Council of Ministers Ministry of Justice
4. Sources of income and expenditures in the public sector are discrepant and are not unified under one financial administration.	4. Unify sources of income and expenditure in one budget at the Ministry of Finance, subject to control by virtue of valid laws. <u>Stakeholders:</u> Prime Ministry Ministry of Finance

<p>5. Lack of coordination among different governmental institutions responsible for the administration of the region's economy and conflicting systems and information issued by such institutions.</p>	<p>5. Impose more effective coordination mechanisms among governmental institutions responsible for the administration of the region's economy.</p> <p><u>Stakeholders:</u> Council of Ministers Ministry of Planning</p>
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Challenges and Recommendations

Challenges

Many challenges are facing the regional government and private business community in reinforcing infrastructure. One of these challenges is the development and consolidation of smooth procedures and reducing frustrating, energy-wasting measures in order to move towards good governance and practices that respect the dignity, needs, and rights of the community. Important governmental decisions, including allowing the private sector to invest in oil and electricity, will be the first challenge the government must confront. In turn, the local private sector must rise to the challenge and prove its ability to undertake such responsibilities while competing with the foreign private sector, which will seize the opportunity to invest in the region. It is hoped that priority will be given to the modernization of the drinking water and sanitation systems, as well as the road network, so that they conform to the modern designs of cities in the region. The government will not be able to achieve these tremendous changes alone, and so the contribution of the private sector will factor greatly into the success of these efforts.

Aspirations

The business community in Kurdistan aspires to a comprehensive strategic plan to upgrade the infrastructure at all levels from conceptualizing modern designs for urban centers to a complete administrative reform of the government sector and a development plan of other infrastructure. The business sector is keen on working alongside the government in the development of infrastructure by contributing to all the necessary activities for the development and strengthening of this sector.

Water and Sanitation Sector

Problems	Proposed Solutions
<p>1. Increased waste of water because of:</p> <ul style="list-style-type: none"> ▪ Old distribution and supply systems, ▪ Lack of awareness among citizens towards wasting water, ▪ Low cost of water that promotes a culture of wasting water among citizens, ▪ Absence of administrative oversight committees to hold accountable those citizens who excessively use or waste water, ▪ The Water Directorates in the provinces are incapable of addressing problems of leakage in a timely manner, despite the large numbers of employees, ▪ Lack of machines and equipment for maintenance and of spare parts to maintain such machines and equipment. 	<p>1. Formulate a comprehensive strategy to address the problem of water waste, including:</p> <ul style="list-style-type: none"> ▪ Improve and develop the distribution and supply system gradually, involving the private sector in production and distribution management and organization. ▪ Impose new fees on water to recover production cost, ensure minimization of waste, and raise citizens' awareness of the importance of this resource and its reasonable consumption; involving the private sector in defining fees and periodic reviews. ▪ Appoint specialized firms to maintain networks with an obligation to accomplish tasks in a timely and accurate manner. <p><u>Stakeholders:</u> Ministry of Municipalities Ministry of Water Resources</p>
<p>2. Outdated mechanisms for water fee collections and the absence of accurate accounting at the water directorates to show the amounts of revenue expended and collected.</p>	<p>2. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Abolish the system that defines fees in accordance with the residential area and introduce a system to collect fees regularly. ▪ Appoint specialized private sector firms to collect fees, by enacting new legislation that initially allows for the participation of the private sector in water distribution and fee collection as a step towards the privatization of this sector. <p><u>Stakeholders:</u> Regional Parliament Ministry of Municipalities</p>
<p>3. Water management:</p> <ul style="list-style-type: none"> ▪ Employees of the water directorates have poor technical 	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Involve the private sector heavily in water management, starting with

<p>and administrative abilities and do not have the capacity to conduct studies or create or implement designs according to modern technical and scientific standards. The techniques used in water management are outdated.</p> <ul style="list-style-type: none"> ▪ Water reservoirs in cities are too small to meet domestic and business needs. 	<p>conducting the necessary studies, then designing and implementing, and then training and capacity building.</p> <ul style="list-style-type: none"> ▪ Increase the technical and managerial capacities of employees through intensive training courses, especially those conducted by specialized training institutions. ▪ Review the plans—and reality—for producing, purifying and storing water intended to supply cities. <p><u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities Ministry of Water Resources</p>
<p>4. Continuous depletion of underground water in spite of the abundance of shallow water due to increased digging of artesian wells to meet domestic needs, hence preventing important economic sectors and future generations from benefiting from this resource.</p>	<p>4. Set up a management and organization system to oversee underground water reserves, in addition to identifying priorities of use according to a clear strategy. It is necessary to involve the international and local specialized private sector in formulating a groundwater management strategy for the region.</p> <p><u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities Ministry of Water Resources</p>
<p>5. The wastewater systems are connected to rivers and lakes because of the lack of treatment plants, which increases pollution of water that would otherwise be suitable for human and agricultural uses.</p>	<p>5. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Support private sector and foreign efforts to construct wastewater purification and treatment plants and recycle and reuse this water in agriculture and industry. ▪ Launch projects implemented by specialized local or international companies to set up integrated wastewater systems in all cities of the region. Connect them to joint or independent drainage and treatment areas in order to control wastewater and reduce its impact on public health. ▪ Allow for the establishment of

	<p>private sector and academic laboratories to monitor the quality of water, pollution levels, and quality control standards.</p> <p><u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities Agriculture Ministry Water Resources Ministry Health Ministry Investment Commission</p>
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Fuel

Problems	Proposed Solutions
<p>1. Outdated means of transporting oil from supply sources to reservoirs and points of consumption.</p>	<p>1. Provide the necessary facilities to the private sector in order to enable it to own specialized transportation vehicles that can transport oil and oil derivatives and take responsibility for the entire process of transportation and supply.</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Transportation ▪ Ministry of Trade ▪ Ministry of Natural Resources
<p>3 The region relies on the quotas allocated by the Federal Government or on those imported from neighboring countries in its supply of oil derivatives, which makes the region's oil needs subject to economic and political changes and fluctuation. The situation also encourages wide-scale smuggling and counterfeiting.</p>	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Allow the private sector to establish new refineries to accelerate the implementation of the approved oil derivative projects that meet the region's needs. ▪ Control smugglers at the source of oil to ensure that the region receives its quota. <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Interior ▪ Ministry of Natural Resources ▪ Investment Commission

<p>4. The public sector is unable to meet local demand, which gives way for a parallel black market for oil derivatives.</p>	<p>4. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Allow the local and foreign private sector to meet the needs of the local market. ▪ Diversify the sources of energy and alternative energy sources, and develop local sources of energy by adopting a strategy to use clean energy. ▪ Enact clear and specific legislation that guarantees all environmental, health and security elements of this trade. <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Regional Parliament ▪ Ministry of Natural Resources ▪ Ministry of Higher Education ▪ Investment Commission
<p>5. The lack of large reservoirs to store sufficient quantities of oil to meet increasing demand.</p>	<p>5. Provide the private sector with the opportunity to build large reservoirs and allow foreign investors to work in this sector to ensure a permanent strategic reserve for emergencies.</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Trade ▪ Ministry of Natural Resources ▪ Investment Commission

Electricity Sector

Problems	Proposed Solutions
<p>1. Electricity sector strategies:</p> <ul style="list-style-type: none"> ▪ Overlapping activities within the three functions of electricity (generation, transport, and distribution) leading to excessive centralization in decision making and ambiguous lines of responsibility in cases of negligence. ▪ Random expansion of the network and in the distribution chart to all the cities of the region. 	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Formulate major investment strategies to develop the electric sector and identify its functions and mandates at all levels. ▪ Build an effective partnership between companies and specialized consulting firms in electric projects. ▪ Conduct technical and economic feasibility studies prior to the implementation of electric

	<p>projects.</p> <ul style="list-style-type: none"> ▪ Seek the assistance of experts and consultants upon expanding electric grids and lines. ▪ Consider seriously the separation of these activities and consider the partial privatization in accordance with legislation that allows private companies to at least participate in electricity distribution. <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Electricity ▪ Ministry of Planning
<p>2. Production problems:</p> <ul style="list-style-type: none"> ▪ The role of the private sector is only informal, but its contribution has been insufficient, despite the fact that its share of production exceeds that of the public sector. ▪ Continuous fluctuation of production, despite the ability of the private sector to contribute to increasing production in an accelerated manner and the government's monopoly over the official production of electricity in the region. 	<p>2. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Increase the contribution of local and foreign private sector in production, as an initial step towards the partial or total privatization of this sector. ▪ Allow official acknowledgment of the role of current local producers and issue clear regulations for this sector rather than relying on personal interpretations of the law. <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Electricity ▪ Ministry of Interior
<p>3. Distribution problems:</p> <ul style="list-style-type: none"> ▪ The lack of classification of electricity consumers according to purpose of consumption, or any other classification; the lack of advanced standards to control the distribution of electricity and gas. ▪ Poor electricity networks and distribution lines in the region. ▪ The low fees applied to electricity, which have an impact on reasonable use. ▪ A high level of loss because of unfair distribution of electricity among different areas and lack of public awareness regarding wasting electricity among citizens. 	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Gradual shift in distribution towards the private sector, because of its high flexibility in oversight and the absence of red tape. ▪ Identify appropriate coordination mechanisms between electricity departments to ensure fair distribution of electric power. ▪ Introduce new electricity fees that are at least close to those in neighboring countries, which will lead to its reasonable use. Involve business associations, particularly those representing the trade, agriculture, tourism, and industry sectors, to ensure that they are not

	<p>harmed.</p> <p><u>Stakeholders:</u></p> <ul style="list-style-type: none"> ▪ Ministry of Electricity ▪ Ministry of Planning
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Challenges

There is a significant gap between the energy available for consumption and the increasing demand for power. This gap is increasing because of current policies in the region for the following reasons:

- The increasing demand for electric power due to the rise in demand for imported electric devices.
- The annual rate of population growth in the region of 2.8 percent.
- The expansion of electricity grids, especially in villages and rural areas in order to encourage relocation to those areas that had previously been deprived of electric power.
- The establishment of a large number of businesses, particularly to benefit from the Investment Promotion Law (which encourages large-scale investments) without the adequate energy production to meet the demand.
- The absence of any attempt to keep abreast with scientific progress regarding modern use of alternative energy sources and clean energy, which is less costly and less harmful to humans and to the environment.

Aspirations

Experts and specialized personnel should be brought in to participate in making strategic decisions on electricity. Also, all legislative and legal barriers that hinder the contribution of the private sector to the production of electric power should be removed in order to improve performance and service. Moreover, electricity fees should be increased so that it becomes profitable for the private sector. Finally, it is possible to use the card system to control excessive use of electricity.

The use of alternative and clean energy in the production of electric power should be adopted and the role of the private local and foreign investment sector in developing opportunities for using this power should be expanded.

Roads and Bridges

Problems	Proposed Solutions
<p>1. The government is unable to provide the necessary funding to upgrade transportation roads to match developments in the region.</p>	<p>1. Involve the private banking and financial sectors in providing credit to contribute to building roads and bridges.</p> <p><u>Stakeholders:</u> Ministry of Municipalities Ministry of Planning Ministry of Reconstruction</p>
<p>2. There is a significant gap between the size of the population and available roads, especially roads that connect cities, counties, districts, and rural areas. This negatively affects the process of the reconstruction of villages and rural areas, and consequently discourages relocation to rural areas.</p>	<p>2 Coordinate with knowledgeable and experienced institutions to identify priorities to build and maintain roads that link cities and towns, taking into consideration the increasing needs for new roads to match the increasing number of vehicles and the population growth.</p> <p><u>Stakeholders:</u> Ministry of Municipalities Ministry of Planning Ministry of Reconstruction</p>
<p>3. There is a huge shortage of necessary machines and equipment. Also, there is a problem with insufficient production capacities and the poor quality of the asphalt firms.</p>	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Make the updating of all machines in asphalt firms soliciting the active contribution of the private sector essential to making the necessary changes. ▪ Impose strict quality standards on the products produced by such firms and allow for the establishment of private quality control labs. <p><u>Stakeholders:</u> Ministry of Municipalities Ministry of Planning Ministry of Reconstruction</p>

Problems	Proposed Solutions
1. Tourism projects are built in residential areas, which is a violation of law.	1. Do not permit the establishment of tourism projects in residential areas. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Investment Commission
2. Allocating tourism lands to individuals who use the land in an inadequate manner and for purposes other than tourism.	2. Monitor lands allocated for tourism projects to ensure they are not used for other purposes and implement control and oversight laws. <u>Stakeholders:</u> Ministry of Municipalities Investment Commission Ministry of Construction
3. Building residential units in tourist areas (as is the case in Dukan County, for example), which affects the aesthetic aspect and tourism in the area.	3. Proposed solutions: <ul style="list-style-type: none"> ▪ Adopt special standards for tourism sites that prevent building residential units there. ▪ Adopt technical engineering specifications for building tourism locations. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Ministry of Construction
4. Woodlands and green spaces allocated for parks inside cities are being converted to residential areas, thus harming the aesthetics in cities and reducing their viability for tourism.	4. Preserve green spaces allocated for parks in accordance with the master plans of cities in the region. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Ministry of Agriculture

Support Services

Problems	Proposed Solutions
1. The unavailability of the necessary infrastructure for private tourism projects, such as electricity, roads, fuel, and water.	1. The government must provide necessary services such as electricity, roads, fuel, and water. <u>Stakeholders:</u> Ministry of Public Works Ministry of Tourism Investment Commission
2. The lack of insurance companies for existing tourism projects, which are under	2. Promote the establishment of insurance companies, or re-open existing insurance



11. Private Tourism Sector

Summary

Kurdistan enjoys natural, geographic, and historical characteristics that have not been rewarded their fair share in economic development plans, and that could have sizably contributed to the Gross National Product (GNP). The private tourism sector is a major component of the economy of the region—a region that enjoys an attractive environment and socioeconomic progress. Moreover, this sector is capable of generating thousands of jobs and income-generating opportunities.

Tourism in the Kurdistan region has historical, cultural, and environmental dimensions, all of which combine to promote distinctive forms of tourism. However, the sector suffers from a lack of information and data on the number of incoming tourists and their needs, a lack of sufficient incentives for attracting foreign investments (including poor guarantees in this sector), and the rudimentary participation of the local private sector in tourism investment. It also suffers from weak coordination between concerned governmental parties and the private tourism sector. Furthermore, there is a lack of quality control by a supervisory body that should use international standards of tourism activities, and there is an absence of serious follow-up on problems and aspirations, and a scarcity of specialized cadres at various levels who can contribute to building a tourism base in the region and contribute to its progress. Hence, the sector seeks to reform existing legislation to protect investors, implement and regulate the Labor Law to conform to rules of the free market, and introduce a legislative amendment that grants sufficient incentives and guarantees to promote foreign investment, including granting foreign investors a minimum two-year, renewable residence permit.

Introduction

Tourism represents a main component of the national economy of many countries, and it is an active element in socioeconomic change. It also constitutes the means for the exchange of knowledge and the interaction between different cultures. Furthermore, this sector is capable of stimulating economic activity. The activity of institutions concerned with developing tourism in the region and in Iraq as a whole has been less than satisfactory. Existing tourism enterprises and tourism services institutions are not oriented toward meeting tourists' needs and desires. There were no rules or criteria to define implementation priorities, or an actual adopted work plan. It is noted that tourism institutions only perform poor tourism services in scattered areas, and continue to lack experienced and specialized staff, which is as decisive a factor as the elements of nature.

Historical, archaeological, and natural sites in Iraqi Kurdistan can become distinctive tourism attractions. Tourist destinations marketed in many parts of the world—including some in neighboring countries—that generate billions of dollars are much less aesthetically attractive than some of Kurdistan's promising opportunities. Hundreds of natural, treatment, recreational, religious, archeological, and civilization tourism sites are neglected, and no one knows about them except the inhabitants or descendents of the area's villages and towns. There is an absence of comprehensive tourism promotion and creative tourism services, leaving Kurdistan's treasures in oblivion, shutting the doors at sunset in the summer and freezing all activities in its beautiful winter.

Characteristics of the Private Tourism Sector

1. The beautiful nature encourages distinctive tourism in all forms, in addition to the abundance of archeological and religious sites and those linked to appealing popular

fables. There are also treatment tourism locations, and sites that enjoy ample biodiversity and that can become natural reserves.

