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# Completion of a mapping and analysis of the existing industrial zones in Iraq

Implemented by Transtec



In consortium with



## FINAL REPORT

*by*

*Alessandro Costa, Antonella Sarro and Khaldoun Kobba*

*November, 20 2012*



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*Amat victoria curam*

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## ACRONYMS AND ABBREVIATIONS

<b>ADC</b>	Aqaba Development Corporation
<b>AECOM</b>	AECOM International Development
<b>ASEZ</b>	Aqaba Special Economic Zone
<b>ASEZA</b>	Aqaba Special Economic Zone Authority
<b>CBI</b>	Central Bank of Iraq
<b>CHF</b>	Competitive Housing Formation
<b>CEO</b>	Chief Executive Officer
<b>EZ</b>	Economic Zone
<b>ERPS</b>	Enterprise Registration and Permits System
<b>FTA</b>	Free Trade Agreement
<b>FZ</b>	Free Zone
<b>FZL</b>	Free Zone Authority Law
<b>GAFI</b>	General Authority for Investment
<b>GCIC</b>	General Commission of Iraq Customs
<b>GDID</b>	General Directorate of Industrial Development
<b>GDP</b>	Gross Domestic Product
<b>GDRER</b>	General Directorate for Real Estate Registration
<b>GoI</b>	Government of Iraq
<b>GNP</b>	Gross National Product
<b>GTC</b>	General Taxation Commission
<b>IDA</b>	Investment Development Authority
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labor Organization
<b>IMF</b>	International Monetary Fund
<b>INIC</b>	Iraq National Investment Commission
<b>IQD</b>	Iraqi Dinar
<b>IPPA</b>	Investment Promotion and Protection Agency
<b>IRI</b>	Iraqi Reconstruction Institute
<b>KRG</b>	Kurdish Regional Government
<b>MENA</b>	Middle East & North Africa
<b>MoA</b>	Ministry of Agriculture
<b>MoIM</b>	Ministry of Industry and Minerals
<b>MoLSA</b>	Ministry of Labor and Social Affairs
<b>MoPDC</b>	Ministry of Planning and Development Cooperation
<b>MoT</b>	Ministry of Trade
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>NGOs</b>	Non Governmental Organizations
<b>NIC</b>	National Investment Commission
<b>PIC</b>	Provincial Investment Commission
<b>PPP</b>	Public Private Partnership
<b>SBDC</b>	Small Business Development Center
<b>SEZ</b>	Special Economic Zone
<b>SME</b>	Small Medium Enterprise
<b>SOE</b>	State Owned Enterprise
<b>UN</b>	United Nations

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## EXECUTIVE SUMMARY

<b>TITLE</b>	<b>Completion of a mapping and analysis of the existing Industrial Zones in Iraq</b>
<b>CLIENT</b>	UNIDO
<b>CONSULTANTS</b>	TRANSTEC-STEM (Alessandro Costa, Antonella Sarro, Kaldhoun Kobba, Berj Boghos)
<b>REPORT DATE</b>	September, 21 2012
<b>STUDY OBJECTIVES</b>	Surveying and mapping five Free, Investment and Industrial Zones in the Basra, Erbil, Baghdad and Al-Anbar Governorates.
<b>ACTIONS CARRIED OUT</b>	<ol style="list-style-type: none"> <li>1. Meeting the most important stakeholders (business intermediary Organizations, local Authorities, businessmen and opinion leaders like top ranking, state officials and Governmental advisors) in the Basra, Erbil, Baghdad and Al-Anbar Governorates.</li> <li>2. Identification of the target zones for each governorate, respectively 5 in Basra. 6 in Erbil, 7 in Baghdad and 4 in Al-Anbar.</li> <li>3. Interviewing a random sample of 102 firms in Basra, 118 in Erbil, 130 in Baghdad and 96 in Al-Anbar.</li> <li>4. Study of the regulatory aspects of Free, Investment and Industrial Zones in Iraq.</li> </ol>
<b>FINDINGS AND CONCLUSIONS</b>	<p>The very poor or insufficient quality of the basic infrastructure and utilities in all areas of the Country certainly constitutes the most relevant bottleneck for the functioning and growing of enterprises, for the consolidation of clusters and the effective functioning of the existing Free Zones or the creation of Industrial/Investment Zones in the Country.</p> <p>The enterprises interviews showed that the more strongly represented sectors in the surveyed areas are: mechanics, building materials and agro-industry. There are natural concentrations of mechanics in Al-Hamdani (Basra), Al-Qa'im (Al-Anbar), Al Jamila (Baghdad) and in Al-Zubair (Basra); printing in Al Sadoun (Baghdad); food processing in Al-Sinaat &amp; Al-Takhzeen (Basra); building materials in Al-Qorna (Basra), and Northern Industrial Area (Erbil); textile in Al Khadimya and Al Rasheed (Baghdad).</p> <p>Nonetheless, a number of the firms interviewed are old and experienced enough to be considered well established and so having a good potential to grow and develop, especially if adequate funding and cooperation opportunities could be made available.</p> <p>Although still poorly equipped, the manufacturing firms could grow and develop if adequately supported.</p> <p>The lack of representative and effective intermediary institutions and service providers strongly jeopardizes the turning of industrial clusters into managed Industrial Zones.</p> <p>The Free Zone Law provides for centralized functions for the establishment and management of zones and the licensing procedure still remains highly discretionary, although in 2008 a 'delegation of authority' (Decree No 5542 of 2008) to the zone management might have probably contributed to decentralize the procedure.</p> <p>Referring to the creation of Industrial/Investment Zones the co-existence of the Industrial Investment Law No (20) of 1998 and Investment Law No (13) of 2006 generates overlapping and confusion, unless a clear definition of the scope of the two laws is provided (this confusion has been mentioned by top opinion leaders, like Mr. Thamer Ghadban).</p> <p>The persistent centralization of functions and competences for the creation of Investment Zones under the Central Government (the NIC) is still representing one of the major constraints and slowdown to the process of creation of such Zones.</p> <p>Another relevant constraint for the development of Iraqi business environment is still represented by the insufficient participation of the private sector to the decision making processes.</p> <p>Measures for improvements/updating of the present legal framework referring to the Free Zones have been recommended including an empowerment of the private sector participation in the zone management and the establishment of an effective One-Stop-Shop.</p> <p>Concerning Industrial/Investment Zones two parallel lines of actions have been envisaged: by one side the turning of the present factual firms territorial aggregations into managed and supported Business Cluster Zones; and by the other, the establishment of structured Industrial/Investment Zones through the issuing of 'instructions' by the NIC establishing the basic normative framework and the launching of calls for proposals allowing the local authorities to submit individual projects for the establishment of an individual zone which might be co-financed by the Government and by the Local Governorates.</p>

