



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.

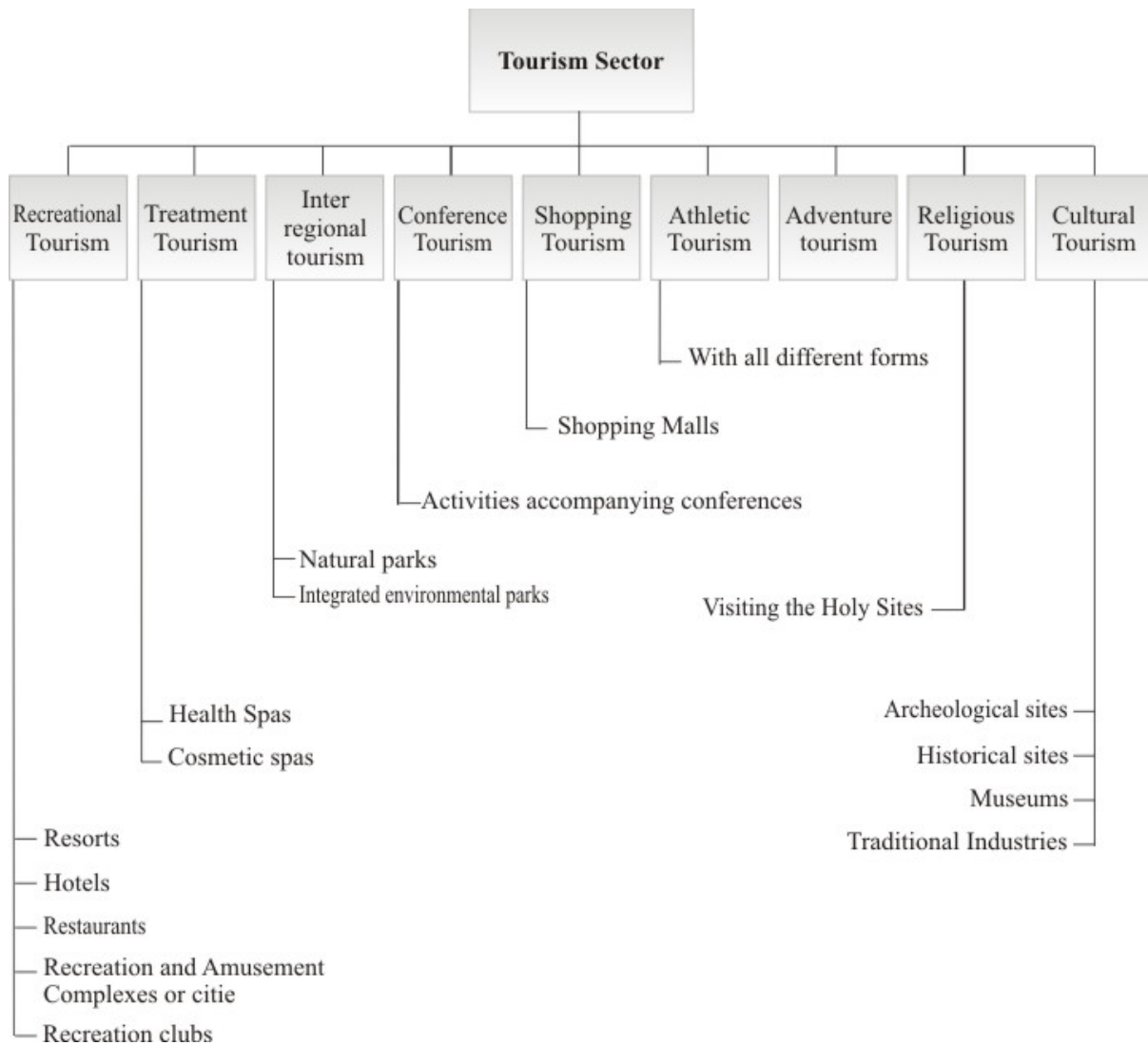
2. There is an absence of sufficient incentives for attracting foreign investment, including lack of guarantees of such investments.
3. There is poor participation by the private sector in tourism investments, which is restricted to a limited number of rudimentary restaurants that do not attract tourists 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.