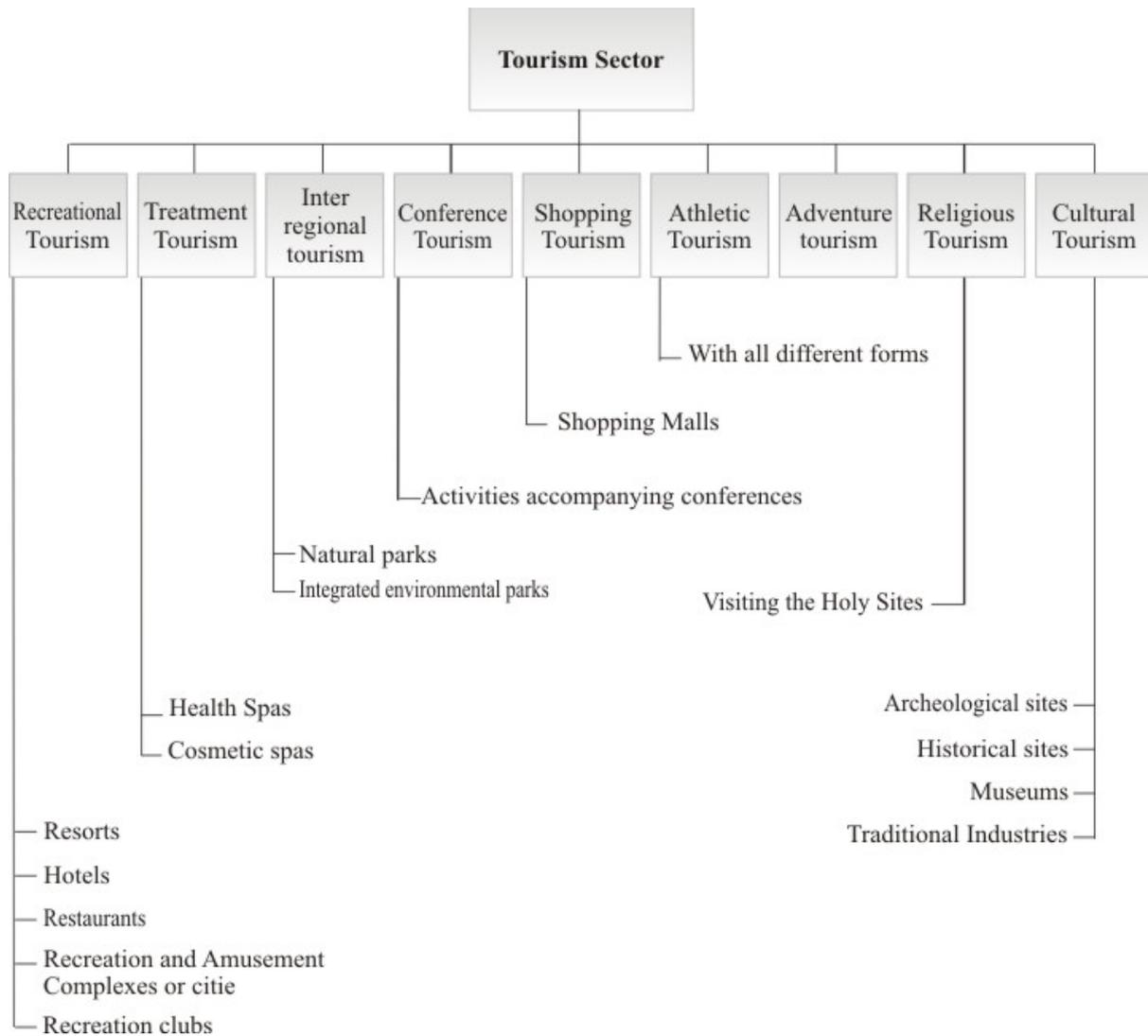
2. There is an absence of sufficient incentives for attracting foreign investment, including lack of guarantees of such investments.
3. There is poor participation by the private sector in tourism investments, which is restricted to a limited number of rudimentary restaurants that do not attract tourists and fail to meet demand during high tourism seasons.
4. There is an absence of defined and clear coordination mechanisms between governmental bodies and the private tourism sector.
5. There is an absence of a central body that provides quality control and control mechanisms over the performance of tourism in accordance with international standards.
6. The absence of serious oversight of tourism investment enterprises means compliance with their obligations cannot be assured, and there is a lack of evaluation of their work.
7. A monopoly exists for some tourism enterprises and facilities.
8. Poor or scarce cadres and specialized tourism directorates at all administrative and executive levels can contribute to building a tourism services base in the region and enable its development.

Methodology

Major Partners

1. Kurdistan Hotels & Restaurants Association-Erbil
2. Kurdistan Hotels & Restaurants Association-Suleimaniya
3. Kurdistan Hotels & Restaurants Association-Duhok
4. Travel and Tourism Society in Kurdistan Region
5. Iraqi Business Men Unions
6. Academics and experts specializing in tourism
7. Kurdistan Economists Unions
8. Salaheddin University
9. Suleimaniya University

Classification of the Tourism Sector



Problems and Proposed Solutions

Legislation

Problems	Proposed Solutions
1. Absence of legal protection for small investors.	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Adopt a comprehensive small-to-medium enterprises (SME) development project that includes different forms of tourism enterprises and supports traditional industries in order to contribute to the continuous growth of the sector. ▪ Provide legal guarantees to protect small investors and encourage them to invest. <p><u>Stakeholders:</u> Investment Commission Ministry of Tourism</p>
2. Lack of equality between local and foreign investors, with insufficient guarantees given to foreign investors.	<p>2. Enact legislation or amend existing legislation that grants investors sufficient incentives to promote foreign investment in tourism.</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Finance Investment Commission</p>
3. Residence permits are granted to foreign investors for only a short period.	<p>3. Amend the Residence Law and set foreign investors' residence permits at a renewable minimum of two years.</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Interior Ministry of Tourism</p>

Human Resources

Problems	Proposed Solutions
1. Absence of tourism awareness in schools and educational institutions and weak general tourism awareness.	<p>1. Include subjects of tourism awareness in school curricula and give attention to tourism media.</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Education</p>
2. Lack of a trained workforce in different tourism services.	<p>2. Facilitate bringing in a trained workforce from outside the region or outside Iraq.</p>

	<p><u>Stakeholders:</u> Ministry of Labor and Social Affairs Ministry of Interior</p>
3. Scarcity of a workforce specialized in hotel management and other fields of tourism.	<p>3. Establish hotel management and tourism colleges and institutes; seek the assistance of foreign staff and send staff to attend training courses outside Iraq and the Region.</p> <p><u>Stakeholders:</u> Ministry of Higher Education and Scientific Research Ministry of Tourism</p>

Regulatory Procedures

Problems	Proposed Solutions
1. Lengthy and complicated red tape that impedes processing tourism investment applications.	<p>1. Cut down on red tape in investment applications.</p> <p><u>Stakeholders:</u> Ministry of Industry Investment Commission</p>
2. Multiplicity of supervisory bodies over the private tourism sector. Tourism and travel agents are supervised by the Ministry of Transportation, while ordinary restaurants and hotels are supervised by the Province.	<p>2. Unify all tourism-related activities and operations under the mandate of the Ministry of Tourism.</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Transportation The Province</p>
3. Security procedures prevent access to the region by tourists from central or southern Iraq.	<p>3. Adopt security measures that are tourist-friendly and strike a balance between tourism promotion and security requirements.</p> <p><u>Stakeholders:</u> Ministry of Interior</p>
4. Travel and tourism agencies are incapable of exchanging tourism groups with foreign countries because of the weak activity of commercial representation offices and the absence of tourism representation offices at Iraqi embassies.	<p>4. Encourage travel and tourism agencies to exchange tourist groups with other countries, open tourism representation offices within Iraqi embassies abroad, and jumpstart the role of Iraqi commercial representation offices.</p> <p><u>Stakeholders:</u> Ministry of Tourism Ministry of Foreign Affairs</p>

Problems	Proposed Solutions
1. Tourism projects are built in residential areas, which is a violation of law.	1. Do not permit the establishment of tourism projects in residential areas. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Investment Commission
2. Allocating tourism lands to individuals who use the land in an inadequate manner and for purposes other than tourism.	2. Monitor lands allocated for tourism projects to ensure they are not used for other purposes and implement control and oversight laws. <u>Stakeholders:</u> Ministry of Municipalities Investment Commission Ministry of Construction
3. Building residential units in tourist areas (as is the case in Dukan County, for example), which affects the aesthetic aspect and tourism in the area.	3. Proposed solutions: <ul style="list-style-type: none"> ▪ Adopt special standards for tourism sites that prevent building residential units there. ▪ Adopt technical engineering specifications for building tourism locations. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Ministry of Construction
4. Woodlands and green spaces allocated for parks inside cities are being converted to residential areas, thus harming the aesthetics in cities and reducing their viability for tourism.	4. Preserve green spaces allocated for parks in accordance with the master plans of cities in the region. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Tourism Ministry of Agriculture

Support Services

Problems	Proposed Solutions
1. The unavailability of the necessary infrastructure for private tourism projects, such as electricity, roads, fuel, and water.	1. The government must provide necessary services such as electricity, roads, fuel, and water. <u>Stakeholders:</u> Ministry of Public Works Ministry of Tourism Investment Commission
2. The lack of insurance companies for existing tourism projects, which are under	2. Promote the establishment of insurance companies, or re-open existing insurance

the supervision of the Ministry of Transportation. This also applies to restaurants and hotels that are under the supervision of the Province.	companies, to provide the necessary guarantees. <u>Stakeholders:</u> Ministry of Finance Investment Commission
3. Absence of plans or procedures that promote tourism-related industries, such as glass craftwork and traditional industries, despite their importance to increasing the income of tourism support industries.	3. Formulate a comprehensive plan to promote tourism-related industries and meet the needs of local tourism promotion. <u>Stakeholders:</u> Ministry of Industry Investment Commission Ministry of Culture Ministry of Tourism
4. Lack of mobile car-maintenance workshops or stations that provide services to citizens during their visits to tourist areas, particularly in spring, and the scarcity of fire engines, ambulances, and civil defense stations.	4. Set up mobile car-maintenance workshops and provide fire engines, ambulances, and civil defense stations to ensure the safety of tourists. <u>Stakeholders:</u> Ministry of Municipalities Ministry of Interior Ministry of Health

Strategic Planning

Problems	Proposed Solutions
1. Absence of a strategic tourism development plan for the region.	1. Formulate strategic plans for developing tourism within a specific period, in cooperation with the private sector, and allocate appropriate budgets. <u>Stakeholders:</u> Ministry of Planning Ministry of Tourism Investment Commission
2. Absence of an integrated master tourism plan that defines the future vision for tourism expansion in the region, and which also regulates the development of potential tourism sites.	2. Formulate a master plan that identifies appropriate tourism sites and that conforms with the master plans of cities in the region. <u>Stakeholders:</u> Ministry of Planning Ministry of Tourism Investment Commission

Taxes and Financing

Problems	Proposed Solutions
1. The high prices of tourism services	1. Resolve the problem of high priced

<p>because of the high price of fuel and the high taxes imposed on the sector.</p>	<p>fuel and make sizable reductions in taxes imposed on tourism projects and facilities.</p> <p><u>Stakeholders:</u> Ministry of Finance Ministry of Energy and Electricity Investment Commission</p>
<p>2. Lack of loans for tourism SMEs amid the absence of any other sources of financing, including the establishment of shareholding companies.</p>	<p>2. Provide short-term and long-term soft loans from government banks for small and medium tourism enterprises.</p> <p><u>Stakeholders:</u> Ministry of Finance</p>
<p>3. The income tax imposed by the Iraqi Government in 1992 was later cancelled, but it is still applicable in Suleimaniya. (For example, the income tax imposed on four laborers in one project amounted to 2,470,000.)</p>	<p>3. Abolish the income tax.</p> <p><u>Stakeholders:</u> Ministry of Finance</p>
<p>4. Imposing taxes on each part of tourist resorts separately, where, for example, taxes imposed on the hotel, restaurants, swimming pool, and amusement centers are independent of each other.</p>	<p>4. Unify the taxation system in the Region and all over Iraq, and grant a 10-year tax exemption to tourism enterprises, even those that do not qualify under the Investment Law.</p> <p><u>Stakeholders:</u> Ministry of Finance</p>
<p>5. Problems related to calculating taxes irrespective of actual occupancy of tourist establishments. Some companies pay taxes without implementing any projects or pay taxes imposed on halted projects.</p>	<p>6. Exempt companies from taxes in cases where projects were not implemented or if a project was halted.</p> <p><u>Stakeholders:</u> Ministry of Finance</p>
<p>6. Selective methods in calculating taxes, imposing it on some and exempting others.</p>	<p>6. Apply the laws with equality.</p> <p><u>Stakeholders:</u> Ministry of Finance</p>

Challenges and Aspirations

Challenges

The private tourism community faces major challenges. Despite the fact that some tourism institutions, such as hotels and restaurants, are quite old, and despite their good past performances and contributions to the sophisticated local tourism traditions, they have limited potential and their contribution to the region's GDP is low. The major challenge is to expand the role of the private sector and allow it to take the initiative. Throughout the world, the private tourism sector has always taken the lead in development, creativity, quality standards, and contribution to the GDP. The ability to penetrate the tourism markets is yet another challenge the sector faces in the region.

Aspirations

The tourism sector aspires for wider participation of tourism-minded NGOs and groups in introducing comprehensive reform to relevant legislation. This is in order to enhance the sector's ability to contribute effectively to the region's economy. The sector also hopes that governmental bodies realize that the captivating nature of the region constitutes a competitive advantage that must receive its fair share of attention and care.



12. Private Financial and Banking Sector

Summary

This section essentially outlines reforming the financial and banking sector's legal and legislative frameworks (legislative authority), as well as the regulations and legal procedures (executive authority), so that this sector is able to conduct its activities in a manner that is open to the global banking system and regional and international capital markets, and so that it may deal with them competently to achieve stability and continuous growth.

The important role that financial and banking institutions play, and the need to provide the best banking services, requires adopting principles of transparency, disclosure, good governance, and flow of comprehensive socioeconomic and political information, in order for the financial and banking institutions to conduct real reform in the financial and banking sector in the region.

The financial and banking sector also suffers from low confidence in local banking services because of a few weaknesses. One is the weak banking performance and the absence of strategies in the management of different governmental banks. Others include the dearth of insurance services and lacking corporate governance in the banking sector. Furthermore, many overlapping laws obstruct the development of different aspects of banking and financial activity.

At another level, this section aims to pave the road to advancing the private banking sector, setting up a promising stock exchange in the region, and establishing insurance and re-insurance companies. This requires legislative and legal reform, and sizable governmental and institutional efforts.

Introduction

The goal behind [legislative and institutional reform](#) in today's world is to develop and restructure banking and financial institutions. This stems from the fact that these institutions constitute one of the most important pillars for sustainable and institutional development in several other economic sectors. They also constitute the engine for activating financial and monetary policies and investment laws on direct and indirect foreign investment. Defects and shortcomings in basic banking operations cause critical situations and problems that many banks in the world have faced, and which led to the establishment of international bank's rating institutions that operate in accordance with international agreements. Agreements were also signed on hedging standards, reflecting widespread international concern over the performance of banks because of the important role they play in international economic and financial relations, and which necessitates developing this performance measure in order to ensure that their services keep abreast with worldwide development.

It is not possible to radically restructure banks without the collaboration of the Ministry of Finance, the Central Bank, and other banks and financial and investment institutions, and without efficient governmental support. This enables banks to conduct business in an open manner before the global banking system and the regional and international capital markets, and it enables banks to deal with them competently to achieve stability and continuous growth.

[Legal reform](#) is the solid foundation of the economic activity of any society. Embarking on reform requires effective laws that are harmonious with the particular surroundings,

and that work harmoniously together to achieve their final goal—namely serving the society and regulating relations at the individual and institutional levels. These must also be compliant with international laws, since the world today is integrated and interconnected with foreign, regional, and international environments. Hence, it is necessary to emphasize the application of principles of transparency, disclosure, and the comprehensive flow of socioeconomic and political information in order to be capable of achieving real reform in any sector.

The overlapping of financial laws and the numerous authorities behind them are among the most significant factors that obstruct development at all levels. (There are several examples on overlapping laws issued in 2003 and 2004, despite their attempts to comply with international standards and laws and the consequent urgent need to restructure financial institutions that had been neglected for decades.)

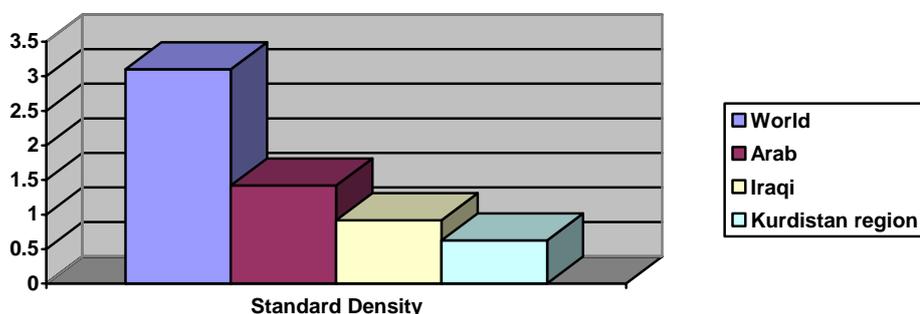
Characteristics of the Financial and Banking Sector in the Kurdistan Region

Lack of confidence in local banking services:

- The progress in banking awareness is directly related to the citizens' need for fast and competent banking services. If the business practices of banks are encouraging, then such awareness will gradually increase. The extremely slow progress in this process indicates the need for further efforts to achieve this goal. Many citizens recall previous problems they had faced with local banks that make them prefer (whether intentionally or out of ignorance of the current quality improvement in the local banking sector) to deal with other banks outside of Iraq.
- All banking services provided to citizens of Kurdistan became paralyzed in 1992, and for a long period after, during which an awkward situation prevailed where the Iraqi currency used for transactions in the region was of a print called the "Swiss dinar," while all other Iraqi provinces used the Iraqi-minted dinar in their transactions. This situation had a negative impact on the life of citizens in the region, before all Iraqi currencies were cancelled and withdrawn during the rule of the U.S. Governor Paul Bremer. All banking services ceased during that period, which lasted for almost fifteen years, and citizens were dependent on private sector money exchangers (particularly for transfers between the region and abroad, changing local currency with other currencies, especially the U.S. dollar). Citizens in the region experienced loss from expired currency because the Central Bank stopped exchanging expired currencies. Moreover, citizens suffered losses resulting from the decision to cancel the 25-dinar "Swiss" banknote.

Weak Banking Performance

The banking performance is weak and well below international standards, as revealed by indicators of banking density, such as the rate of banks to population. This requires accelerating the process of horizontal expansion of banking services to include all strata of society (see the chart below) and moving away from the search for large operations that bring easy profits. Providing services to public employees, mall customers, and retail traders constitutes an important stage in the development of banking, as it helps gain the trust of citizens from all social groups. This also serves as the introduction that opens the door for making profits in the near future.