# PART I

## STAKEHOLDERS INTERVIEWS

The main objective of the project is the surveying ‘*on the existence, regulation, management and operating advantages of Industrial Zones*’ in four target areas of Iraq: Basra, Erbil, Baghdad and Al-Anbar. However, the present project covers both the traditional Free Zones - the well-defined category of offshore fenced areas, that are geographically identified, as well as regulated and managed - and a wide variety of Industrial/Investment Zones, including industrial estates, industrial cities, technology parks, etc. The findings of the pilot phase in Basra were mostly confirmed by the interviews of the stakeholders in Erbil, Baghdad and Al-Anbar. They enlightened that the existence of such zones in Iraq is merely factual, neither regulated, nor managed. Only the Free Zones have a well-defined geographical dimension and are regulated and managed. **All the other surveyed Industrial/Investment Zones are in practice only groups of firms that established in some areas surrounding the cities, mainly due to the need to keep the entrepreneurial activities off the urban perimeter. Hence such zones will be referred to in the present report as Industrial Areas, to avoid confusion with the above widely accepted definitions (industrial zones, investment zones, industrial estates, industrial cities, industrial parks, etc.).** Nevertheless, if the objective of this project is also to draw a roadmap and gather the information for preparing a pre-feasibility study, the snapshot of the entrepreneurial environment in the target areas - that resulted as a relevant spin off of the interviews, both to the firms and to the stakeholders - is to be considered as a significant contribution too. Indeed and more importantly, since such aggregations of firms are informal, neither regulated nor managed, it has been crucial to value also the present and potential role of the business intermediary and advocacy Institutions, in order to understand where and on which tools to concentrate the efforts for eventually turning firms groupings into structured Industrial Zones.

The different stakeholders were thus selected and interviewed not to draw a picture of the local business environment, but to understand the level of their awareness about the existence and function of structured and managed Industrial Areas for supporting the economic and industrial development of Iraq.

To this purpose, in addition to the Institutions’ representatives, which playing an official and more direct role in Industrial Areas creation and management (the Ministries and the public administrations, the National Investment Commission, the Provincial Investment Commissions and Business Associations), other individual businessmen, opinion leaders and experts were interviewed. Such people or bodies (like banks, academicians, businessmen, consultants and even micro-finance bodies) were met because they were – or should have been – familiar with business groupings potential problems and needs in the different target areas.

## OBJECTIVES AND METHODS

The main reason for interviewing stakeholders was thus to understand:

- their respective knowledge about the existence of Free and Industrial Areas;
- their respective populations of firms as well as the dimension and business sectors of the latter;
- their views about the function and usefulness of such zones for the industrial and economic development of the Province;
- the interest of the firms to work within the zones;
- the problems and constraints for entrepreneurial activities both inside and outside the zones (infrastructure and utilities, but also governance and regulatory aspects);
- the most suitable tools for establishing new structured industrial/investment zones or turning spontaneous aggregations of firms into formal industrial estates.

The different stakeholders (Institutions, bodies and individuals) were interviewed both through a predefined questionnaire<sup>1</sup> or through a free conversation, focusing on some core questions:

- Were they aware of the existence of formal investment/industrial zones in the different target areas?
- Were such zones formal industrial zones or merely firms groupings?
- In the case of the existence of formal industrial zones, are they formally managed?
- Which are the services/facilities provided to the firms established in the zones or in the industrial groupings?
- Are industrial/investment zones to be considered an important tool for the economic and industrial development of the Country?
- Was the need for urban management the reason for firms to establish in the zones?
- How is the composition of the firms population in the different zones (trade, manufacture and services)?
- Which ones of the industrial/investment zones would they target for obtaining a true and reliable snapshot of industrial zoning in the different target areas?
- Which are the main problems and constraints met by the firms in the different aggregation areas?<sup>2</sup>
- Are the existing regulations of investment in general and of

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<sup>1</sup> The TOR envisages the use of questionnaires for industrial zone management and firms that are homogeneous entities.

<sup>2</sup> Land allocation (obtaining the land for investment); utilities (water and electricity); infrastructure (roads, ports and airports); security, business and products regulations (the lack of relevant business regulations - like custom rules protecting domestic production, competition, consumer and quality standards protection etc.); a long and cumbersome licensing procedure; the centralization of State functions regarding the establishment of industrial zones and investment licensing and the lack of adequate business funding from ordinary bands or public Institutions; the poor participation of private sector in decision-making.

investment/industrial zones providing a clear and effective normative framework for establishing and conducting business in Iraq?

- Are there plans for creating new zones?

The stakeholders interview plan was indeed aimed, as far as possible, to reach all the basic components of the target areas Institutions and business community, including: the competent Ministries, the National and the Provincial Investment Commissions, the Municipal Authorities, the Free Zones managers, the Entrepreneurial Associations, the Chambers of Commerce, the small business support structures, the financial sector (banks and micro-finance bodies) and some individual experts and entrepreneurs. The interviews were organized accordingly and most of the Institutions and bodies were interviewed, except the Municipality of Baghdad that could not be reached during the five last days mission of the project team.

## 1 - STAKEHOLDERS MEETINGS IN BASRA, ERBIL, BAGHDAD AND AL ANBAR

The results of the interviews are summarized in the following Tables 1 and 2: the first refers to Basra area (the project pilot phase), and the second includes interviews in Erbil, Baghdad and Al-Anbar. The above Tables are not homogeneous because the method for reporting interviews adopted for Basra was improved and fine-tuned for the subsequent meetings in Erbil, Baghdad and Al-Anbar.

The interviews in Erbil have been conducted by Alessandro Costa and Antonella Sarro; in Baghdad by Alessandro Costa, Antonella Sarro and Khaldoun Kobba; in Al-Anbar, by Wisam Amer<sup>3</sup>.

## 2 - INTERVIEWS WITH THE MUNICIPALITIES

The Table 3 summarizes the meetings with the Municipalities of Basra, Al-Anbar and Erbil (meeting the Municipality in Baghdad was not possible, due to the limited time of the related mission). The interviews have been conducted by in Al-Anbar, by Ahmed Safi Ali and Wisam Abdul Gahfur<sup>4</sup>.

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<sup>3</sup> Since the project proposal did not include a mission of the international experts to Al-Anbar. The interviews in Al-Anbar were nonetheless coordinated and supervised by Khaldoun Kobba and Berj Bogos. Wisam Abdul Gahfur has been hired by IRI because of his familiarity with Al-Anbar economic environment and his experience in surveys.

