

# Kurdistan Business Agenda



## **Table of Contents**

1. Letter of Business Associations in Kurdistan
2. Center for International Private Enterprise Letter
3. List of Associations Contributing to Developing this Agenda
4. List of Agenda Coordinators and Revision Committee of the Agenda
5. Introduction
6. Shared Features Document.
7. The Housing and Contracting Sector
8. The Private Agricultural Sector
9. The Private Industrial Sector
10. The Infrastructure Sector
11. The Private Tourism Sector
12. The Private Financial and Banking Sector
13. The Private Transportation Sector
14. The Information and Communication Technology Sector
15. The Private Healthcare Sector
16. The Private Education Sector
17. The Private Commercial Sector

## **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.**

1. Dr. Azad Ahmad Aldosky
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.