The banking density indicator shows that the Kurdistan region's rate of deviation from the international level is almost 1/5.

Absence of Governmental Strategies to Deal with the Underdeveloped Governmental Banks

These banks continue to provide a poor level of general banking services, and they are not keen on detailed plans that can improve their performance, such as restructuring or the privatization of public sector banks.

Weak Insurance Services in the Region

There is an absence of the legal framework and practical incentives for establishing insurance companies for deposits and loans in order to protect depositors, banks, and investors. There has been no tangible progress in this direction since 1992.

Absence of a Clear Plan to Set up a Stock Exchange in the Region

Although the stock exchange constitutes a fundamental pillar to develop the investment environment and implement the new Investment Law in Kurdistan, and despite its crucial role in complementing financial institutions through transforming shares and bonds into cash in a fast and low-cost manner, this vital market is still absent from the region. This constitutes one reason for the slow money cycle and is an obstruction to investment opportunities.

Weak Advanced Financial Services in the Region

Banks have not embarked on the establishment of investment funds, insurance companies, performance rating companies, capital management companies, or other financial institutions that contribute to enriching the financial environment and provide a complementary package of interconnected financial services that push the economy toward continuous growth.

Poor Performance of the Sectors that Support the Financial Sector

The small and medium enterprise (SMEs) sector plays an essential role in modernizing and developing the financial sector, and it is a basic developmental tool that adds to the GNP in countries worldwide. Hence, various governments are concerned with business sectors such as tourism, agriculture, industry, mining, and other sectors since these constitute strategic options for diversifying sources of income and creating local job opportunities. In turn, these efforts

minimize a bank's risks in financing such projects. Hence, banks may take the lead in developing investment all over the region.

Poor Banking Corporate Governance

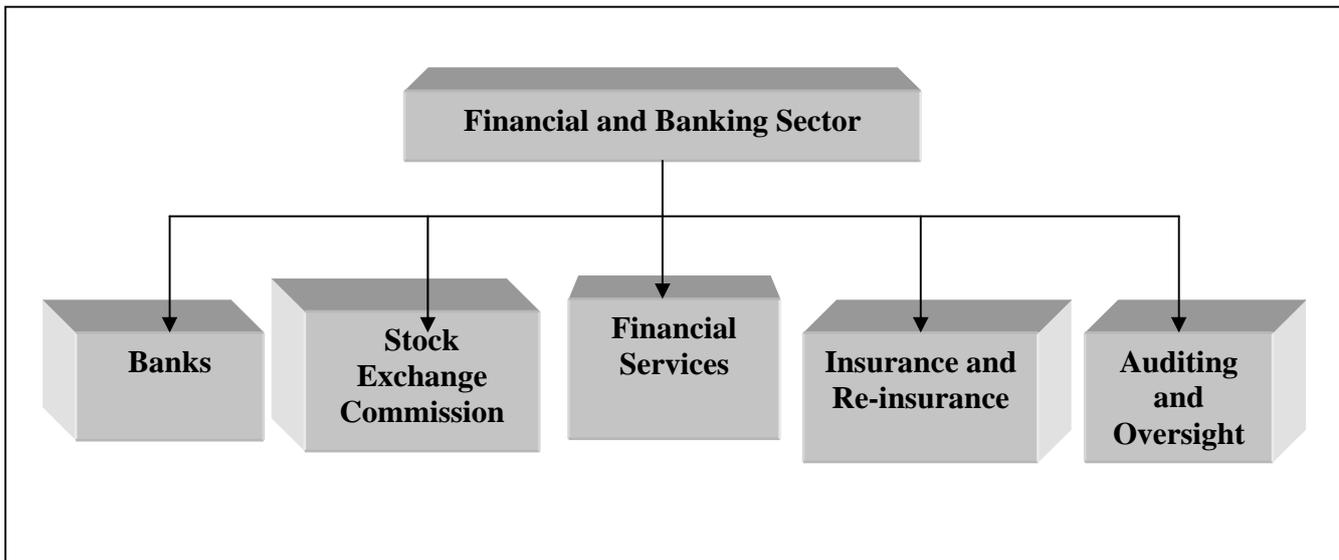
There is an absence of any effective oversight related to the principles of corporate governance in publicly traded banks such as the separation of management from ownership and the restricting of the aim to fulfill narrow (or family) interests. This leads to poor performance and a lack of transparency in banking.

Methodology

Major Partners

1. Private banks operating in the region
2. Chambers of Commerce (Erbil, Suleimaniya, Dohouk)
3. Businessmen's associations and unions in Kurdistan
4. Kurdistan Economists Union
5. Several prominent businessmen
6. Experts for the banking and financial sector

Classification of the Financial and Banking Sector



Problems and Proposed Solutions

Banks and Insurance Companies/The Role of the Central Bank

Problems	Proposed Solutions
1. Overlapping banking and financial legislation (Capital Markets Law, Companies Law, and Banks Law)	1. The need for financial legislative reform to identify the jurisdictions and define the mandates and applications on private sector institutions.

	<p><u>Stakeholders:</u> Council of Ministers Ministry of Finance</p>
2. Private financial institutions are not obliged to comply with the legally binding principles of transparency and disclosure, which weakens investors' confidence in their institutions.	<p>2. Obligate private sector institutions to apply the legally binding principles of transparency and disclosure.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch</p>
3. Lack of interest of the Central Bank in issuing digital analysis indicators for evaluations of banks.	<p>3. The Central Bank must embark on issuing digital analysis indicators for bank evaluation ratings.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch</p>
4. Poor general performance of the banking sector because of weak adoption of modern technology-based operations systems.	<p>4. Obliging banks to adopt modern technology systems within a specific period in order to face future competition challenges, as Iraq is on its way to signing free trade agreements.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch</p>
5. The Central Bank, Hareem Branch, has no role or clear plan to participate in the Payment System Project, which is one of the most important systems to improve bank operations and reduce the movement of currency and accompanying risks.	<p>5. The Central Bank, Hareem Branch, must adopt a plan for participating in the Payment System Project.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch</p>
6. The Central Bank, Hareem Branch, has no role or clear plan to implement the Central Clearinghouse Project for banks of the region, nor for the long-awaited e-Clearinghouse Project.	<p>6. Start setting up a location for a central clearinghouse for all banks in the region as soon as possible</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch</p>
<p>7. Depriving staff at private banking and financial institutions of available training opportunities at local, regional, and international training institutions.</p> <ul style="list-style-type: none"> • Few international development projects implemented in Iraq or in the region have invested in developing the banking sector, such as the National 	<p>7. Proposed solutions:</p> <ul style="list-style-type: none"> • Include private financial and banking institutions in opportunities that international and regional institutions provide for the Iraqi government and the region's government in order to partake in courses inside and outside the region and Iraq. • Benefit from international training projects by listing banking training

Capacity Development (NCD) program.	courses in their training agenda. <u>Stakeholders:</u> Ministry of Planning Central Bank, Hareem Branch
8. Neither the Central Bank of Iraq nor the Central Bank, Hareem Branch, play any role in applying international accounting standards at banks or in preparing the compliance officers in accordance with the Central Bank Law and Basel decisions on minimizing risk.	8. Start formulating a plan, in cooperation with the Central Bank of Iraq, to train a workforce capable of advancing bank operations towards legally binding standard accounting systems. The same should apply to the post of compliance officer, an extremely important task that minimizes risk in banking operations. <u>Stakeholders:</u> The Central Bank of Iraq Central Bank, Hareem Branch
9. Poor corporate governance at banks in the region.	9. Governmental supervision institutions, in cooperation with the Organization for Economic Cooperation and Development (OECD), which is taking the lead in this international effort, must strike a balance between the recent decisions and principles of the Basel Committee and the international principles of corporate governance in order to improve corporate governance at banks in the region. <u>Stakeholders:</u> Central Bank, Hareem Branch
10. Weak confidence in local banking services and a growing culture among the public to refrain from dealing with banks.	10. The state must seriously contribute to initiatives that aim to restore trust in the banking system and its services, and it must exert effort to inform citizens of the progress of banking services, stressing the level of competence and security it has acquired. <u>Stakeholders:</u> Council of Ministers Central Bank of Iraq
11. The Central Bank of Iraq and the Central Bank, Hareem Branch, have not played any role in supporting private Iraqi banks compared to the support that the Iraqi Commercial Bank receives. This bank	11. Support and strengthen banks of the Region to acquire the right to issue letters of credit and governmental letters of guarantee, most of which are undertaken by the Iraqi Commercial Bank, although local

<p>was established in order to develop banking in Iraq, but has taken all governmental allocations without playing an actual role in supporting and developing local banks.</p>	<p>banks have the capabilities to provide such services.</p> <p><u>Stakeholders:</u> Council of Ministers The Central Bank of Iraq Central Bank, Hareem Branch</p>
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Stock Commission and Stock Exchange

<p>1. Principal parties have not formed a founding committee to establish a stock exchange. (The public sector institutions mentioned to the right, in addition to banks and private sector companies.)</p>	<p>1. Form a founding committee for a stock exchange in Kurdistan.</p> <p><u>Stakeholders:</u> Council of Ministers Ministry of Finance Ministry of Planning Ministry of Trade Central Bank, Hareem Branch</p>
<p>2. The absence of a committee that examines the relation with the Iraqi Deposit Center, which is in charge of finances and letters of credit settlements with any stock exchange in the region.</p>	<p>2. Form a commission that is in charge of defining procedures for any form of financial settlements in terms of stock, currency, or mineral trading in order to guarantee the rights of all parties conducting transaction in the region, Iraq, and abroad.</p> <p><u>Stakeholders:</u> Council of Ministers Federal Stock Exchange Commission Central Bank of Iraq Central Bank, Hareem Branch</p>
<p>3. The absence of a committee to promote the formation of shareholding companies, which would play a role in attracting foreign and local capital in preparation for globalization challenges and free trade agreements.</p>	<p>3. Form a committee to encourage the private sector to establish shareholding companies, or to convert private companies into shareholding companies, in order to prepare the business environment for an economy of large companies.</p> <p><u>Stakeholders:</u> Council of Ministers Ministry of Finance Ministry of Planning Ministry of Trade</p>
<p>4. The urgent need for moving toward institutional frameworks in order to</p>	<p>4. Build clear institutional frameworks, adopting the principle of a “one-stop</p>

minimize personal influence on investment opportunities in financial and other sectors.	<p>investment shop” for projects in order to inform investors of their rights in a clear and specific manner and grant them legal protection.</p> <p><u>Stakeholders:</u> Council of Ministers Investment Commission Ministry of Finance Ministry of Planning</p>
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Audit Bureau

Problems	Proposed Solutions
1. The Audit Bureau does not play a clear role in developing standard accounting systems and international audit principles.	<p>1. The Audit Bureau must play a clear role in developing standard accounting systems and international audit principles and in training accountants in the region.</p> <p><u>Stakeholders:</u> Board of Financial Audit</p>
2. The lack of desire to develop principles of accounting for insurance companies, Islamic banking systems, and other modern financial systems.	<p>2. Develop accounting systems for insurance companies, Islamic banking, and other financial services that are spreading all over the world and making large profits for their proprietors.</p> <p><u>Stakeholders:</u> Board of Financial Audit Central Bank, Hareem Branch</p>

Challenges and Aspirations

Challenges

1. Absence of clear future governmental strategies regarding governmental banks.
2. The tremendous technological progress and the increasing competitiveness of financial and banking institutions in the world juxtaposed with the deterioration of financial services and technical capacity in the region, thus reducing the competitiveness of local institutions during times of rapid change. This may strongly reverse the competitive edge in favor of foreign enterprises.

Aspirations

1. Formulate a clear strategy to rescue and restructure governmental banks and make courageous privatization decisions, enabling them to present the best possible services based on competition, which these banks have not had to operate within for some time.
2. Encourage banks and investment companies to offer innovative and advanced investment tools in the capital markets, such as options, fixed terms, and futures in order to bolster investment portfolio management companies. This can be achieved through an integrated strategic vision that adopts the development of competitiveness of different sectors in the region—first and foremost the financial and banking sector.

Principal Parties:

- Council of Ministers
- Central Bank, Hareem Branch
- Ministry of Finance

Challenges–Stock Exchange

The challenge lies in the slow pace of establishing a modern stock exchange in the region, which would present financing opportunities and attract global investment. This delay will have a grave negative impact on the future of economic activity in the region.

Aspirations–Stock Exchange

Set up an effective, modern stock exchange to serve private sector development and competition in the region and contribute to building a close-knit system of businesses and investments in the region, and one that is linked to global capital markets. Founders must, however, avoid the mistakes of others, such as the legislative and technical problems suffered by the Iraqi Stock Exchange.

Principal Parties:

- Regional government

Challenges–Audit Bureau

There is an absence of a constructive vision for evaluating the performance of institutions. Traditional evaluation methods are adopted instead, thus restricting the positive

impact on desired progress. This is in addition to the deteriorating quality of the Bureau's output and a scarcity of training on modern evaluation and auditing techniques.

Aspirations–Audit Bureau

Following are a number of aspirations:

- Conduct a comprehensive and radical review of evaluation and audit controls.
- Encourage private sector companies to participate in establishing auditing and evaluation companies, provided they are committed to accelerate, modernize, and automate operations.
- Focus on the importance of acquiring relevant ISO certifications.
- Provide training and educational opportunities to specialists in order for them to acquire advanced knowledge that contributes to upgrading the levels of auditing and performance evaluation.

Principal Parties:

- Investment Commission
- Audit Bureau



13. Private Transportation Sector

Summary

The private transportation sector agenda constitutes a serious effort to address the major problems and challenges facing its activities in the region. The agenda outlines many of the features of the transportation sector in the region, showing that the special geographic location of the region is not used optimally in a manner that would increase the domestic product. It also addressed the types of ownership of road transportation in the region, including tankers, trucks, and buses that are mostly individuals, not companies. Furthermore, the transportation sector is limited to land and air transport, both of which use outdated vehicles and planes and most of which are not registered with the proper authorities. The agenda revealed many serious obstacles including that the three neighboring countries (Syria, Turkey, and Iran) do not apply the principle of reciprocal treatment in this sector. Drivers and passengers are not granted visas to enter these countries in the same way that visas are issued to their citizens as they enter Kurdistan or Iraq. Moreover, trucks leaving the region are not allowed into these countries without paying extremely high fees imposed by neighboring governments on Iraqi trucks and vehicles. In the end, this imposes continuing obstacles to the sector.

Representatives of the transportation sector in this agenda called for the formation of active joint committees to elaborate a comprehensive, equitable system of inter-regional treatment among neighboring countries and to ratify a system of tax and customs exemptions on vehicles, similar to other sectors enjoying such a privileges under the Investment Law.

Introduction

The transportation sector, which is one of the components of the distribution sector in the gross domestic product (GDP), constitutes a vital source for the economies of many countries and a strategic resource in many others. It also represents a competitive edge for some. In addition, this sector can influence labor and employment and create job opportunities because of its strong input in most other economic sectors' activities. The level of interaction governs the complicated relations with these sectors. The success of companies and business sectors in the world depends on their continuing ability to compete and resist, which depends on five major elements: quality, cost, flexibility, reliability, and rapid delivery. It is a well-known fact that transportation may affect the efficiency and, even more so, the sustainability of these elements.

Today, a long time of reflection is needed to study the situation of the region's transportation and distribution map. It is necessary to contemplate how to solve the problems and challenges facing the activity of the private transportation sector in the region. Notwithstanding the size of services provided by this sector to secure the internal transportation, distribution, and delivery needs, it is still incapable of leading the initiative to expand the region's external economic activities as transportation in this region flows only from the outside in, and not in the opposite direction.

Characteristics of the Private Transportation Sector

1. The transportation sector is limited to land and air transport only. It is relatively new in the region and is underdeveloped when compared to the transportation sectors in neighboring countries. Its contribution to the real per capita income in the region is minimal in comparison to its potential if upgraded.

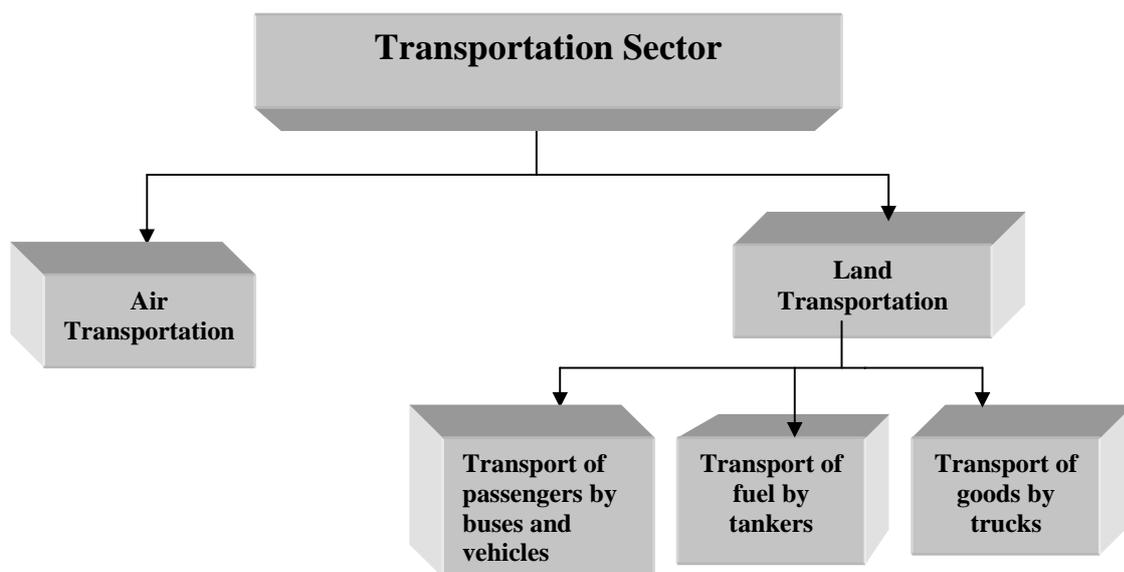
2. Lack of investment of the distinctive geographic location of the region in a manner that could double the national income generated by transportation and related activities, including fees for transit, crossing, road services, warranties, and labor movement.
3. The high cost of all forms of transportation in the region, which clearly increases the prices of commodities and services in a manner that is disproportionate with other economic activities, at least at the present time.
4. The large potential labor force in the transportation sector, and the small number of vehicles and cars used in private transportation. This labor force does not have the sufficient knowledge, has not received appropriate professional training, and lacks experience.
5. Ownership of vehicles, trucks, and buses is mainly individual or familial and there are no companies that combine several types of vehicles or which may contribute to different activities.
6. Assets in the transportation sector (tankers, trucks, buses, planes) are all outdated.
7. Many of the vehicles used in this sector are not registered with any official departments and are therefore not counted in official surveys or statistics that can indicate their contribution to the GNP.