<sup>4</sup> Since the project proposal did not include a mission of the international experts to Al-Anbar. The interviews in Al-Anbar were nonetheless coordinated and supervised by Khaldoun Kobba and Berj Bogos. Ahmed Safi Ali and Wisam Abdul Gahfur have been hired by IRI because of their familiarity with Al-Anbar economic environment and their experience in surveys.

**TABLE 1 – STAKEHOLDERS INTERVIEWS CONDUCTED DURING THE MISSION IN BASRA**

*(The arguments and considerations hereunder represents the opinions of the interviewed people)*

<i>DATE</i>	<i>INTERVIEWERS</i>	<i>STRUCTURE</i>	<i>NAME/POSITION</i>	<i>TOPICS</i>	<i>REPORT</i>
25/05/12	Costa, Sarro, Khaldoun	Iraqi Industrial Union (Basra Office)	Majid Rishak Abdella, Head of Advisory Committee	<p>Illustration of the objectives of the project referring to analogous initiatives about Free Zones.</p> <p>Request for cooperation in the identification of free and industrial zones in the Basra Governorate.</p> <p>Focusing on the role of the Industrial Union in the promotion and management of free and industrial zones.</p> <p>Origin and number of the existing EZs in the Basra Governorate.</p>	<p>He is skeptical about UN Agencies projects consisting of studies and investigations that very rarely have an impact on economic development of the enterprises and the territories. He further explains the need to cross-examining the different stakeholders and directly interview the firms operating inside each zone. He also sustains that Industrial Union already knows all the problems to be addressed in order to improve existing economic zones and creating new ones. As regard to the 19 zones identified (for the selection criteria, see Part II, par.1.1), he considers them mainly as spontaneous groupings of firms, sometimes belonging to the same sector, and agrees on the five target zone selected for firms interviewing (see <i>Table 5</i>).</p> <p>He provided in-depth information about the persons to be interviewed for understanding the positions of the different stakeholders and supported our team in establishing meetings with stakeholders.</p>
	Costa, Sarro, Khaldoun	Annajah Engineering Industries – Solar Power System	Mahmood Sh. Majeed	<p>Illustration of the objectives of the project referring to analogous initiatives about Free Zones.</p> <p>Contributing the opinion of a businessman about the function and the usefulness of economic zones for supporting industrial development in the region.</p>	<p>According to Mr. Majeed (member of Businessmen Union) the studies and surveys conducted by UN Agencies about economic zones appear sometimes theoretical and not leading to actual and viable results.</p> <p>The basic problem for the functioning of economic zones is still linked to the lack or scarcity of basic utilities like water and electricity, although the firms' intent to locate in such areas is justified for benefiting of a relatively better access to such utilities. The leading role of public Authorities in respect to the private sector is strongly affecting the development of economic zones, since it jeopardizes private-public cooperation.</p>
26/05/12	Costa, Sarro, Khaldoun	Iraqi – Businessmen Union	Sabech H. Yusur Al-Hashimi, Member of Management Council	<p>Problems of the industrial zones and their usefulness for economic development of the Basra Governorate.</p> <p>Role and functions of the businessmen Union.</p>	<p>Mr. Al-Hashimi agrees that the selected five zones represent a significant sample of the firms' concentrations around Basra; according to him, the basic problem in such areas is still the scarcity of utilities, water and electricity. In the new envisaged industrial zones the allocation of land could turn into a major problem, since the land finally belongs to the Ministry of Finance and not to the Ministry of Industry.</p> <p>The Businessmen Union is mainly playing the advocacy role of business towards governmental Authorities, at central and local level. Except promotional actions - like participation to fairs and missions abroad - no other support services are provided to the firms, probably also because Businessmen Unions associate large and important businesses that do not need support.</p> <p>In his opinion, the decentralizing powers and competences from central Government to the local one could represent the most important action to support the development of the Basra area and its industrial zones.</p>

	Costa, Sarro, Khaldoun	SBDC	Imad GH. Hasan, Director	Supporting to small sized business in Basra area. Understanding the role of the Chambers of Commerce and SBDCs. Focusing on the meaning and the value enterprise grouping for promoting economic and industrial development.	The SBDC has been created under the worldwide standards for such bodies, to assist small business and start-ups. Nonetheless it is incorporated in the Chamber of Commerce and has no linkages with the Businessmen Union or the Industrial Federation. Its outreach is consequently limited. Presently it can be considered more as a project phase than a real service centre. The interview further shows the Director's limited awareness of the existence of small firms grouping by area/sector.
27/05/12	Costa, Sarro, Khaldoun	Basra Investment Commission	Haidar A. Fadhel, Deputy Chairman of BIC	Illustrating the plans for new industrial zones in the Basra region. Commenting on the role of the Ministry of Industry and central and local Investment Commissions. Identifying the problems and constraints of the industrial zones in the Basra area.	All the three Basra Investment Commission officers interviewed share the list of the 19 zones identified although underlining that it is basically matter of informal groupings that were traditionally considered as industrial. The five target ones appeared significant to represent a reliable sample. There are clear strategies and plans to establish a number of industrial zones in the Basra region, such as infrastructure equipped areas for locating new businesses: the Ministry of industry is competent for realizing such infrastructures but not for managing the lease of the land. The lack of basic utilities, water and electricity, will remain a major constraint in the next five years.
	Costa, Sarro, Khaldoun	Basra Investment Commission	Khalaf L. Al-Badran, Chairman of BIC		
	Costa, Sarro, Khaldoun	Basra Investment Commission	Mazin D. Al Samlamy, Member of the Board of Directors		
	Costa, Sarro, Khaldoun	Khor Al- Zubair Free Zone	Alaa M.R. Al-Jazairy, M.Sc – International Economic Manager of Free Zone Khor Al-Zubair	Regulatory aspects of the Free Zone. Foreseeing expansion of the covered area. Type of firms operating in the free zone. Problems and constraints.	The procedure for admission in the Free Zone were, in his opinion, substantially sped up due to the delegation of authority from the FZ General Board in Baghdad to the Basra FZ manager, which was equivalent to a significant reduction of discretionary power in the granting of authorizations. Free zone land belongs to the Free Zone and its allocation is faster and smoother (see <i>Table 15</i> ). Requests for authorizations sharply increased after 2008 following the large oil investments in the area. About 80 projects will be realized in the next years. The Free Zone does not guarantee water and electricity but the problem is solved by each investor through wells and generators. There are also plans for a significant increase of the Free Zone area.
Costa, Sarro, Khaldoun	Al-Hamad Group - Trade and Shipping Services	Saad Al-Hamad, Executive Manager	Problems and constraints of import and export trade operations through the Basra ports. Functioning of the Free Zone. Role of business groupings and associations.	Import and export procedures within Basra ports are especially cumbersome and of unpredictable duration and complexity. This is very discouraging for firms and traders who prefer the Kurdistan land borders with the consequence to drive down business in Basra. The situation is far better within the Free Zone, but the latter is actually working only from 2008. Transport and shipping activities appear unregulated and unfair competition by small carriers and smugglers flourish. The sectoral Association has difficulties in performing its advocacy function. As regards to the zones Mr. Al-Hamad is aware of the existence of firms groupings, basically concentrated in the traditional industrial area of Basra.	

28/05/12	Costa, Khaldoun	North Bank for Financing and Investment	Husseen Ali Al-Kahdly, Manager of Basra Branch	Situation of the banking sector in Iraq and in the Basra Province. Relations between banks and businesses.	The interview confirmed the weakness of the banking sector in Iraq and in the Basra Province: basically funding individuals more than companies, short-term loans (max two years), relatively high interest rates (11%) and high level of collateral. The outreach is limited (only about 60 loans are presently outstanding. The bank made presentations to the Businessmen Union and to the Chamber of Commerce. Enterprise groupings or zones are not relevant for Banks' development policy and marketing.
	Costa, Khaldoun	College of Management and Economics	Nabil J. Abdul Redah, Teacher of Economics	Wide outlook on the Iraqi economy and the situation of industry and productive sectors. Role of business service bodies. Nature of the economic zones.	According to Mr. Redah, the most relevant weakness of the Iraqi economy and industry is finance, just subsequent to the lack of water and electricity. Funding is a major constraint for creating new businesses or increasing the existing ones due to the high rates of interest and level of collateral required. And this is unfortunately true also for the small business funding schemes managed by the SBDC. Industrial zones are in practice spontaneous groupings of firms located in a given area only because of the price of land and of the policy pursued by the local authorities until 2003. No real cluster can be identified in the known industrial areas. Businessmen Union, Chamber of Commerce and Federations have different views and interests and do not cooperate. Even SBDCs management has problems with the Chamber's bodies. This is equivalent to saying that there are no service providers for the majority of firms. Nonetheless supporters of change can be found both in the provincial political Institutions and within the business community.
29/05/12	Costa, Khaldoun	CHF - Competitive Housing Formation	Ahmad Abdul Hussain Ali, Office Manager	Presented the mission of CHF to fund the project's of small business. Speaking of the groupings of firms in the Basra area and about the role of business service structures.	CHF provides loans to small businesses with a maximum duration of 18 months and an interest rate of 14%. It works under the worldwide recognized standards for micro-finance. Marketing is conducted through field loan officers, but the industrial zone dimension is not relevant for them. The funded firms are spread over the province, but many are concentrated in the urban area, since it is matter of shops or dealers. The CHF officers interviewed confirm that in the Basra Province there are no real service providers, especially referring to SMEs.
	Costa, Khaldoun	CHF - Competitive Housing Formation	Ahmed Sabri Hashem		

TABLE 2A – STAKEHOLDERS MET DURING THE MISSION IN ERBIL, BAGHDAD AND AL-ANBAR

ERBIL	DATE	STRUCTURE	NAME AND POSITION
	30.8.2012	Ministry of Planning - KRG	Hauraz Saadi RaooF - Dept. of Statistics
Ministry of Trade and Industry - KRG		Srood Ahmed F. Yousif - Manager of Planning	
1.9.2012	ERBIL Feed Company	Kamaram Husain Karim - Authorized Manager	
	Economist Syndicate	Sarwar Kamal Hawari - Head	
	Salahadreen University	Yasin Rasul Younis - Head of Economics Dept.	
02.09.12	President of Ministry Council - Min. of Trade and Industry - KRG	Fathi M. Ali Almudaris - Economic Relations Advisor	
	Board of Investment - KRG	Qarhman Sulieman Ahmed - Director General Dept. of Industrial Cities & Zones	
	Chamber of Commerce and Industry - Erbil	Nazahat Abdullha Ibrahim - Manager	
03.09.12	Council Ministers - KRG	Ranj A. Sahebqran - Head of Planning Office Council Ministers	

AL-ANBAR	DATE	STRUCTURE	NAME AND POSITION
	03.09.12	Chamber of Commerce Al-Anbar	Saad Jabber Muhammad - Director of Studying & Commercial Services
Ramadi Investment Department		Amer FarHan AWF - Director	

BAGHDAD	DATE	STRUCTURE	NAME AND POSITION
	04.09.12	Iraqi Businessmen Union	Basem J. Anton - Vice Chairman
Ministry of Industry and Minerals		Manaf Hamed - Senior engineer - Industrial Dev. Directorate - Dept. for the Development of the Industrial Zones	
		Mohamed Hamed - Manager - Industrial Development Directorate - Dept. for the Development of the Industrial Zones	
		Nempt Mahmood Al-Sawarray - Civil engineer	
		Nadia Hussien - Construction materials engineer	
		Majedh Hameed - Chemical engineer	
		Najimaldeen Abdulah Al-Hyaliy - Directorate of Planning and Studies	
Prime Ministry Office		Thamir Ghadban - Chairman of the Prime Minister's Advisory Board	
05.09.12			Khaled Yaseen Al-Saker - Private Consultants
		National Investment Commission	Ekram Abdul Azeiz - D.G. of Economic Dept.
	Gazanfer Al-Bayati - Deputy General Director NIC		
	Iraqi Businessmen Union	Raghib R. Bleibel - Chairman	
		Basem J. Anton - Vice Chairman	
Al-Hassnawi Group Co.	Adel A. Hussain - General Director		
Al Riba for Trading Agencies	Hussain Th. Mubaraka - General Manager		
Ostim Yatirim Industry	Adel Okab - Manager		
06.09.12	Ministry of Finance	Khaled Salah Mohammed Murad - General Director of Economic Dept.	
	Prime Minister's Advisory Board	Hameed Al-Anbari - Member of Prime Minister's Advisory Board	
	Al Rubeiy Group	Haider J. Al-Rubeiy - Second Vice President of Commerce of Baghdad	



**TABLE 2B— STAKEHOLDERS INTERVIEWS CONDUCTED DURING THE MISSION IN ERBIL, BAGHDAD AND AL-ANBAR**

(The answers given hereunder represent the opinions of the interviewed people)