Methodology

Major Partners

1. Transporters Union of Kurdistan
2. Transporters Union of Dohouk
3. Union of Importers and Exporters of Suleimaniya
4. Hotels and Restaurants Union of Suleimaniya
5. Senior transporters from the region
6. Experts specialized in transportation

Classification of the Transportation Sector



Problems and Proposed Solutions

Treatment by Neighboring Countries

Problems	Proposed Solutions
<p>The three neighboring countries (Syria, Turkey, and Iran) do not apply the principle of reciprocal treatment to transporters of the region of all types of vehicles, which generates a number of problems.</p>	
<p>1. Neighboring countries, especially Iran and Turkey, do not grant drivers or passengers entry visas into their land in the same manner that their citizens get entry visas at the region's borders. This hinders any chance for Kurdistan's transporters to enter these countries, while their citizens move freely in the region's provinces.</p>	<p>1. Exert official and diplomatic efforts to acquire reciprocal treatment rights for citizens of Kurdistan in terms of entry visa issuance between Kurdistan and any of these countries, especially for drivers.</p>
<p>2. Iran and Turkey do not allow trucks coming from Iraq/Kurdistan to enter into their territories except under an extremely complicated system that allows some transportation vehicles to enter border cities (in the case of Turkey) or only to the borderline (in the case of Iran). Moreover, entry to the border cities of Turkey is only possible with the prior approval of the Turkish company to which the goods are being transported.</p>	<p>2. Ensure that Iraqi companies, vehicles, and trucks acquire similar rights to enter into Turkish and Iranian territories and ensure they can go through such territories to reach Europe and Asia and other countries using the right of transit passage. Such a step will enable the economies of the region and of Iraq to prosper through exports and access to the world. The free movement of these trucks and vehicles to trading zones is of paramount importance.</p>
<p>3. Iraqi-Kurdistan transporters bear heavy fees imposed without any exemptions by the Turkish government on vehicles traveling to Turkey. In the meantime, Turkish drivers pay fees selectively, like manifest fees on trucks. The Turkish drivers refuse to pay other fees, such as those on tankers, in breach of Iraqi and international regulations.</p>	<p>3. It is necessary to enact a comprehensive and fair system of mutual fees between Iraq/Kurdistan and neighboring countries. The system should be rigorously applied to ensure protection of Iraq's rights to such revenues. It is important to review the systems, regulations, decisions, and agreements issued by neighboring countries that may harm the interests of private transportation in the region. It is also necessary to abstain from offering any unjustified favors to firms and individuals from these countries without getting reciprocal rights.</p>
<p>4. Turkey and Iran continue to impose severe obstacles that have aborted many of the attempts to regulate Iraqi-Kurdish movement of passengers to</p>	<p>4. Form active joint committees to overcome any obstacles hindering road transportation in order to regulate traveling to neighboring countries.</p>

these countries in buses or cars.	
	<p><u>Stakeholders:</u> Regional Prime Ministry Iraqi Ministry of Foreign Affairs Ministry of Finance – Kurdistan Ministry of Transport – Kurdistan Ministry of Interior</p>

Taxes

Problem	Proposed Solutions
<p>1. The taxes imposed on the activities of this sector are high and constitute a burden on laborers and investors despite the low net income. This causes a heavy burden on the overall sector, impeding its ability to survive, sustain, and prosper.</p>	<ol style="list-style-type: none"> 1. Reduce taxes imposed on this sector and replace the current tax system with a flexible one that provides real opportunities to increase the revenues of owners and investors to balanced and acceptable levels. 2. Issue new tax legislation that ensures introduction of essential amendments to the applicable tax law in order to contribute to enhancing opportunities of growth in this sector in the long run. 3. Include all means of transport in the facilities and customs exemptions prescribed to other sectors in the Investment Law. <p><u>Stakeholders:</u> Investment Commission Tax Authority Customs Authority Regional Parliament</p>

Government Opportunities

Problem	Proposed Solutions
<p>1. Insufficient opportunities by the central and regional governments, as they do not rely on oil products transportation companies in their contracts. The government also abstains from leasing gas tankers from the private sector and the same applies to specialized transportation like coolers and fridges. However, it is</p>	<ol style="list-style-type: none"> 1. Issue necessary regulations and instructions to ensure equal opportunities among competing agents. <p><u>Stakeholders:</u> Ministry of Transport Ministry of Trade</p>

noticed that they prefer to hire Turkish, Iranian, or Syrian companies to transport such products.	Ministry of Oil
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Scarcity of Information

Problem	Proposed Solutions
1. Scarcity of statistical data that could help researchers and other interested parties develop the sector; lack of references that present indicators on the size of the sector; its contributions and development strategies.	<p>1. It is important that the government commit itself to providing up-to-date and comprehensive information on the transportation sector at all levels to researchers, investors, relevant unions, and, most importantly, to decision makers.</p> <p><u>Stakeholders:</u> Ministry of Planning Ministry of Transport</p>

Transportation Companies

Problem	Proposed Solutions
1. Lack of legislation specifying the minimum number of vehicles that a transportation company must own. This situation transformed the activities of these companies to a commission system, weakening their organizational ability and undermining their capacity to meet legal requirements.	<p>1. Enact the necessary legislation that obliges companies to own a minimum number of modern and functional trucks as a pre-requisite to being issued a business operating license. This should be coupled with regular monitoring on the evolution of these companies and their capabilities in a logical classification based on the real capacities of every company to be adopted by transporters.</p> <p><u>Stakeholders:</u> Ministry of Justice Ministry of Transport Ministry of Trade</p>

Unions and Associations

Problem	Proposed Solutions
<p>1. Absence of legal rules that oblige transporters and transportation companies to join specialized unions as a condition to practice the profession, which resulted in the absence of legal frameworks for accountability.</p>	<p>1. Oblige vehicle owners and companies working in this sector to join the professional unions that regulate the sector and submit clear statistics thereon. This obligatory registration would provide a minimum level of responsibility among the registered agents when they apply for bids or procurement contracts or when they practice this profession.</p> <p><u>Stakeholders:</u> Ministry of Trade Ministry of Transport Ministry of Interior</p>

Service Garages

Problem	Proposed Solutions
<p>1. The lack of modern service garages for internal and external transportation that provide quality services and facilities to passengers and drivers.</p>	<ul style="list-style-type: none">• Enact regulations and instructions that define environmental and demographic standards for the creation of modern service garages by the private sector.• Review the non-positive role played by transportation unions that currently supervise garages.• Develop legal frameworks to regulate the relationship between trade unions and workers of the sector. <p><u>Stakeholders:</u> Ministry of Interior</p>

Insurance

Problem	Proposed Solutions
<p>1. The absence of mandatory insurance regulations on road transportation, as opposed to the case in many other countries, to protect drivers, passengers and customers. In the absence of such a system, transporters bear solely the damages incurred by robbery, damage, or fire.</p>	<ul style="list-style-type: none"> • Oblige transporters and transportation companies to acquire insurance for every vehicle they own in addition to insurance on their employees, passengers, and cargo. • Encourage insurance companies to work in accordance with regulations and instructions that serve all parties' interests. <p><u>Stakeholders:</u> Ministry of Finance Ministry of Transport Ministry of Trade</p>

Roads

Problem	Proposed Solutions
<p>1. Slow road transportation because of the poor quality of roads (city-city, city-region, region-external, and those between the cities and manufacturing areas). The network is limited to old, poorly paved roads that cause fatal accidents and impede productivity of the sector.</p>	<p>1. Create a network of freeways, bridges and highways that enable the sector to provide the best services. Construct highways away from the centers of crowded cities to reduce transport cost and enable transporters make profit.</p> <ul style="list-style-type: none"> • In unpaved mountainous areas, dig tunnels rather than the sharp bypass roads in order to mitigate risk in the sector. • Link the production areas to marketing outlets and connect them with a network of roads to facilitate

	<p>the flow of goods and services to and from remote areas.</p> <p><u>Stakeholders:</u> Ministry of Transport Ministry of Municipalities</p>
<p>2. Lack of infrastructure for roads connecting the region's cities, combined with the inadequate facilities currently along such roads.</p>	<p>2. Dedicate more attention to the needed infrastructure on roads, including services, lighting, ambulances, traffic signs, rest areas, and maintenance facilities.</p> <p><u>Stakeholders:</u> Ministry of Interior/Traffic Ministry of Transport Ministry of Municipalities</p>

Air Transport–Human Resources

Problem	Proposed Solutions
<p>1. The ineptness of government employees in land services and air transport support logistics. The sector’s management personnel do not take advantage of training opportunities or scholarships allocated as training and educational assistance by donor countries and international organizations.</p>	<p>1. Increase training and human resource development for employees of air transport and utilize available local and international experience to achieve the following:</p> <ul style="list-style-type: none"> ❖ Organize scholarships and training missions in rare specializations including technology and modern applications to specialize in the solutions needed to solve the problems of this sector. ❖ Seek experienced persons available in Iraq and use their knowledge in consultancies and initiatives adopted by the Ministry of Transport. ❖ Allocate budgets to provide intensive coaching and training of trainers to develop the skills of employees of this sector and build their capacities, in addition to inviting international trainers for this purpose. ❖ Make use of the training opportunities offered to the region by international agencies by motivating the private sector to benefit from them. <p><u>Stakeholders:</u> Ministry of Higher Education and Scientific Research Iraqi Ministry of Transport Regional Ministry of Transport</p>

Airport Passenger Security

Problem	Proposed Solutions
<p>1. Application of very strict and unjustified restrictions in many cases on movement of passengers to and from airports.</p>	<p>1. Set up a new and advanced security system that strikes a balance between the security of airports and planes and the comfort of passengers.</p>

	<u>Stakeholders:</u> Ministry of Interior
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Airlines

Problem	Proposed Solutions
1. Strict restrictions are imposed on arrival and leasing of planes by American air traffic controllers (Remote Monitor Control Center, or RMCC) in Qatar, where arrival into Kurdistan requires approval of the base prior to landing in Erbil or Suleimaniya.	1. Follow up on this issue with the American leadership in Qatar to ensure the safety of Kurdistan's air travel and its respect upon arrival and departure of planes, without further complications. <u>Stakeholders:</u> Iraqi Ministry of Foreign Affairs Ministry of Transport
2. Turkey and some other countries object to the passing of planes over their airspace, whether departing from, or arriving to the region.	2. The principal parties should negotiate with the Turkish officials and involve the International Civil Aviation Organization (ICAO) and other international agencies to resolve this crisis. <u>Stakeholders:</u> Council of Ministers Ministry of Foreign Affairs Ministry of Transport

Insurance

Problem	Proposed Solutions
1. High insurance premiums on planes and air passengers flying to and from the region, as Kurdistan's airspace is considered as unsafe as conflict zones in Iraq. This has caused the unreasonably high cost of air transportation.	1. It is necessary to start negotiations with all insurance companies regarding granting an exception to the region in comparison to other areas in Iraq, for Kurdistan's airspace is safe and risk-free. <u>Stakeholders:</u> Ministry of Finance

Competition

Problem	Proposed Solutions
<p>1. Absence of competition rules among governmental parties, which grant preferential treatment to Iraqi Airlines, leading to a monopoly on all internal flights. Consequently, there is no possibility of providing better services to passengers, as is the case in free markets in other countries.</p>	<p>1. It is necessary to treat all airline companies operating in the region equally and without preference in order to strengthen competition and motivate them to provide better services. Competition in air transport must be open like in other business sectors.</p> <ul style="list-style-type: none"> • Allow international airlines to open offices in the region without any pressure or intervention by senior officials. • Oblige airport administrations in the region to cooperate with travel and tourism agents and allow them to have offices at airports to serve the arriving and departing passengers. <p><u>Stakeholders:</u> Ministry of Transport</p>
<p>2. Iraqi airlines use old planes that lack basic passenger services before and during flights while the fares of such flights are too expensive in comparison to similar international services. For instance, an air ticket from Erbil to Baghdad costs US\$100 and is constantly increasing.</p>	<p>2. Reach real solutions by exerting pressure on Iraqi Airlines to lease modern planes to transport passengers and provide excellent services, in addition to lowering the fares of national flights. If competent authorities fail to reach a settlement, they should allow other companies to offer domestic flights.</p> <p><u>Stakeholders:</u> Ministry of Transport</p>

Management of Booking Systems

Problem	Proposed Solutions
<p>1. Booking is manual and departure and arrival of planes does not occur according to</p>	<p>1. It is necessary to install modern, electronic booking and reservations systems in order to</p>

<p>a schedule. The wait for the arrival of passengers may last for many hours or several days, because of the small number of planes used by Iraqi Airlines and as a result of weak coordination between booking offices, airline companies, and airport administrations. This is because of the outdated telecommunications system and non-application of the Transportation Law that provides for guarantees to passengers in such cases.</p>	<p>organize schedules, as is the case in booking offices in other countries. This can be achieved by creating an electronic information network connecting airports, airline companies, and travel and tourism agencies in order to:</p> <ul style="list-style-type: none"> • Coordinate movement of flights. • Organize departure and arrival times. • Provide relevant, up-to-date, and around-the-clock information to companies and offices. • Ensure accurate schedules and direct booking through this network. <p>The fixed times of departure and arrival will enable the imposition of fines or monetary damages on companies violating them. In addition, the means must be found to purchase more planes and mitigate the shortage crisis, which will also help lower the price of airfare.</p> <p><u>Stakeholders:</u> Ministry of Transport</p>
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Travel and Tourism Agencies

Problem	Proposed Solutions
<p>1. Overlapping mandates, as travel and tourism agencies are required to obtain an operating license from the Ministry of Transport despite conflicting areas of specialty.</p>	<p>1. Move travel and tourism agencies from the Ministry of Transport's mandate to the Ministry of Tourism in terms of licensing and legal approval.</p> <p><u>Stakeholders:</u> Regional parliament Ministry of Transport Ministry of Tourism</p>

Challenges and Aspirations

Challenges

The institutions concerned with the transport sector do not have the necessary strategic vision to develop and rehabilitate the sector to enable it to play a bigger role in the future. The main

challenge facing this sector is the preparation of a comprehensive plan concerned with future prospects.

Additionally, there has never been a conceptualization of any vision about the characteristics and advantages of the strategic location of the region. Subsequently, such attributes have been neglected. Another challenge facing government institutions concerned with this sector is the preparation of a comprehensive plan to install traffic systems across the region and impose transit fees, in addition to concluding transit and mutual transit agreements.

Aspirations

Owners, individuals, and companies working in the private transportation sector aspire to a comprehensive plan for the development of this sector, to take advantage of international examples and lessons, and to enlist local unions and organizations in the planning process.

Owners also aspire to conclude clear and informed agreements to benefit from the geographic advantage of the region.



14. Information and Communication Technology Sector

Summary

The information and technology sector (ICT) constitutes the vital foundation of different business sectors all over the world, and it represents the backbone of all governmental services provided to citizens in most developed countries. This sector suffers many problems in the Kurdistan region, including:

- Scarcity of expertise and human resources.
- Scarcity of introduction to new systems and technologies.
- Lack of financing.
- Scarcity of use of ICT in vital institutions such as security services, border crossings, citizenship and civil records, customs, and so on.

There is an urgent need to reform governmental institutions and to reorganize their administrative operations in order to conform to e-government systems. Also, a database must be established to help provide the best outcomes in all sectors. It is worth noting that freedom of communication is one of the recent principles adopted by human rights organizations, because of the importance of communications in shortening distances, facilitating human life, opening up to the world, and interacting with changes.

Introduction

The ICT sector has become a model for a super-fast developing world. ICT has become available in all fields of learning. Personal computers (PCs) have become a necessity, and are as available in many homes as other durable goods. The same applies to tools of modern communication, such as mobile and wireless phones. Computers, information systems, software, and communications constitute the foundation for different business sectors all over the world, and represent the backbone of all governmental services provided to citizens in all countries. Moreover, ICT has become a crucial indicator of economic trends and a main standard for business performance quality. The use of ICT has become a standard for classifying world economies as developed or underdeveloped, based upon to the contribution of different sectors to the GNP. Consequently, this distinguished sector, and its relation with learning and modern sciences, its super speed and its ability to reduce costs and make life easier has become indispensable for people and entire nations.