	STRUCTURE	FORMAL ZONES		INDUSTRIAL GROUPINGS		MANAGED ZONE		SERVICES PROVIDED		RELEVANCE FOR ECONOMIC DEV.		ESTABLISHMENT FOR URBAN MANAG.		PREVALING COMPOSITION			SIGNIFICANT ZONES (number)	CONSTRAINTS								REGULATION EFFECTIVENESS		PLANNED NEW ZONES (number)							
		yes (number)	no	yes (number)	no	yes	no	yes	no	yes	no	yes	no	trade	manufacture	services		land	utilities	infrastructure	security	products Reg.	licensing proc.	centralization	busin. funding	priv.sect.part.	yes		no						
ERBIL	Ministry of Planning - KRG		X	2			X		X	X		X		X		X	2	X	X																
	Ministry of Trade and Industry - KRG		X	5			X		X	X		X					2																		
	ERBIL Feed Company		X	3			X	X		X		X					3	X																	
	Economist Syndicate		X	2			X	X						X							X												X		
	Salahadreen University																																		
	President of Ministry Council - Ministry of Trade and Industry - KRG		X									X																							4
	Board of Investment - KRG		X											X	X																			X	1
	Chamber of Commerce and Industry - Erbil		X	3			X				X		X																						1
	Council Ministers - KRG		X	X			X																											X	4
AL-ANBAR	Chamber of Commerce Al-Anbar	4		1			X			X				X	X		2																		
	Ramadi Investment Department	6				X				X					X		3																		

	STRUCTURE	FORMAL ZONES		INDUSTRIAL GROUPINGS		MANAGED ZONE		SERVICES PROVIDED		RELEVANCE FOR ECONOMIC DEVELOP.		ESTABLISHMENT FOR URBAN MANAGEMENT		PREVALING COMPOSITION			SIGNIFICANT ZONES (number)	CONSTRAINTS							REGULATION EFFECTIVENESS		PLANNED NEW ZONES (number)		
		yes (number)	no	yes (number)	no	yes	no	yes	no	yes	no	yes	no	trade	manufacture	services		land	utilities	infrastructure	security	products Reg.	licensing proc.	centralization	busin. funding	priv.sect.part.		yes	no
BAGHDAD	Iraqi Businessmen Union		X	X								X									X	X	X						
	Ministry of Industry and Minerals												X		X		X	X					X		X		3		
	Prime Ministry Office																			X	X	X			X				
	Private Consultant		X	X													X				X	X				X			
	National Investment Commission																X				X								
	Iraqi Businessmen Union																												
	Al-Hassnawi Group Co.		X	X			X				X			X							X	X	X		X		X		
	Al Riba for Trading Agencies																												
	Ostim Yatirim Industry																												
	Ministry of Finance Republic of Iraq																X				X	X		X					
	Prime Minister's Advisory Board																												
Al Rubeiy Group		X	X			X				X			X														4		

**TABLE 3A - MUNICIPALITIES INTERVIEWS – BASRA AND AL-ANBAR** (The arguments and considerations hereunder represents the opinions of the interviewed people)

			BASRA			AL-ANBAR	
			Khor Al-Zubair	Basra		Al Ramadi	
			Director of Municipality	Director of Municipalities Properties	Lawyer Department - Municipality	Chief of Information Sector - Electricity Directorate Al-Ramadi	Manager of Employment Sector - Al Ramadi Sewerage Directorate
N	Question	Answer					
1	Are there any industrial/ investment zones under your jurisdiction?	No					
		Yes	X	X	X	X	X
		1.1 How many? (approximately)	3	3	4	3	3
		1.2 What is your opinion about the function (the importance) about industrial/investment zones?	Provide capitals and qualified personnel, improve competition	Important for meeting area requirements	Help solving unemployment problem and improving development	Open investment and increase profits	Attract foreign investments
2	Which zones are formally recognized under national and municipal regulations?	Khor Al-Zubair, Hemdan, Abo Al-Khaseeb and Al-Zubair	Abo Al-Khaseeb, Al-Zubair and Al-Kurma	Not known	The industrial zone and Al Ta'meem area	Al Ramadi (industrial quarter)	
3	What does the Municipal Authority for the industrial/ investment zones?	Land (if yes, is the land offered to tenant firms given on rent or is it sold to the tenant?)			X	X	X
		Building (given or rent)?	X	X	X		
		Electricity (at a preferential rate?)				X	X
		Water (at a preferential rate?)			X		
		Roads	X	X	X	X	X
		Worker housing					
		Security services				X	X
		Cleaning services	X	X	X	X	X
		Others (specify) :					
		3.1 Who should ensure the management of such zones?					
		A local Authority or body	X	X	X		
A national Authority or body				X	X		
4	Is there any zone which is developed and run by private companies?	None	None	None	None	None	
5	Are there any plans to create new industrial/ investment zones?	No	X	X			
		Yes			Abo-AlKhaseeb and Fawplanned		
		Do not know				X	X
6	Which are the 5 more relevant zones based on their respective population and firm dimension?	Khor Al-Zubair, Hemdan, Al-Zubair are the largest, followed by Al-Haritha and Um'Qasr	Impossible to determine because firms and population are uncompatible characters	Basra (Hamdan, Industry and Storage), Kurma, companies at Zubair and Khur Zuber	Ramadi, Al Jerashi, Al Tameem areas	Al Ramadi, Al Tameem quarter and Al Jerashi	
7	Can you provide an approximate estimation of the number of the firms operating in the zone?	4 governmental firms and others of private sector	No	No	450 approximately	No	

			BASRA			AL-ANBAR	
			Khor Al-Zubair	Basra		Al Ramadi	
N	Question	Answer	Director of Municipality	Director of Municipalities Properties	Lawyer Department - Municipality	Chief of Information Sector - Electricity Directorate Al-Ramadi	Manager of Employment Sector - Al Ramadi Sewerage Directorate
8	Which are the zones including SOEs ?		Khor Al-Zubair, Hemdan and Abo Akhaseeb	Khor Al-Zubair, Hemdan and Al-Kurma	Northern Orkaly (Min. Industry), West Rafidhiya (Espis factory), Area 14/1m <sup>3</sup> (FAW Company)	Al Tameem Quarter	Industrial quarter
9	Which are the zones including manufacturing unit?		Khor Al-Zubair	Not known	Talha, Al-Somaikh lands and the Southern Orkaly	Al Tameem Quarter, Al Suffyah, North Ramadi (out of Municipal borders)	The Industrial quarter, Al Jerayshi and Al Tameem quarters
10	Can you provide an approximate estimation of the number of workers employed in the	No	X	X	X	X	X
		Yes					
11	In your opinion, what are the reasons why the firms have been established in the zones?	Because of urban planning or regulation	X	X	X	X	X
		Lower land costs compared to other locations in the governorate/region				X	X
		Lower land costs as compared to other locations in Iraq					
		Lower utility (electricity, water) costs					
		Better security facilities				X	X
		Quicker/easier registration and permits for business					X
12	How the Municipal Authority services are funded?	National budget	X	X	X	X	X
		Municipal budget			X	X	
		Private firms fees					
13	In your opinion, what is the authority/body providing assistance services (legal, marketing, promotion, etc.) which is more active for supporting the firms in the different zones?	The Chamber of Commerce					
		Business Association					
		Small Business Development Centre				X	X
		Individual Municipal Authority Department		X		X	
		Other (specify )	Industrial Union in Basra			No assistance provided	