Furthermore, freedom of communication through modern technology (internet, mobile phones, etc.) is a recent right adopted by human rights organizations all over the world, and is just like other basic right or freedom that international law and national constitutions guarantee.

Characteristics of the ICT Sector in the Region

1. Use of information technology (IT) is still extremely limited. Most applications are restricted to personal and domestic use, while there is a scarcity of advanced information systems, the use of which is rare and limited to a few banks and communications companies.
2. There is an absence of a culture of use of the IT field of science and its applications. Traditional methods, such as paper documentation and conventional learning, continue to prevail. There is also a lack of interest in keeping abreast of progress in this sector.

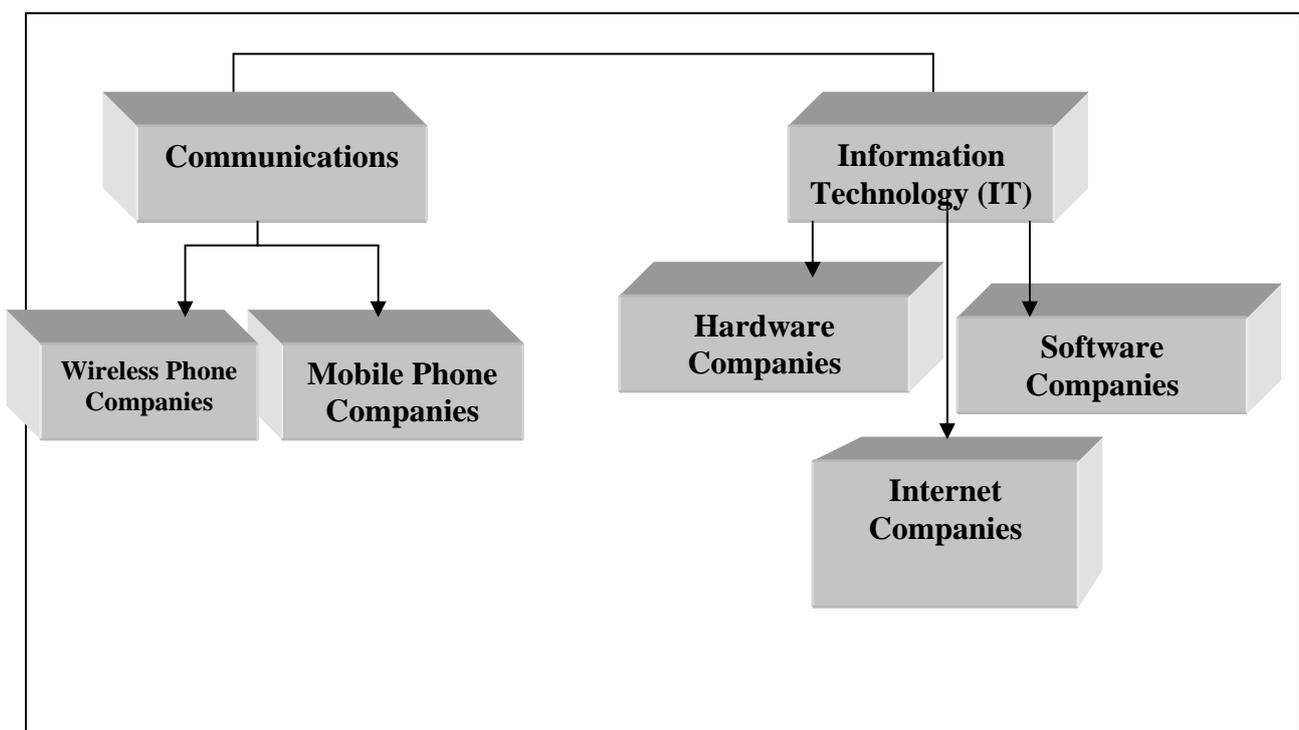
3. The IT market in the region is restricted to computers and their accessories, while there is an absence of a market for software and advanced systems.
4. There is a state of chaos in marketing products and technologies in the region, as poor quality and inferior products dominate.
5. Scarcity of regional experts in the field, as most of them are self-taught, and only a few are educated or trained abroad, and are hence capable of taking the lead in fast change and development.
6. Lack of interest in ICT in the region's educational curricula. Complicated and outdated curricula prevail, amid an absence of ICT education and applications across several school levels and colleges.
7. Absence of legislative protection for patents, technology transfer contracts, and ICT use and applications.
8. The shift towards automation of institutions that had started in 1994 (to shift from the use of paper to electronic files) is progressing slowly and lacks a clear vision of the future targeted model of the electronic shift.
9. Slow expansion of internet centers, services, and cafés, with the existing ones restricted to a limited number of users.
10. The presence of a clear trend to adopt principles of ICT training at the governmental, private, and personal use levels, and the expansion of these programs to include civil society organizations that provide free training with international funding.

Methodology

Major Partners

1. Large communication companies
2. Large IT companies
3. Computer and electronics offices and sales outlets
4. Modern communications offices, companies, and sales outlets

Classification of the ICT Sector



Problems	Proposed Solutions
1. Absence of legal and regulatory frameworks that bind investors and large ICT companies to transfer knowledge or share it with local experts.	1. Motivate large companies to share knowledge with emerging local experts. <u>Stakeholders:</u> Ministry of Communication Investment Commission
2. Scarcity of experts working in IT and absence of accurate information about available expertise in the region.	2. Proposed solutions: ❖ Prepare specialized IT cadres by opening more institutes and colleges. ❖ Embark on introducing new and important specializations that are as of yet unavailable. ❖ Adopt diversified methods of education and training. ❖ Intensify the use of foreign expertise and fellowships in ICT <u>Stakeholders:</u> Ministry of Higher Education and Scientific Research Ministry of Communication

Advanced Electronic Networks and Systems

Problems	Proposed Solutions
1. The absence of connection link agreements with neighboring countries to reduce communication fees.	1. Reach agreements with neighboring countries to set up joint fixed and wireless networks that reduce cost for consumers and improve the efficiency of the communications network. <u>Stakeholders:</u> Ministry of Communication
2. Scarcity of introduction of new systems such as GS Mover Protect, and the absence of free services such as Voice Over Internet Protocol (VOIM).	2. Enact legislation to provide for introducing these services and amend existing legislation to allow for wide use of information services, taking into consideration the accelerating development of innovations in this vital sector. <u>Stakeholders:</u> Ministry of Communication

Establishment Permits and Awarding Contracts

Problems	Proposed Solutions
1. The absence of legislation that restricts work permits to IT experts or that restricts	1. Impose legislative controls that restrict issuing work permits to experts in the field.

permits to companies that provide evidence of their capacity in knowledge transfer and development in IT-related fields.	<p><u>Stakeholders:</u> Ministry of Interior Ministry of Communication</p>
2. The short validity period of work permits and contracts for wireless phone companies and internet stations limits their potential for progress.	<p>2. Facilitate issuing establishment permits and impose controls that allow for reasonable work periods for wireless phone companies and internet station contracts in order to ensure effective operations.</p> <p><u>Stakeholders:</u> Ministry of Communication</p>

Financing

Problems	Proposed Solutions
1. The absence of bank facilities for ICT enterprises, as financing is restricted to the advance payment method. This is particularly important for mega enterprises that require large financing, as this causes reluctance in initiating such enterprises and limits their potential. Moreover, available financing is traditional, complicated, and requires many collaterals and liabilities. Financing institutions lack sufficient knowledge of the prospects and advantages of these enterprises.	<p>1. Facilitate the use of partially paid letters of credit instead of the full advance payment and diversify available forms of financing for ICT enterprises. This must be coupled with further reform for the regulations that control financing operations.</p> <p><u>Stakeholders:</u> Central Bank</p>

Electronic Financial Services

Problems	Proposed Solutions
1. Absence of electronic stock exchanges that motivate the use of ICT for commercial and financial purposes.	<p>1. Set up electronic stock exchanges in order to develop advanced leaders who can assist international and local business sectors to expand their scale of operation in the region.</p> <p><u>Stakeholders:</u> Central Bank</p>
2. Absence of electronic payment cards, 4Cs and 4Gs machines.	<p>2. Motivate existing banks to deal with electronic payment cards.</p> <p><u>Stakeholders:</u> Ministry of Finance Central Bank</p>

Public Sector

Problems	Proposed Solutions
1. Absence of IT, including internet networks, at government security offices,	1. Provide the private sector with the opportunity to set up advanced electronic

<p>border crossings, and citizenship and civil records departments. Current operations are based on personal assessment, paper documentation, and the discretion of local directorates on dealing with records and information.</p>	<p>systems for these institutions for wider scale adoption in their operations in addition to training security forces and civil servants on their use.</p> <p><u>Stakeholders:</u> Ministry of Defense Ministry of Interior</p>
<p>2. Many public employees evidently do not comprehend the importance of ICT use in the governmental sector or its basic principles, applications, and advantages.</p>	<p>2. Train and develop human resources in the governmental sector on ICT use and applications with the assistance of specialized centers, institutes, and experts so they become capable of responding positively to the private sector and foreign investment needs. This may also make it easier for these sectors to explain the details and benefits of ICT.</p> <p><u>Stakeholders:</u> Ministry of Planning All ministries and governmental institutions</p>
<p>3. Inspection authorities and customs officials at border crossings do not handle the fragile, imported IT apparatus and equipment with care. Hence, major parts are often damaged, which passes enormous costs down to importers and investors, and impedes fulfillment of their obligations towards clients.</p>	<p>3. Adopt modern electronic means for border crossing inspection, and give imported ICT products special treatment at inspection and customs. It is preferable that these departments have trained experts to handle these sensitive products.</p> <p><u>Stakeholders:</u> Ministry of Interior Ministry of Finance</p>

Challenges and Aspirations

Challenges

This sector will face a number of challenges in the future because of the continuous need for keeping abreast with large, fast-paced worldwide developments in the IT sector and technological sciences. These challenges include:

- ❖ The need to reform governmental institutions and re-engineer administrative operations to conform to e-government systems.
- ❖ The increasing pressure that necessitates expanding the opportunities for the use of new electronic applications in a manner that helps advance and open the markets for ICT activities.
- ❖ The dire need to review all existing legislations to verify that they support potential widescale ICT use in commercial and financial operations and in educational curricula.

Aspirations

The business sector in the Kurdistan region looks forward to the day when information and communication technology becomes available to all individuals, institutions, and companies in a manner that contributes to the progress and prosperity of economic activities.

The business sector aspires:

- ❖ To establish information technology cities to host the operations of mega companies in coordination with local companies.
- ❖ To establish a model electronic city in the region to be a permanent and continuously updated ICT exhibition.
- ❖ To embark on reforms of governmental institutions in preparation for applying an e-government system in the future.
- ❖ To reform the educational system at all stages to keep abreast with developments in ICT and comprehend new technologies (coordination, simulation, training, manufacturing, laboratories).



15. Private Healthcare Sector

Summary

The private healthcare sector contributes greatly to the GNP. This is the case in Eastern Europe, as well as numerous developed countries, where the health sector and all its branches represent the major foundation for developing the economy. Mega pharmaceutical companies in Germany, Switzerland, and the United States and laboratories that develop medicines and vaccines are further examples. In Kurdistan, the sector suffers from underdevelopment because of conditions in the recent past. The private sector accounts for only a small share of the overall healthcare industry in the region, and there is an absence of business and civic organizations to represent private healthcare interests. In addition, private healthcare services, namely private hospitals, are restricted to surgery and lack other specializations, such as internal medicine and rehabilitation. Moreover, this sector suffers from several other problems, chief among them being the absence of specialized companies for constructing private hospitals, the lack of local expertise, and the unavailability of new equipment in local markets.

Introduction

The healthcare sector, both private and public, is generally distinguished by the fact that it cares for humans as a real asset (human capital). The health sector is responsible for health, treatment, and preventive services. It includes combating diseases, health education and awareness, and oversight over medical and health professions and other activities related to human health and healthcare.

Ministries of Health in most countries of the world generally do not provide comprehensive health services to all their citizens. Hence, private healthcare is extremely important in providing support to different health-related functions. The private sector is known for its efficiency and avoidance of red tape, hence its better performance and its ability to contribute greatly to the GNP.

The private healthcare sector in the region suffers from several problems, most prominently the lack of a well-trained medical staff. Although the private health sector succeeded in recruiting a large number of medical workers, available staff is currently scarce in relation to the public sector. Public sector employees prefer working in governmental health institutions because of job tenure and pension. Other problems include the difficulty to attain medicines, medicinal supplies, and other supplies. Therefore, the private healthcare sector in Kurdistan is in need of strong legislation that enables it to provide significant healthcare services and treatment to citizens. It is capable of performing at a high level while providing quality services.

Characteristics of the Private Healthcare Sector

1. Underdevelopment, a result of conditions in the recent past (e.g., the wars and restrictive centralized laws).
2. The absence of a database of information about this sector in Kurdistan.
3. The role of the private healthcare sector is marginal in comparison with the overall healthcare sector. The number of private sector beds in Dohouk, for example, accounts for less than 50 percent of the total number of beds in public hospitals in the province.
4. The absence of clear legal differentiation between *musataha* land (the right to build on land owned by another person, or squatting) and land owned by private hospitals.
5. The lack of business or civic organizations to represent the private healthcare sector.

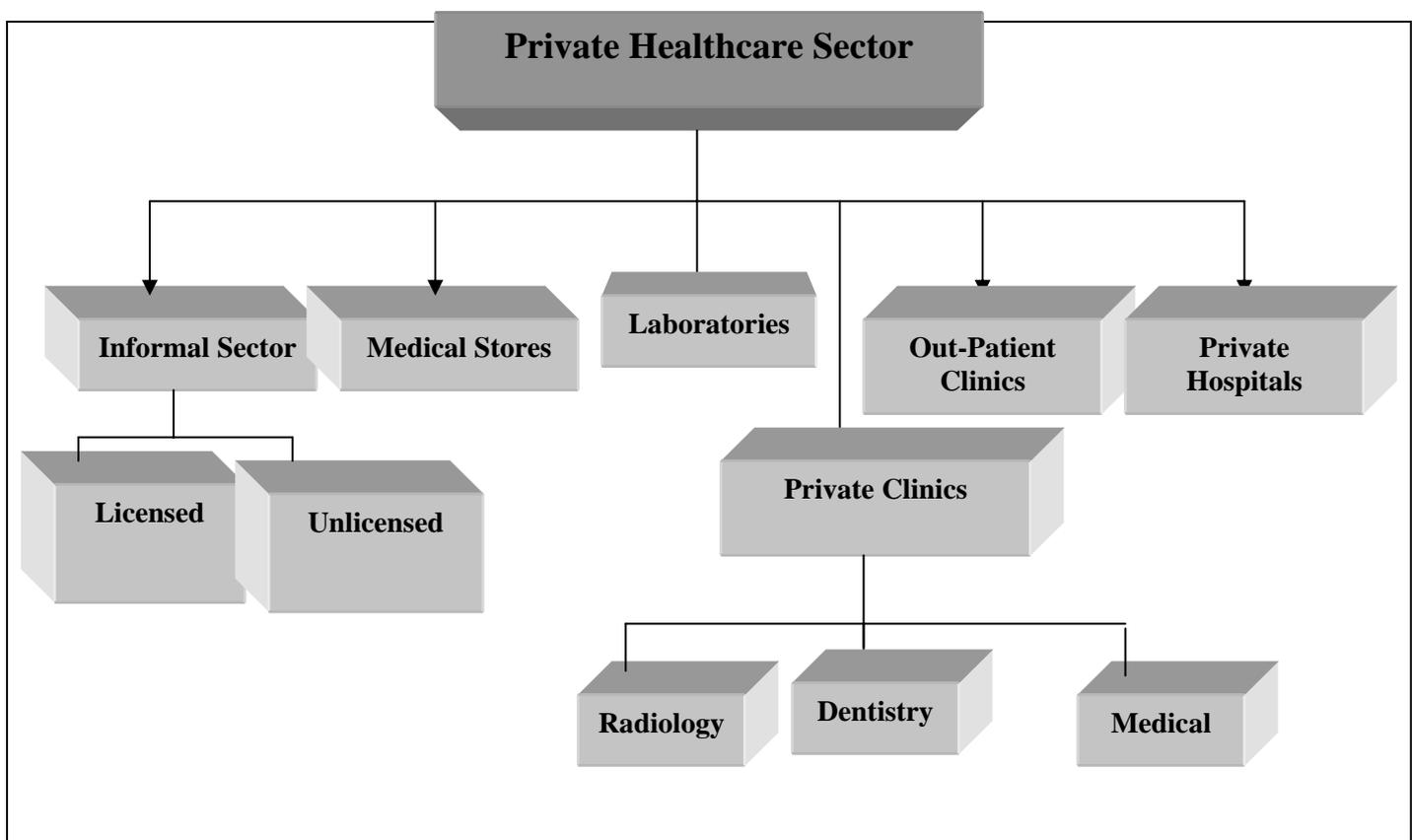
6. In comparison with neighboring countries, the level of knowledge is low. This is despite the increased number of doctors working in private sector hospitals in conflict zones throughout Iraq and their distinctive performance, which reflects positively on the hospitals.
7. Services provided by private hospitals are restricted to surgery, while other services such as internal medicine, pediatrics, and rehabilitation are absent.
8. The presence of several overlapping inspection and oversight authorities over public sector hospitals creates confusion.
9. Chaos in the trade of medicinal supplies and supplies because of the conflicting presence of specialized suppliers and other non-specialized individuals.
10. Prevalence of the informal healthcare sector, which includes all medical professions practiced by unlicensed individuals.

Methodologist

Major Partners

1. Managers of private hospitals
2. Representatives of private hospitals currently under construction
3. Kurdistan Economic Development Organization
4. Doctors Unions in Erbil, Suleimaniya, and Dohouk
5. Deans of Schools of Medicine, Administration, and Economics
6. Statistics officials in health departments

Classifications of the Private Healthcare Sector



Establishment and Construction Stages

Problems	Proposed Solutions
1. Difficulties in obtaining a suitable plot of land for constructing a hospital force investors to rent a building and remodel it to comply with specifications and standards, where possible. Some land granted to private hospitals is deeded while other land falls under <i>musataha</i> .	1. Grant investors suitable plots of land with sufficient areas for hospital construction at appropriate prices, which other, less important projects receive, or grant long-term <i>musataha</i> arrangements. In the absence of ownership, investors prefer the length of a squatting deal to be no less than fifty years. <u>Stakeholders:</u> Ministry of Health Ministry of Municipalities Investment Commission
2. Absence of specialized hospital construction companies and lack of local expertise led to the use of low-standard construction practices for private hospitals.	2. Obligate hospitals to cooperate with consultants, preferably foreign companies and experts, to construct modern hospitals that conform to international standards. <u>Stakeholders:</u> Ministry of Health Ministry of Municipalities Investment Commission
3. Difficulty in obtaining new equipment, because of its unavailability in local markets, leading investors to purchase second-hand and outdated equipment either from the local market or the Ministry of Health (through Ministry of Health tenders).	3. Facilitate entry of international companies to equip hospitals with modern equipment; provide financing through governmental soft loans. <u>Stakeholders:</u> Ministry of Health Ministry of Municipalities Investment Commission Ministry of Finance
4. Absence of strategic planning for the locations of private healthcare establishments, hence health facilities, including hospitals, clinics, laboratories, and warehouses are distributed randomly.	4. Take real needs into consideration upon constructing healthcare establishments, based on master plans of cities and demographic data. <u>Stakeholders:</u> Ministry of Health Doctors Union Investment Commission

Human Resources

Problems	Proposed Solutions
1. Weak and outdated scientific and technical levels in comparison with advanced medical sciences. Medical	1. Proposed solutions: <ul style="list-style-type: none"> ▪ Involve the private healthcare sector in the opportunities,

<p>knowledge is restricted to specific areas that do not cover all medical specializations practiced elsewhere in the world.</p>	<p>scholarships, and fellowships granted by the Kurdistan government.</p> <ul style="list-style-type: none"> ▪ Adopt an annual aptitude test to compel private sector medical staff to raise their level of knowledge. ▪ Facilitate the contracting of foreign staff to work in private sector hospitals. <p><u>Stakeholders:</u> Ministry of Health Ministry of Higher Education and Scientific Research</p>
<p>2. Most doctors who work in public hospitals also work at private hospitals, causing exhaustion and confusion in schedules and appointments.</p>	<p>2. Officially declare that simultaneous employment in both sectors is barred, as it is in neighboring countries, except in rare specializations; clarify the roles of each sector.</p> <p><u>Stakeholders:</u> Ministry of Health Ministry of Finance</p>
<p>3. Lack of pensions and benefits for employees of private hospitals.</p>	<p>3. Enact new legislation that recognizes employment in the private healthcare sector and ensures decent pension and benefits.</p> <p><u>Stakeholders:</u> Council of Ministers Regional Parliament Ministry of Health Ministry of Justice Ministry of Finance</p>
<p>4. New doctors who work at private hospitals are deprived of opportunities to enroll in further higher education.</p>	<p>4. Enact legislation for the university hospitals to adopting the board system to grant specialization certificates, and consider advanced private hospitals part of the educational internship system.</p> <p><u>Stakeholders:</u> Ministry of Health Ministry of Higher Education and Scientific Research</p>

Pharmaceuticals and Medicinal Supplies

Problems	Proposed Solutions
1. The inferior quality and unknown	1. Proposed solutions:

<p>origin of some medicines used in the sector.</p>	<ul style="list-style-type: none"> ▪ Register agencies and representatives of foreign companies in Kurdistan in order for them to take responsibility for the quality of medicines. ▪ Establish a major pharmaceuticals standards, specifications, and quality control project. ▪ Reconsider the pharmaceutical information offices. ▪ Reconsider legislations and laws related to foreign companies in order to facilitate their work inside the country, ensuring quality control over their performance at the same time. <p><u>Stakeholders:</u> Ministry of Health Ministry of Trade</p>
<p>2. Suppliers and pharmacies do not place price tags on medicines.</p>	<p>2. Obligate medical suppliers and pharmacies to put a price tag on medicines or print prices on boxes to ensure that no altering or arbitrary pricing takes place.</p> <p><u>Stakeholders:</u> Ministry of Health Ministry of Trade.</p>
<p>3. The unavailability of many critical medicines, particularly for chronic and terminal diseases.</p>	<p>3. Proposed solutions</p> <ul style="list-style-type: none"> ▪ Form a committee for selecting and registering medicines. ▪ Form a higher council for pharmaceutical consumption and importation, with the participation of the private sector. <p><u>Stakeholders:</u> Ministry of Health Ministry of Trade. Pharmacists Union</p>
<p>4. Transporting and storing medicines is not in accordance with appropriate standards, and there is a lack of refrigerated warehouses.</p>	<p>4. Adopt stringent regulations for transporting medicines from mobile refrigerated warehouses and store them in fixed refrigerated warehouses.</p> <p><u>Stakeholders:</u> Ministry of Trade Ministry of Health Pharmacists Union</p>

Financing

Problems	Proposed Solutions
<p>1. Legislation related to financing hospitals and medical projects is not commensurate with development of financing alternatives to medical systems, operations, or research worldwide.</p>	<p>1. Enact new legislation for financing the private healthcare sector, and setting systems for no-interest or long-term, soft financing, and co-financing; provide funding for major projects such as scientific research and specialized laboratories; and adopt a system that attracts foreign hospitals and facilitates.</p> <p><u>Stakeholders:</u> Ministry of Health Ministry of Finance Governmental banks Investment Commission.</p>
<p>2. High prices of medicinal supplies and problems in maintenance, which discourages investors from importing modern, advanced equipment.</p>	<p>2. Activate the Intellectual Property and Exclusive Agent Law, provided the state commits to attract foreign companies and facilitate their operations in the region, granting preferential treatment to selected distinguished companies.</p> <p><u>Stakeholders:</u> Ministry of Health Council of Ministers</p>
<p>3. Absence of a health insurance system to provide healthcare for citizens, guaranteed by the government, in return for set fees.</p>	<p>3. Proposed solutions</p> <ul style="list-style-type: none"> ▪ Enact a health insurance law. ▪ Adopt a constitutional amendment, replacing the phrase “Social and Health Security” with “Social Security and Health Insurance.” ▪ Substitute the food ration card with a health insurance card. ▪ Impose health insurance as part of the forthcoming income rations. ▪ Involve the private healthcare sector in health insurance services on an elective basis. <p><u>Stakeholders:</u> Council of Ministers Regional Parliament Ministry of Health Governmental banks</p>

The Informal (Parallel) Sector

Problems	Proposed Solutions
<p>1. The presence of enormous numbers of unlicensed bandagers, orthopedists, circumcision (female genital mutilation) clinics, and dentistry clinics, in addition to unlicensed herb shops. There are 50 licensed pharmacies in Suleimaniya, in comparison with 400 unlicensed ones, some of which deal in illicit drugs. These unlicensed clinics perform all operations, including diagnosis, treatment and sale of medicines.</p>	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Issue strict laws to hold violators accountable and prosecute unlicensed doctors practicing medicine. ▪ Issue laws that regulate the practice of this group and issue licenses in accordance with strict standards. ▪ Impose a ceiling on the number of practitioners and unify licensing instructions in all provinces. <p><u>Stakeholders:</u> Ministry of Health Doctors Union Pharmacists Union Ministry of Interior Healthcare Workers Union Dentists Union</p>
<p>2. The poor level of education of licensed practitioners in the sector.</p>	<p>2. Obligate practitioners in the sector to enroll in continuing education and training courses and to sit for aptitude tests.</p> <p><u>Stakeholders:</u> Ministry of Health Healthcare Workers Union</p>
<p>3. Clinics that practice unlicensed health care activities do not meet the minimum standards of healthcare, are very bad and often scattered in alleys.</p>	<p>3. Impose binding conditions and rules for issuing permits for clinics, and regular inspection to ensure compliance.</p> <p><u>Stakeholders:</u> Ministry of Health Healthcare Workers Union</p>
<p>4. The lack of public awareness towards risks and obligations of workers in the informal sector; citizens' sympathy with them because they are "weak and poor" and should not lose their source of livelihood. It is an emotional attitude that lacks the consideration of consequences.</p>	<p>4. The need to raise public awareness of the impact of this group, their rights, duties, and obligations, and they must clarify the sanctions of unlawful activity in this regard.</p> <p><u>Stakeholders:</u> Ministry of Health Media Healthcare Workers Union Doctors Union</p>
<p>5. The presence of a large number of unlicensed pharmacies, and a large number of drug sales offices that do not</p>	<p>5. Take firm measures toward this serious issue to supervise and refer violators to the judiciary.</p>

meet legal conditions and binding standards.	<p><u>Stakeholders:</u> Ministry of Interior Ministry of Health Pharmacists Union</p>
6. The media's silence over the issue of female genital mutilation in villages and remote areas of Kurdistan.	<p>6. Issue firm legislation that prohibits this practice and request assistance of international organizations concerned with combating this phenomenon.</p> <p><u>Stakeholders:</u> Ministry of Health Kurdistan Parliament Ministry of Interior</p>

Foreign Investment

Problems	Proposed Solutions
1. Absence of foreign investment to open private hospitals and health institutions, and the absence of foreign medical expertise in Kurdistan.	<p>1. Review laws regulating investment in order to promote foreign investment in the health sector; facilitate acquiring land and grant tax and customs exemptions for a certain period, hence promoting investment in the region.</p> <p><u>Stakeholders:</u> Ministry of Health Investment Commission</p>
2. Lack of interest in medical tourism, and lack of investment in the springs, sand, and other locations that are suitable for treatment and recreation, despite their abundance in the region.	<p>2. Open medical tourism hospitals, based on a development plan, and sponsored by the state for an appropriate period of time.</p> <p><u>Stakeholders:</u> Ministry of Health Investment Commission</p>

Challenges and Aspirations

Challenges

The private healthcare sector in Kurdistan is characterized by its limited, even negligible, contribution to the GNP. The major challenge for the future is expanding this contribution through investment and development prospects. Many obstacles impede such expansion, and only limited options are available for potential healthcare investors. The state is not capable of fulfilling the preventive and curative needs of citizens, and the private sector has too many problems to be able to contribute to the development of healthcare services. Expanding the sector's contributions in the area is a major challenge and an inevitable strategic option.

Among the challenges for the more distant future is increasing private healthcare's capacity and capabilities to the point where it can join forces with other private sectors and provide health insurance to the citizens of Kurdistan.

Aspirations

The private healthcare sector aspires for just legislation to regulate the industry, put an end to the state of chaos caused by the informal sector, and identify a clear mandate for an independent oversight authority. The sector also aspires to partner with the state in order to provide an advanced healthcare services system for the people of the region. Such partnership shall not be meaningful unless private clinics, laboratories, medical warehouses, and pharmaceutical and marketing companies are regulated.



16. The Private Education Sector

Summary

This section aims to cover the most important aspects of the private education sector, its components, and types according to scientific and vocational classifications. It also aims to identify the sector's problems and address what the Kurdistan regional government can do to develop it. Investments in private education play a special role in the region because they benefit not only the investors, but all of society. These benefits are permanent, making education one of the most important pillars of sustainable human development.

Private higher education in the region lacks teachers who hold higher education degrees because such teachers tend to avoid private universities for fear of the loss of the benefits and securities of public university employment. Most private universities and colleges in federal Iraq as a whole, and in Kurdistan in particular, suffer from insufficient facilities ownership problems, a cause of embarrassment and hardships for these universities, especially when it comes to the application of educational standards issued by the Ministry, as well as the lack of educational materials and resources to meet their needs. In addition, teachers and professors who are contracted by private universities tend to leave their jobs when they receive offers from competitive sectors, such as the public sector or the private commercial sector.

The institutions in this sector desire a system that allows them to admit students without having to go through a centralized admissions system and to tie in admission with entrance exams. The sector also aspires to establish new scientific laboratories, acquire sophisticated scientific equipment, and develop the spirit of scientific research in line with developed countries.

Introduction

Private investment in the education sector brings assured benefits and profits not only to the investors, as is the case with commercial activities, but also brings permanent benefits to society as a whole as the classes of graduates complete their studies each year. The accumulation of cognitive skills will have a huge impact on the capabilities and capacities of human capital, which is one of the cornerstones of human development. In other words, one cannot treat education—whether primary or higher education—as one deals with other commercial activities in the private sector, regardless of the relative importance of such commerce. It is important to treat education with the proper attention the critical sector deserves.

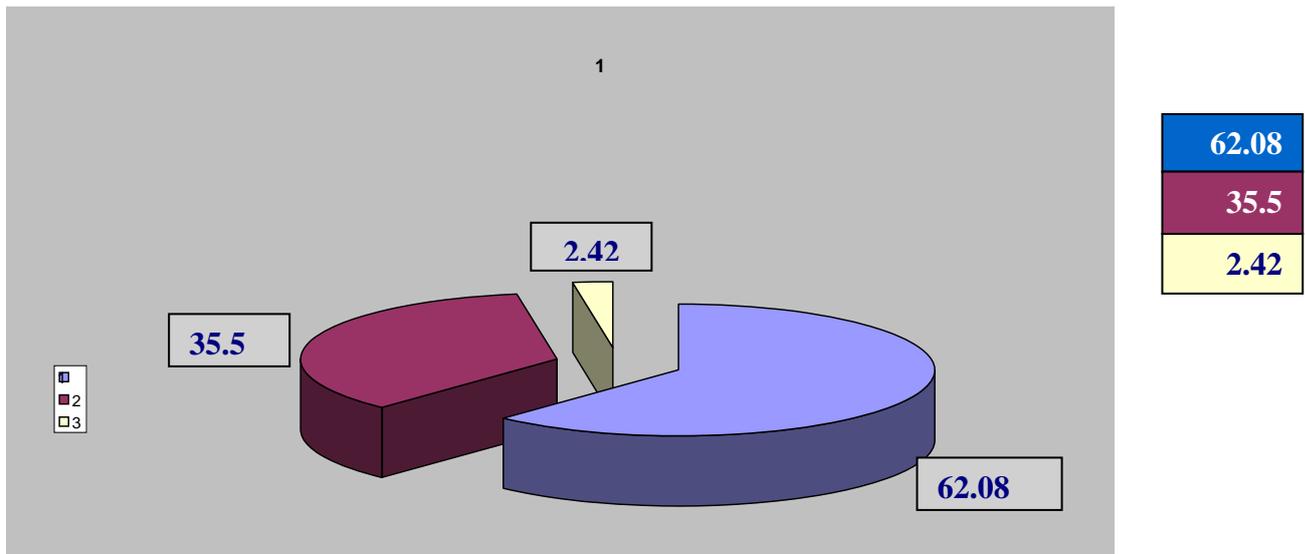
Private education in the Kurdistan region is a recent development, especially when compared to advanced countries around the world. The education sector as a whole is run by the state, with a few exceptions that are at a very nascent stage. This is because the private education sector has not been regulated by law, resulting in a lack of strategic vision. The sector also fell under the influence of private education practices in federal Iraq, until the Law of Higher Education and Scientific Research No. 33 was enacted in 2004. While Law No. 33/2004 addressed private higher education and scientific research through solid legislative provisions, private primary education was unfortunately left unregulated.

Characteristics of the Private Education Sector

Private Higher Education and Scientific Research

This type of education is growing in the region, and many universities have been given formal accreditation (such as Dohouk University College and Kurdistan University).

Others do not have any formal accreditation (including St. Clements Open University). The total number of students in accredited private universities is about 1,500, with another 1,500 students in informal universities, which is a small number in comparison with the number of graduates from preparatory education (about 45,000 in 2006). For 2006, the capacity of the universities in the Kurdistan region was 16,000, and this accounts for 35.5 percent of the total number of graduates. Additionally, 1,090 students (2.42 percent of total number of graduates for 2006) were admitted to private colleges and universities. However, the majority of preparatory school graduates (62.08 percent) did not go on to higher education (see the chart below).



- Percentage of preparatory school graduates who did not go on to higher education
- Percentage of preparatory school graduates accepted to public universities and colleges in 2006
- Percentage of preparatory school graduates accepted to private universities and colleges

The importance of private universities becomes apparent because of the flexibility and speed they exhibit in closing the gap between the number of preparatory school graduates and the capacity of public universities.

Private Primary Education

Private primary education also has a short history in the region. This sector absorbs small numbers of students, but there are numerous schools in all provinces of the Kurdistan region.

Private education offers special features that public education cannot provide with the same efficiency and comprehensiveness. This is due to the ability of private primary education institutions to adapt to changes and use modern technologies faster and more efficiently, unobstructed by methods that resist change. Thus, private schools gain a positive edge.