**TABLE 3B - MUNICIPALITIES INTERVIEWS – ERBIL** (The arguments and considerations hereunder represents the opinions of the interviewed people)

			ERBIL							
			M unic. 5	Bahirka	M unic. 3	M unic. 4	M unic. 2	M unic.6	Ainkawa	Al Sawaf
			Manager of the Services Sector- Municipality n.5	Bahirka Municipality Director	Services Manager Municipality n.3	Surveyor	Chief of Engineers	Chief of Inspectors	Engineer	Manager of Technical Sector
N	Question	Answer								
1	Are there any industrial/ investment zones under your jurisdiction?	No							X	X
		Yes	X	X	X	X	X		X	
		1.1 How many? (approximately)	5	3	1	4	2		10	
		1.2 What is your opinion about the function (the importance) about industrial/investment zones?	Ease the work for the people daily	Improve investments in the city	Contribute area development - create new job opportunities.	Services provided	Information provided	Improve internal market production	Create new jobs opportunities for youth	No answer
2	Which zones are formally recognized under national and municipal regulations?	None	None	None	None	None	None	None	None	
3	What does the Municipal Authority for the industrial/ investment zones?	Land (if yes, is the land offered to tenant firms given on rent or is it sold to the tenant?)	X			X	X			
		Building (given on rent)?								
		Electricity (at a preferential rate?)								
		Water (at a preferential rate?)								
		Roads	X				X			
		Worker housing								
		Security services					X			
		Cleaning services	X	X	X	X		X	X	X
		Others (specify) :								
		3.1 Who should ensure the management of such zones?								
		A local Authority or body			X			X		
A national Authority or body	X	X		X				X		
4	Is there any zone which is developed and run by private companies?	None	Housing investment zone	None	Yes	None	None	None	None	
5	Are there any plans to create new industrial/ investment zones?	No		X	X	X	X	X	X	X
		Yes	X							
		Do not know								
6	Which are the 5 more relevant zones based on their respective population and firm dimension?	None	The industrial zone with medium size companies	The biggest zone has 5000 shops	Manarah, ChawDeer city, Zailan, Heran, Kamaran	None	None	None	None	
7	Can you provide an approximate estimation of the number of the firms operating in the zone?	100 - 120	20 - 30	9 - 10	100	None	60 private companies	100	None	

			ERBIL							
			M unic. 5	Bahirka	M unic. 3	M unic. 4	M unic. 2	M unic.6	Ainkawa	Al Sawaf
			Manager of the Services Sector- Municipality n.5	Bahirka Municipality Director	Services Manager Municipality n.3	Surveyor	Chief of Engineers	Chief of Inspectors	Engineer	Manager of Technical Sector
N	Question	Answer								
8	Which are the zones including SOEs ?	No answer	None	None	None	None	None	None	None	
9	Which are the zones including manufacturing unit?						X		X	
10	Can you provide an approximate estimation of the number of workers	No		X	X	X		X	X	
		Yes	10.000 - 15.000	250 - 400			400 - 500			
11	In your opinion, what are the reasons why the firms have been established in the zones ?	Because of urban planning or regulation	X		X	X				
		Lower land costs compared to other locations in the governorate/region								
		Lower land costs as compared to other locations in Iraq								
		Lower utility (electricity, water) costs	X	X	X		X	X	X	
		Better security facilities								
		Quicker/easier registration and permits for business								
12	How the Municipal Authority services are funded?	National budget		X			X	X	X	
		Municipal budget	X		X	X	X			
		Private firms fees								
13	In your opinion, what is the authority/body providing assistance services (legal, marketing, promotion, etc.) which is more active for supporting the firms in the different zones ?	The Chamber of Commerce								
		Business Association								
		Small Business Development Centre								
		Individual Municipal Authority Department	X	X	X	X	X	X	X	
		Other (specify )								

### 3 - INTERVIEWS WITH THE FREE ZONES MANAGERS

Being the content of the interviews concerning the Free Zones basically referring to legal aspects, the related report is illustrated in Part III, Regulatory Framework (see par.3).

### 4 - RESULTS OF THE STAKEHOLDERS INTERVIEWS

The conclusions that can be drawn from the interviews, although not always providing innovative information, appear consistent and univocal and thus significant to understand the present situation, the problems and constraints of the Industrial Areas and the entrepreneurial environment within the four target areas.

They can be summarized as follows:

#### NO INDUSTRIAL/INVESTMENT ZONES BUT ONLY FIRMS GROUPINGS IN IRAQ

Almost all the interviewed Institutions and individuals flatly observed that there are no formal or structured industrial/investment zones in Iraq (as it is also stated in Part I, *Stakeholders interviews*, when it was decided to name 'industrial areas' all the zones targeted in the present report). The various aggregations and groups of firms surrounding the main cities of the Country are merely the factual result of the policy of the local Authorities (often the Municipalities) to keep business and manufacturing activities off the urban areas. And this is also confirmed by the interviews with the representatives of the Municipalities: in their opinion Industrial Areas exist, but clearly as peripheral areas designed for hosting the firms and the productive activities. Such urban management policy was also sustained through a cheaper price for land lease and a relatively better access to utilities, like water and electricity. (When the entrepreneurs underline the scarcity of the basic utilities, they implicitly keep stressing that industrial zones are merely conceived as areas equipped for, or better - relatively equipped for - industrial and trade activities).

THE POTENTIAL FOR FIRMS CLUSTERING Nevertheless it is also interesting to remark that some of these groupings include business of the same sector, as happens in the traditional industrial clusters, where firms gather for the need to collaborate or to provide the customers an easier access to a wider range of products (see also Considerations and Recommendations, par. B. 1).

UNDEFINED AND UNMANAGED ZONES Such groups of firms are thus established in zones or areas whose borders cannot be precisely defined and are very poorly equipped with the basic utilities and infrastructure. There is no specific Authority or body competent for managing the zones

and for providing centralized services to the firms, neither the traditional business intermediary Institutions like the Entrepreneurial Associations or the Chambers of Commerce, consider the above firms groupings as a dimension or pattern of the local business environment, nor they play a catalyst role or provide tailored services to them.