The Ministry of Education does not have statistics on the percentages of students enrolled in private schools compared to those enrolled in public schools. Estimates indicate

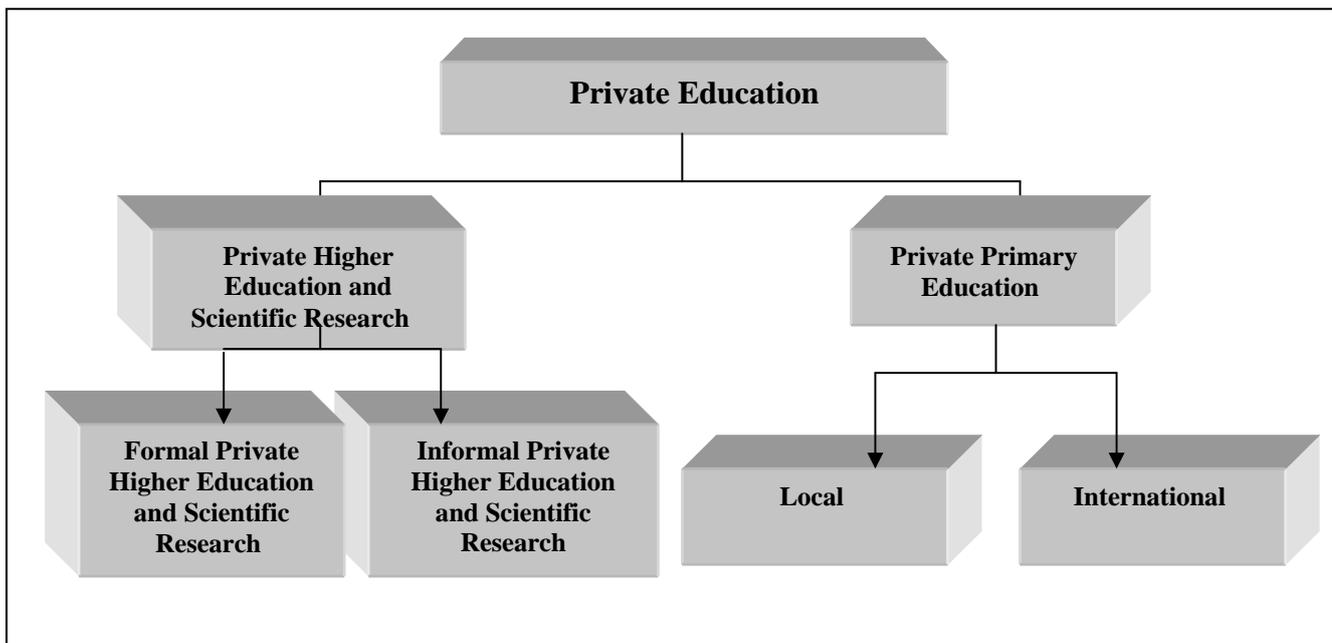
no more than 0.5 percent of the total number of students in the Kurdistan region is enrolled in private schools. It is obviously easier to deal with this small number than with the 99.5 percent who receive their education under the Ministry of Education, which bears all the educational, scientific, financial, and administrative burdens.

Methodology

Major Partners

1. ASK Organization
2. The Businessmen's Association
3. Economists Union of Suleimaniya
4. A group of professors from private universities and colleges
5. A group of primary school teachers
6. Media Private Schools

Classification of the Private Education Sector



Private Primary Education

This sector consists of the region's private primary schools that follow Ministry of Education curricula, as well as some foreign languages without international participation.

International Private Primary Education

This sector consists of the region's private primary schools that operate with international participation.

Formal Private Higher Education and Scientific Research

This sector includes universities and colleges established in accordance with the Private Education Law No. 33 of 2004.

Informal Private Higher Education and Scientific Research

This sector consists of universities and colleges established informally, without compliance with Law No. 33 of 2004.

Problems and Proposed Solutions

Formal Private Higher Education and Scientific Research

Problems	Proposed Solutions
1. Shortage of teaching staff in higher education and scientific research who hold higher education degrees. These are not attracted to private universities due to loss of benefits and privileges, such as a government pension.	1. Extend such benefits to the private sector teachers, as teaching in public and private universities is subject to the same conditions set by the Ministry of Higher Education and Scientific Research. <u>Stakeholders:</u> Ministry of Higher Education and Scientific Research
2. Shortage of buildings and problems associated with <i>musataha</i> land contracts.	2. Grant lands for the building of private universities and colleges; provide suitable resources to fund the buildings and premises; support them during the establishment period. <u>Stakeholders:</u> Ministry of Higher Education and Scientific Research The Province

Informal Private Higher Education and Scientific Research

Problems	Proposed Solutions
1. Recent introduction of distance learning, and the differences with conventional rules followed by the Ministry of Higher Education and Scientific Research in the region. This has led to questioning the legality and legitimacy of distance learning in the region.	1. Understand new methods of teaching and training, including distance learning, that differ from the conventional education. New methods should be subject to appropriate regulations in the educational process. <u>Stakeholders:</u> Ministry of Higher Education and Scientific Research
2. Difficulty of obtaining permits to establish distance learning institutions due to absence of legislation regulating the method.	2. Endorse the idea of a special administration in the Ministry of Higher Education to regulate modern teaching programs and distance learning; evaluate the results and coordinate with government institutions. <u>Stakeholders:</u> Ministry of Higher Education and Scientific Research

Local Private Primary Education

Problems	Proposed Solutions
1. Experienced teachers abstain from working in private local schools because of lesser benefits than those afforded teachers in government schools, where Ministry of Education service regulations are applied.	1. Put in place a new system that supports the teaching staff in private schools (applying the same teacher selection system); include private school teachers in the Ministry of Education regulations. <u>Stakeholders:</u> Ministry of Education
2. A number of difficulties in the Ministry's final examinations due to differences in teaching language, differences in some of the courses taught, and differences in teaching levels between private and public schools.	2. Standardize final examinations for students in local private schools and public schools, taking into account the basic language of teaching in private schools. <u>Stakeholders:</u> Ministry of Education
3. High costs of land and buildings occupied by local private schools.	3. Proposed solutions: <ul style="list-style-type: none"> ▪ Facilitate access of local private schools to land, with soft loans from government banks. Investment Law, Article 2, par. 10, could be invoked to support the right of land ownership, and to include education as a strategic project. ▪ Invoke Article 34, par. 4, of the Constitution of Iraq to treat Iraqi private schools on par with international schools, as the word "guaranteed" in the Constitution provides the key to all needed solutions. <u>Stakeholders:</u> Ministry of Education Investment Commission

International Private Primary Education

Problems	Proposed Solutions
1. Foreign teachers under contract with international schools tend to quit when they get job opportunities in competitive sectors, such as the public sector or the private commercial sector.	1. Amend the residency law to meet the needs of international schools. <ul style="list-style-type: none"> ▪ Approve long-term contracts. ▪ Oblige the person under contract to the guarantee principle, without allowing him/her to quit without approval, in the form of a certificate from the school. ▪ Enforce deportation from the region

	<p>and fines against violators.</p> <p><u>Stakeholders:</u> Ministry of the Interior</p>
<p>2. Lack of coordination between international schools and the Ministry of Education. Private international schools follow international curricula and their exams are subject to the standards of international institutions. Their main plan is to obtain international accreditation. At present, the acceptance of international diplomas is based on an unwritten norm, not regulatory legislation.</p>	<p>2. Set up a joint committee between the Ministry of Education and private international schools to put in place guidelines for final exam procedures, so the Ministry can endorse students results after ratification by relevant international institutions. This will regulate the equivalency procedures for diplomas and graduates instead of leaving matters to unwritten norms.</p> <p><u>Stakeholders:</u> Ministry of Education</p>

Challenges and Aspirations

Primary Education–Challenges

Private primary education controls its choice of teaching subjects in accordance with set standards shared to a certain extent with public primary education. This constitutes the first challenge that the private sector has to face, as it has to offer advanced alternatives, modern teaching methods and technically advanced teaching aids. This is a feasible task as long as the private sector acts quickly with flexibility and adaptation. A challenge of no less importance is for private primary education institutes to excel, meet international quality standards, and graduate students who are talented and innovative. This requires a greater flexibility on the part of the government to allow this sector to develop, advance, and serve society.

Primary Education–Aspirations

The private primary education sector aspires to achieve a quantitative leap in its capacity for students and distinguish itself in the quality of the education it provides. This sector can become an important branch of society, provided the state gives it an acceptable level of logistical and technical support, albeit for a limited period of time, during its foundational stages.

Higher Education–Challenges

The private higher education and scientific research community should stand steadfastly in the face of the major challenges expected in the future. Important among these are its ability to compete with the public higher education and scientific research sector, and prove its ability to balance making a profit with providing a quality education for its students.

This is not an easy task in light of the prevailing attitude that looks upon the private sector with suspicion and is distrustful of its methods and goals. To achieve the balance between profit and quality, the sector will face an additional challenge: to keep pace with the major scientific and technological leaps that have placed all such institutions at the cutting edge of research. The ability to compete in this area is a matter of life and death for these institutions. This requires understanding and support from the highest levels of government and a shift from traditional, hindering approaches when dealing with this sector.

Higher Education–Challenges

The private higher education and scientific research community looks forward to the day when its institutions are operated by the proper educational, administrative, and quality control principles. This sector also looks forward to a complementary partnership with public academic institutions, through which the educational goals of all society will be met. This will also enable the sector to forge ties with the labor market and become more involved in educational and scientific activities and social development.



17. The Private Commercial Sector

Summary

Private commercial activities are a reflection of the economic development of a country. They are measured by their share of the gross domestic product (GDP), providing an indication of market preferences for the quality of goods and the income level of the population. These private commercial activities can also provide a guideline for investment decisions that are responsive to market needs and that aim to set up private investment projects that will accumulate internal and external liquidity.

This sector suffers a number of problems in the Kurdistan region, being import-oriented with no role for exports in foreign trade. This situation is the result of:

- Poor domestic production in various sectors of the economy;
- Lack of a clear government trade strategy;
- Commercial, fiscal, and financial legislation that is incompatible with market economies and unsupportive of trade;
- Market instability stemming from fluctuations in domestic currency exchange rates;
- High foreign insurance and transport costs.

Recently, a special trade ministry was established in the Kurdistan region to develop commerce as a main tool of economic development and to enact legislative, policy, and procedural reforms designed to boost the role of business associations, in addition to customs reforms to deter dumping and offer alternatives to enable the transition to a market economy.

Introduction

Private commercial activities are a reflection of economic development of a country and contribute greatly to its gross national product (GNP). Healthy growth in the GNP is reflected in the increase in national expenditure (consumption plus investment). This role is mainly shouldered by the private commercial sector when it provides an appropriate level of supplies in goods and services and achieves market equilibrium.

The role of the private commercial sector is seen as an indicator of the status of trade, including foreign trade, the balance of goods in the national economy, the trade balance, and the balance of payments, and as a contributing factor to defining future development goals. In addition, private commercial activity is an indication of trade growth and the structure of goods, constituting an indication of income levels and market attitudes toward the quality of goods. Such activity can also form a guideline for investors in various sectors of the economy, helping them make sound investment decisions and putting in place effective strategies that can cater to market demands and create internal and external liquidity for the region.

Many countries with market economies offer incentives to their citizens and visitors and encourage consumerism, hoping to drive the economy and speed up financial cycles. This in turn would lead to growth in investments, an increase in job opportunities, broader innovative research and development (R & D), and many other advantages and opportunities. Some countries go so far as to calculate the money generated by incoming tourists by the amount they spend on purchases and expenses. However, the situation in the Kurdistan region today can be described as a “reversed crisis,” caused by increased consumption that only leads to more importation.

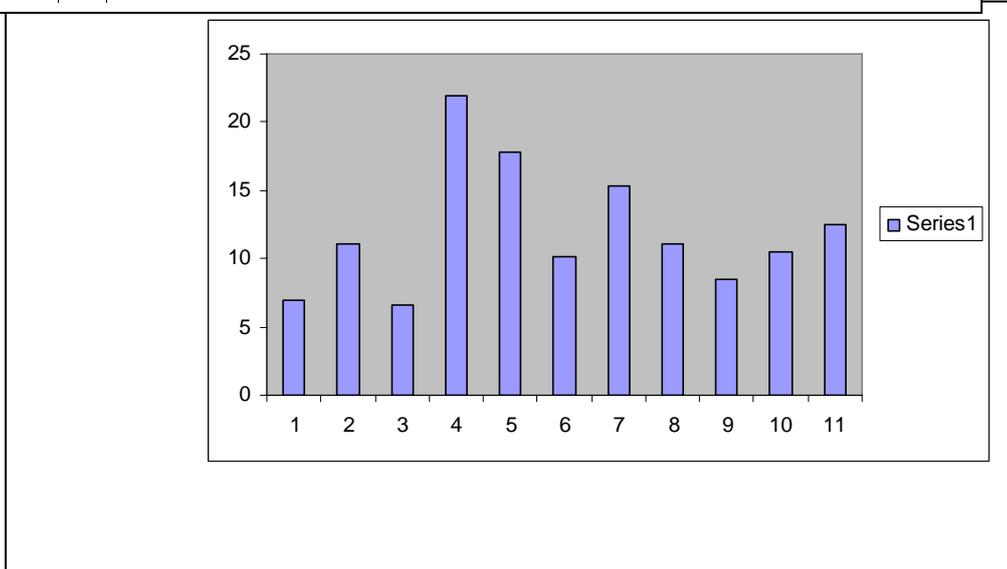
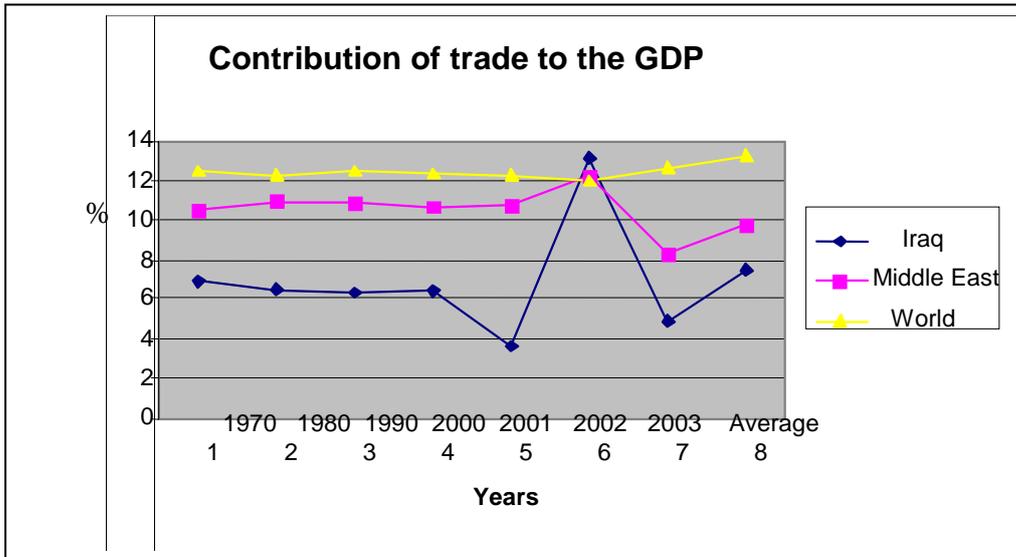
Hence, the private commercial sector in the Kurdistan region is worthy of in-depth study, for the concepts described above, and because this sector literally represents the most prominent economic activity in Kurdistan, especially in its cities and urban centers.

Characteristics of the Private Commercial Sector

1. Commercial activities are concentrated in the centers of the governorates and in specific areas (city centers) due to the disproportionate distribution of commercial activities.
2. The commercial sector depends on imports for most consumer and intermediate goods and some investment goods in the absence of exports. This is a result of poor domestic production in various sectors, especially agriculture, industry, and non-oil mining, all of which have been affected by the extraordinary circumstances of the Iraqi economy.
3. The rise in the share of informal commercial activity, as seen in the activities of individual street vendors and door-to-door salesmen, and the high degrees of smuggling and black market trade.
4. The absence of a clear government trade policy, due to the absence, until recently, of a specialized trade ministry to regulate commerce in the region. This fact places major responsibilities on the newly established Ministry of Trade.
5. Existing commercial, fiscal, and financial laws in the region are not conducive to a market economy in many regards, and these laws do not provide the much-needed support for trade to enable the liberalization of the economy.
6. All the economic sectors in the region, including the private commercial sector, were affected by the continuous fluctuations impacting the Iraqi economy as a whole. Although the region benefited during the nineties as a main transit route for Iraqi oil exports in the direction of Turkey, the fluctuations remained as a main feature of the economy, with negative impacts on the structure of laws and regulations. These laws continued to waver between socialist concepts and government intervention on one hand and aspirations to adopt market economy and liberalize trade on the other.
7. Market instability due to the instability of the local currency, the result of poor financial and monetary policies and unstable political conditions in Iraq, which had a negative effect on the private commercial sector in the region.
8. Poor infrastructure, which is necessary for the success of marketing, distribution, and storage operations and for adding value for the commercial sector in the region. This was the result of a lack of investment by recent central governments.
9. The private commercial sector has contributed little to the GDP in Iraq in general, and in the Kurdistan region in particular. The following table shows the contribution of the share of this sector in Iraq and Middle Eastern countries:

No	Years Countries	1970	1980	1990	2000	2001	2002	2003	Average
1	Iraq	7.5	4.9	13.1	3.6	6.4	6.3	6.5	6.90
2	Iran	9.6	7.3	16.2	11.6	11.8	10.7	10.7	11.13
3	Kuwait	8	7.3	6.7	5.4	6.4	6.5	5.7	6.57
4	Lebanon	27.6	25.5	25.5	18.8	18.8	18.8	18.8	21.97
5	Syria	17.1	23.9	21.5	14.6	14.9	16.3	16.3	17.80
6	UAE	6.5	7.8	8.2	9.3	9.3	10.1	19.5	10.10
7	Turkey	10.5	13.7	15.7	16.9	17	16.9	16.8	15.36
8	Jordan	16.2	14.3	7.7	10.3	10.4	9.8	9.8	11.21
9	Israel	8.1	10.1	7.8	8.6	8.3	8	8.2	8.44
10	Middle East	9.8	8.2	12.2	10.7	10.6	10.8	10.9	10.46
11	World	13.2	12.7	12	12.3	12.4	12.5	12.3	12.49

Source: Annual Statistics of the International Bank for Reconstruction and Development (IBRD). The figures include wholesale and retail trade, hotels, and restaurants.



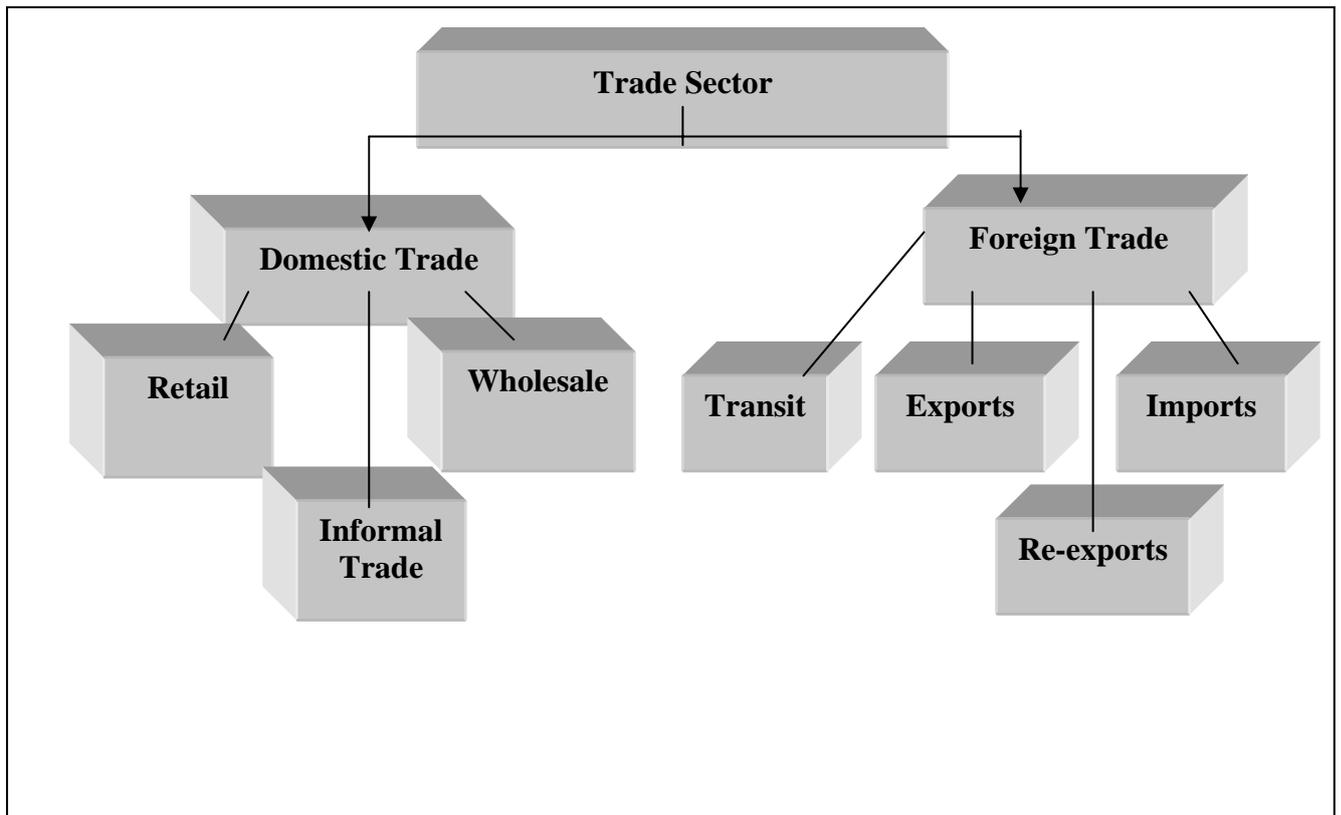
The above table and charts indicate that trade plays an important role in domestic production, as worldwide trade had a share of 13.2 percent in 1970 and over 12 percent in 2003. Compared to most countries in the world, however, this percentage is low for Iraq, fluctuating from one year to another. It stood at 7.5 percent in 1970, dropped to 4.9 percent in 1980 (at the outset of the war with Iran), and to 3.6 percent at the outset of the war to liberate Kuwait. The average for the period from 1970 to 2003 is 6.9 percent, which is the lowest rate except for that of Kuwait. This could be explained by the exceptional circumstances that the Iraqi economy faced, and these percentages reflect the fluctuations of the period. This conclusion is in line with economic theory stipulating that there will be distortions in trade under exceptional circumstances.

Methodology

Main Partners

1. Chambers of Commerce in the Region
2. Iraqi Businessmen's Union
3. Union of Exporters and Importers
4. Owners of major commercial companies
5. Private banks
6. Kurdistan Economists Union

Classification of the Trade Sector



Problems and Proposed Solutions

Exports

Problems	Proposed Solutions
1. Weak and limited non-oil exports comprised of some limited raw agricultural products.	1. Enact an export promotion law reflecting government financial and administrative policies promoting exports, re-exports, and transit, and including customs exemptions, customs refunds, and tax holidays for exports. <u>Stakeholders:</u> Council of Ministers
2. Deficit between imports to the region and exports from the region, with virtually no exports to speak of.	2. Proposed solutions: <ul style="list-style-type: none"> ▪ Implement Investment law No. 4 of 2006 by establishing a strategically planned investment policy to encourage the private sector to invest in productive areas where the region has a competitive advantage in domestic and foreign markets. ▪ Grant export subsidies (but not on a permanent basis, to avoid creating dependency among local producers). ▪ Encourage and support setting up Exporter Associations. Conduct studies of export markets suitable for the capacities of local producers and their ability to produce exports of a quality that are competitive in foreign markets. <u>Stakeholders:</u> Investment Commission Ministry of Finance Ministry of Industry Ministry of Agriculture Ministry of Trade Ministry of Planning
3. Poor exploitation of geographic advantages <ul style="list-style-type: none"> ▪ Poor transit and re-exportation activities for some exported goods. ▪ Lack of free zones on borders with neighboring countries. 	3. Exploit the unique geographic position of the Kurdistan region to establish free zones and promote re-exportation and transit to secure major economic benefits for the region. <u>Stakeholders:</u> Ministry of Trade

Imports

Problems	Proposed Solutions
1. Exploitation by neighboring countries and some Asian countries of the downturn in agricultural and industrial production in the region, dumping into the markets of	1. Proposed solutions: <ul style="list-style-type: none"> ▪ Enact anti-dumping laws that take into consideration the interests of local producers, opportunities for competitive

<p>Kurdistan expired agricultural and industrial products, poor quality electrical products, and even fuel and oil products.</p>	<p>industrial and agricultural capacity development, and the issues involved with entry to the WTO.</p> <ul style="list-style-type: none"> ▪ Adopt a trade policy to combat dumping and protect and promote the interests of local producers without prejudice to free market trends. <p><u>Stakeholders:</u> Ministry of Finance Ministry of Industry Ministry of Agriculture Ministry of Trade Ministry of Planning</p>
<p>2. Rise in insurance costs on goods and means of transport entering the region.</p>	<p>2. Promote the establishment of sophisticated insurance companies and provide them with the necessary facilities to offer this vital service to the economy.</p> <p><u>Stakeholders:</u> Ministry of Planning Ministry of Finance Ministry of Trade Ministry of Agriculture Ministry of Industry</p>
<p>3. Length of time consumed for delivery of imported or internally transferred goods due to bad infrastructure, poor internal transport services, and high costs.</p>	<p>3. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Improve and develop infrastructure that serves foreign trade and increase government investments in roads and alternatives to transport by road vehicles (such as railroads). ▪ Provide facilities to the private sector to invest in warehouses and to set up modern transport and marketing companies in order to improve transport efficiency and speed and reduce costs. ▪ Reach agreements with neighboring countries to facilitate passage of trucks loaded with goods in and out of the region. <p><u>Stakeholders:</u> Ministry of Planning Ministry of Finance Ministry of Trade Ministry of Agriculture Ministry of Industry</p>

Associations, Business Unions, and Chambers of Commerce

Problems	Proposed Solutions
<p>1. Weak role of commercial business associations in economic decision making. Many laws and procedures are passed without prior consultation of business associations, or they are presented in haste with no time allowed for serious deliberations. In some cases, associations are informed of new legislation only after its enactment.</p>	<p>1. Jumpstart the role of business associations and give them a role in:</p> <ul style="list-style-type: none"> ▪ Economic decision making when conducting studies of suitable export markets and taking part in quality control of target goods. ▪ Creating a database for the commercial sector, making it available to all involved parties. ▪ Evaluating existing laws and proposing new legislation. <p><u>Stakeholders:</u> Council of Ministers Ministry of Trade</p>
<p>2. Businessmen from Kurdistan are not granted visas to a number of foreign countries when they want to travel to complete business-related transactions or to attend fairs or international trade events.</p>	<p>2. Serious efforts on the part of the Ministry of Trade, in coordination with the Ministry of Foreign Affairs and all trade representations abroad, to facilitate businessmen obtaining visas to countries they wish to visit.</p> <p><u>Stakeholders:</u> Ministry of Trade</p>

Quality

Problems	Proposed Solutions
<p>1. Absence of standards and specifications as basic requirements for import quality. Most imported goods are not subject to quality control inspection, and any inspections that take place are primitive and outdated.</p>	<p>1. Put in place an effective import quality control system, using modern methods to secure the rights of merchants and local consumers by doing the following:</p> <ul style="list-style-type: none"> ▪ Adopt modern and clear standards for quality specifications for the region. ▪ Speed up the enactment of a law for protection of consumer rights in the Kurdistan region, including deterrent penalties against violators. ▪ Subject all imported goods to quality control measures in specialized laboratories, but such measures should not be used as red-tape obstacles to the smooth flow of necessary goods that do meet specifications. They should be modeled on advanced and accredited international procedures for quality control. ▪ Encourage all companies working in the region to obtain the ISO-9001 international certification.

	<ul style="list-style-type: none"> ▪ Create an official award on behalf of senior government levels in the region in recognition of those companies and factories that are distinguished in quality, similar to existing international awards. <p><u>Stakeholders:</u> Council of Ministers Ministry of Trade</p>
2. The difficulty of returning imports that do not meet the specifications as set out in the contracts with the exporting parties and suppliers, or goods that violate standard specifications.	<p>2. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Facilitate the process of returning imported goods that violate the terms of agreement with the exporting party and supplier. ▪ Draw up a list of the names of the foreign companies and exporters that practice commercial and industrial fraud and deception, and inform local importers to avoid dealings with them. <p><u>Stakeholders:</u> Council of Ministers Ministry of Trade Ministry of Foreign Affairs</p>

Customs

Problems	Proposed Solutions
1. Prolonged and slow procedures at border control, inspection, and customs points.	<p>1. Develop customs administration and procedures at border crossings.</p> <p><u>Stakeholders:</u> Customs Authority</p>
2. The use of improvised methods based on personal estimates by some customs officials when determining the rate of customs duties imposed on goods.	<p>2. Review the regulations and methods used to determine customs and establish origin, quality, and expiry term of goods.</p> <p><u>Stakeholders:</u> Customs Authority</p>
3. Heavy financial burdens resulting from customs duties, charges, and taxes.	<p>3. Review the duties and taxes imposed.</p> <p><u>Stakeholders:</u> Customs Authority</p>
4. Multiplicity of laws and customs procedures applied in Iraq and in the region, sometimes conflicting with each other.	<p>4. Standardize laws and procedures, cut down red tape, and do away with unnecessary, redundant procedures.</p> <p><u>Stakeholders:</u> Customs Authority</p>
5. Poor level of education and training among cadres working in some government	<p>5. Build capacities and learning and receptiveness of customs department workers</p>

institutions and in the customs departments; ignorance of financial and customs policies in a market economy and the main role of the private sector.	to make them more aware of financial and customs policies in a market economy. <u>Stakeholders:</u> Customs Authority
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Wholesale and Retail

Problems	Proposed Solutions
1. High rents of stores and warehouses, representing a major challenge to commercial activities in both wholesale and retail, with the addition of extra unwarranted costs such as key money and sub-leasing.	1. Proposed solutions: <ul style="list-style-type: none"> ▪ Promote investments in commercial building construction and in establishing big real estate corporations. ▪ Enact a leasing law that creates a balance between leasers and lessees of commercial real estate. ▪ Enact laws related to ownership of real estate for commercial use that meet the requirements of development in the private commercial sector. <u>Stakeholders:</u> Regional Parliament Ministry of the Interior
2. Concentration of commercial activities in the center of the big cities and the problems resulting from that.	2. Complete the master plans for cities, expand the areas allocated for commercial activity, and address the over-concentration in city centers by transferring commercial activities to the suburbs and population centers surrounding major cities. <u>Stakeholders:</u> Ministry of Planning Ministry of Municipalities

Human Resources

Problems	Proposed Solutions
1. High salaries of workers in the commercial sector; substantial shortage of all kinds of labor, skilled and un-skilled (loading and unloading of goods, packing, etc.)	1. Address the shortage of labor through the reform of labor and residence laws for both the private and public sectors, including: <ul style="list-style-type: none"> ▪ Conduct a review of the concepts of labor and fiscal policies that are imposed on income from the practice of a second profession. ▪ Restructure the public sector work force, and put an end to underemployment by expanding private sector activity and increasing the volume of its investments. ▪ Adopt a comprehensive new national strategy for education and vocational training; upgrade the skill-levels of the

	<p>labor force, including those employed by the commercial sector to render it competitive with the more efficient expatriate labor force.</p> <p><u>Stakeholders:</u> Ministry of the Interior Ministry of Labor and Social Affairs Ministry of Education Ministry of Higher Education and Scientific Research</p>
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Financing

Problems	Proposed Solutions
1. The obvious shortage in banking facilities and services of all kinds; lack of confidence and incentives for dealing with the banks.	<p>1. Promote the establishment of more private banks, address the issue of development and privatization or restructuring of government banks, and implement the role of the Central Bank, Hareem Branch, by putting in place policies for extending credit, setting interest rates, and establishing oversight for banks and bank governance.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch Ministry of Finance</p>
2. The difficulties facing companies and businessmen when they attempt to open Letters of Credit (L/Cs), leading them to the use of cash transfers or to open L/Cs in neighboring countries.	<p>2. Issue legislation by the Central Bank, Hareem Branch, for opening L/Cs in commercial banks, whether governmental (Rafidain and Rasheed Banks) or private, due to the importance of this measure in supporting private commerce.</p> <p><u>Stakeholders:</u> Central Bank, Hareem Branch Ministry of Finance</p>

The Informal (Parallel) Trade Sector

Problems	Proposed Solutions
1. Widespread informal trade activities (door-to-door salesmen and street vendors) that do not fall under any form of legal, administrative, or regulatory control, and the resulting competition with formal trade.	<p>1. Proposed solutions:</p> <ul style="list-style-type: none"> ▪ Reform legislation that regulates the profession and encourage the informal sector (unregistered in government departments) to register. Make the informal sector subject to quality requirements and legal liability. Put in place controls and terms for practicing the profession in accordance with government classifications for domestic trade.

	<ul style="list-style-type: none"> ▪ Set up a database that collects available data on the informal trade sector to help planning and adoption of appropriate remedies. <p><u>Stakeholders:</u> Regional Parliament Ministry of Trade Ministry of Planning</p>
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Public Policies

Problems	Proposed Solutions
1. Growing role of the state in this sector, coupled with the lack of regulatory and planning frameworks. This continues to obstruct the growth of a private sector role.	<p>1. The regional government should start adopting a clear program for privatization to put an end to mistakes resulting from government management of all economic activities.</p> <p><u>Stakeholders:</u> Council of Ministers Regional Parliament</p>
2. Time-consuming and complicated red tape facing commercial activities in import and export activities.	<p>2. Proposals for the solution:</p> <ul style="list-style-type: none"> ▪ Cut down on red tape for import-export manifest and freight documentation while making sure of sound origin of goods and trademarks documentation. ▪ Set up departments for trade in the governorates in the region to complete all transactions without the need to defer to the Ministry, thus cutting down on red tape and saving time, cost, and effort. <p><u>Stakeholders</u> Ministry of Trade Customs Authority</p>
3. Absence of Iraqi commercial representation offices and consulates abroad.	<p>3. Jumpstart the role of commercial representations and consulates, in cooperation with the federal government in Baghdad, in promoting exports and investment in the region.</p> <p><u>Stakeholders:</u> Ministry of Trade Ministry of Foreign Affairs</p>

Challenges and Aspirations

Challenges

The major challenges facing the commercial sector, both public and private, reveal an extremely important fact: the inability of any single party to face these challenges alone. The most outstanding challenge revolves around the negotiations to potentially gain entry into the World Trade Organization (WTO) and its ramifications for both sectors. Other challenges include the full implementation of the Investment Law. In the foreseeable future, it will not be easy to coordinate with—and receive complementary support from—the federal government, so the leadership of the commercial sector must take this into consideration and not rely on it in the near-term.

Aspirations

The private commercial sector began its activities in earnest three decades ago, but it is still unable to freely engage in all aspects of domestic and foreign trade. This is the result of state interference at times, and of state monopolization of certain activities at others. The private commercial sector aspires for greater government support to jumpstart its role in domestic and foreign trade. Many decades of commerce have demonstrated the sector's capabilities in bearing responsibility for its operations and have given rise to special institutions capable of taking over the role of the state in stabilizing the domestic market and providing goods and supplies that are needed by the region.