IDENTIFYING THE TARGET INDUSTRIAL AREAS FOR FIRMS INTERVIEWS It was consequently hard ascertaining the number and the structure of the Industrial groupings/Areas in the different target areas, since the opinions of the different stakeholders were often inconsistent or contradictory. Most of the interviewed stakeholders referred both to zones recognized at municipal level (the ones equipped with basic infrastructure) and to other spontaneous groupings located in their territory. Crosschecking such information made it possible to select 22 zones/areas: 5 in Basra (Al-Zubair, Hamdan, Sinaat & Al-Takhzeen, Al-Qorna and Al-Hwair); 6 in Erbil (Northern and Southern Industrial Areas, Kasnazan, Bahirka, Ean Kawa); 7 in Baghdad (Al Kamalyia, Al Salaam, Al Kadhimya, Al Rasheed, Al Bayaa, Al Jamila and Al Sadoun); and 4 in Al-Anbar (Al Ramadi, Fallujah, Heet, Al Karma). However, all the stakeholders interviewed in Erbil have mentioned the above 5 zones, but some of them have singled out other zones, as Soran, Duhok, Garmian, Gwer and a Free Trade Zone in Zako<sup>5</sup>.

THE PLANNED NEW ZONES Iraqi institutions and other stakeholders provided information about the plans for establishing Industrial or Investment Zones respectively 8 in Basra, 2 in Erbil (Benslava and Shaman) and 2 in Al-Anbar (Abo-Al Khaseeb and Faw). Unfortunately such information was not supported by documents or other evidences and appears inconsistent. Also the distinction between industrial and investment zones is blurred, since the interviewed stakeholders did not refer to precise definitions of the zones. The Ministry of Industry and Minerals remarked that the plans for realizing some of the most important of the new zones would not enter the implementation phase due to lack of sufficient funding from Government budget. Moreover many of the interviewed stakeholders underlined that both policy and regulatory framework for the establishment of new industrial or investment zones are still blurred. The main reasons are the absence of a specific Law governing the matter, and the co-existence of the Law No (20) for the year 1998 with the Law No (13) for the year 2006 (and the special Kurdish Investment Law No (4) for the year 2006), that does not certainly contribute to provide the competent public Administrations a clear and effective legislative framework for the creation of industrial/investment zones in the Country (see Part IV, par. D).

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<sup>5</sup> It is worth remarking that the AECOM, *Feasibility and Development Plan for Erbil Industrial Zone* (February 2010, p.20) identifies the following 11 industrial areas that match only in part with the results of the interviews: Bahirka, Bastora, Debaga, Kasnazan, Khabat, Kushtapa, Makhmor, North IZ, Quair, Soran and South IZ.



#### POOR UTILITIES AND INFRASTRUCTURE AND LACK OF EFFECTIVE SERVICE PROVIDERS

In spite of the plans for creating new industrial zones or revamping existing ones, all the interviewed Institutions and individuals lamented that not only water and electricity are insufficient (mostly in Basra and in Baghdad, but also, although to a lesser extent, in Erbil and Al-Anbar), but no other services are available to firms, both in general and within the industrial groupings or areas. This further diminishes the potential for the establishment of formal industrial zones, since not only an official zone management is lacking, but no other business Institutions or bodies are presently in the position to play a subsidiary catalyst function. More precisely, Iraqi Industrial Union and Iraqi Businessmen Union are actually functioning basically as the advocacy bodies, at local level, for a limited number of the most significant entrepreneurs. The only relevant service for businesses is the organization of promotional activities, like the participation to fairs, business meetings and missions abroad. The Chambers of Commerce are basically considered as competent for registering the firms and collecting the related annual fees and do not provide any meaningful support service. The SBDCs (Small Business Development Centres) that are usually working under the umbrella of the Chambers of Commerce are in practice still projects (or individual actions) aimed at stimulating and training start-ups and new businesses of women and young people. In sum, no Institution or structure in Iraq can presently perform the role of business catalyst, neither outside nor inside of the industrial areas. Last, but certainly not least, such intermediary Institutions do not cooperate, and in many cases act like competitors. Finally, and needless to say, the representatives of Municipalities only mentioned the urban services they provide (land allocation, cleaning and road maintenance, security).

THE LACK OF BUSINESS FINANCE The weakness - or better the lack - of financial sector in the Country is very well known, and it has been confirmed by the interviews with some of the stakeholders. The Ministry of Finance openly lamented the stopping in 2007 of the special facility it managed for funding industrial enterprises. A private bank officer and a microfinance body met in Basra seemed to ignore the existence of industrial zones or firms groupings, whilst in Countries like Italy the firms clusters represent a dimension of local banks policy and an important parameter for tailoring their financial and assistance services. It is impressing that the micro-finance structure operating in Basra does not value industrial groupings and zones and - unlike the majority of the analogous bodies operating worldwide - never thought to organize meetings or focus groups of the beneficiaries of its facilities.

A POOR REGULATORY FRAMEWORK Referring to the regulatory framework some of the stakeholders reminded that by one side a specific regulation for

industrial/investment zones was still lacking and by the other that the mentioned Laws of 1998 and 2006 were actually providing a dual regulation for investors, that was certainly not facilitating the tasks of the investors, as well as of all the public Administrations involved. Moreover, a draft Law reforming the Industrial Investment Law of 1998 was rejected by the Shura, apparently both because it has been deemed still too centrally minded and because there was a strong opposition to the creation of a new industrial/investment zones Commission, parallel to the Free Zones Commission managed by the Ministry of Finance. Unfortunately the question put to the stakeholders about the reasons for rejecting the new draft Law were not exhaustively answered neither the draft Law was provided to the interviewers. Moreover, considering more broadly the business regulatory environment in Iraq, the experts and opinion leaders met also underlined the urgent need to equip the Country with the essential product and market regulations, respectively on product quality standards, consumer protection and competition. Such regulations are still at draft stage, whilst a new Custom Law has been approved in 2011, and is about to enter into force. Such Law is considered of utmost importance, since it establishes customs levies for imported products, in order to protect Iraqi productions against the present wild competition of imports. Finally, all the interviewed stakeholders reported that the National Investment Commission, who should in principle function as a real One-Stop-Shop is actually merely receiving the investment applications, since the land and the different utilities are to be requested by the investors to each competent Ministry or public Authority.

UNCERTAINTY ABOUT HOW TO ESTABLISH INDUSTRIAL ZONES It has to be remarked that the stakeholders interviews made it clear that, although the politicians and the decision-makers appear in favour of the creation of industrial and/or investment zones in Iraq, there is still a deep uncertainty about the methods and the tools to be used to this purpose. The issues still at stake are basically by one side to what extent the power of establishment of the zones should be de-centralized towards local Authorities and by the other the opportunity either to adopt an *ad hoc* Law, or to opt for directly launching of tendering procedures, to eventually realize the zones under a PPP pattern. Indeed, the Law of 2006, art.9, par. seventh only empowers the NIC to establish such zones, but no other regulation has been issued so far in this respect. The Government of Kurdistan is reported to have chosen the second alternative and to have entrusted AECOM to prepare the feasibility study and the tender documents for realizing a new industrial zone in Kurdistan.

PRIVATE SECTOR PARTICIPATION AND DECENTRALIZATION OF DECISION-MAKING In the decision-making process for the establishment of the new industrial/investment zones, the role and the participation of all players is

universally recognized as of utmost importance. Nonetheless the private sector, the entrepreneurs, still strongly lament their very limited participation in decision-making, and especially in industrial policy matters. Indeed, private sector leverage *vis a vis* the Government and the Ministries is weak, due to the fact that oil revenues, that presently represent more than 90% of Iraqi GNP, are managed by the Government. Moreover, local Authorities (Governorates and Municipalities) are calling for acquiring a more important role and function in the creation of industrial/investment zones, but stakeholders remarked that they very often lack the qualified human resources necessary for planning, realizing and managing such infrastructure.

THE FREE ZONES The Al-Zubair Free Zone - the only Free Zone existing in the Basra Governorate - presently populated only by 70 firms (basically acting in warehousing and trade) seems likely to expand significantly, since about 80 projects are reported in the pipeline. Its General Manager also underlined a step forward in the bureaucratic procedure for the establishment in the zone, through a delegation of powers (by the Free Zones Board to the Zone Management) for the granting of authorizations (unfortunately it was impossible to find the document of which such delegation of powers is based).

The Al-Qa'im Free Zone is a 'no-operational' zone located in the Al-Anbar Governorate: it was established in 2000 and formerly hosted 35 medium-size firms mainly active in the trade sector and import-export. To date no firms are operating in the area, cause the zone was used by the Coalition forces as a military base and the people presently employed therein (about 50) are working for the rehabilitation and reconstruction of the zone. Concerning the delegation of powers to the Zone management mentioned for the Basra Free Zone, it could not be ascertained whether the same 'delegation' had also been issued or extended to Al-Qa'im Free Zone.

## PART II

### FIRMS INTERVIEW CAMPAIGN

The most relevant project action consists in the drawing of a snapshot of a sample of investment/industrial zones in Basra, Baghdad, Erbil and Al-Anbar through the conduction of an interview campaign of the firms located in such zones.

### OBJECTIVES

Interviewing the firms in the most relevant industrial areas of Basra, Baghdad, Erbil and Al-Anbar Governorates was aimed at understanding:

- the tentative territorial dimension of each zone, including the informal groupings in addition to the identified industrial zones, Khor Al-Zubair (Basra Governorate) and Al-Qa'im (Al-Anbar Governorate) Free Zones. Unfortunately, the firms established in both Khor Al-Zubair and Al Qa'im could not be interviewed for the reason illustrated beyond in the related paragraphs (see Part II, par. 1.5.1 and 1.5.2);
- the type, number and quality of the firms population established in each zone;
- the awareness of the firms to belong to each zone or businesses group;
- the problems, constraints and needs affecting the firms established in each zone;
- the potential for consolidation of industrial zones and for the turning of informal into structured industrial zones or clusters.

### METHODS FOR THE INTERVIEW CAMPAIGN

The interview campaign was organized through the following phases/activities:

1. identification/definition of the target industrial and Free Zones;
2. training and organization of the surveyors team and selection of the target firms to be interviewed in each zone;
3. conduction of the interviews through the predefined questionnaire;

4. assessment and verification of the results of the interviews to firms and SOEs.

## 1 - IDENTIFICATION/DEFINITION OF THE TARGET INDUSTRIAL AND FREE ZONES

### 1.1 – BASRA GOVERNORATE

In order to proceed to the selection of the five target zones to be addressed, it was necessary to focus on all industrial/investment zones and other enterprises groupings that could be single out in the whole Basra Governorate.

Standing to the few documents that could have been collected<sup>6</sup> in the desk phase it has been possible to single out 19 among formal and informal industrial zones in the Basra Governorate. The following Table 4 shows the information available:

*TABLE 4 - LIST OF INDUSTRIAL ZONES IN BASRA*

<u>NAME</u>	<u>TYPE OF ZONE</u>	<u>ESTIMATED NUMBER OF FIRMS</u>	<u>SECTORS</u>	<u>LOCATION</u>
<b>Al-Zubair</b> (district)	Industrial Zone	2.500 firms and SMEs (workshops, plants, factories)	Poultry and farms; raw materials and manufactured goods	Located 12 km to the West South of Basra, near from Al Sawadi Market
<b>Al-Qorna</b> (district)	Informal Zone that will be regulated	300 firms, workshops and factories	Buffalo breeding and vegetable farms, manufacturing and trade	Located 78 Km North of the city center of Basra. The zone located in the main road that links Al-Basra with Maisan Province
<b>Hamdan</b> (in the Abu Al-Khaseeb district)	Industrial Zone	6.000 firms and SMEs (workshops, plants, factories)	Mechanics, services, mosaic tiles, mills and steel factories	Located very close to Basra water treatment factory and it has Hamdan civil defense station. The zone located 6 Km from the center of Basra Grids of the zone: ٣٤°١٦'٣٠" N ,47°52'3"E Map of the zone: <a href="http://wikimapia.org/#lat=30.44305&amp;lon=47.867775&amp;z=15&amp;l=0&amp;m=b">http://wikimapia.org/#lat=30.44305&amp;lon=47.867775&amp;z=15&amp;l=0&amp;m=b</a>
<b>Al-Hwair</b> (Al-Qurna district)	Informal Zone	1.600 firms	Manufacturing and trade, production of doors and windows, wooden and iron materials	Located 60 Km North of the city center of Basra. The zone is located on the main road which leads to Qurna near of Qurna city
<b>Al-Sinaat &amp; Al-Takhzeen</b> (Basra city center distr.)	Informal Zone	125 firms and warehouses	Food processing and services	Located at 3 Km from Basra city center

<sup>6</sup> Information about Basra industries areas and Free Zones in Iraq were gathered from [www.ahewar.org](http://www.ahewar.org) (an Arab news website), *OECD-MENA Initiative for Governance and Investment for Development, Iraq Project*, at [www.oecd.org/document](http://www.oecd.org/document); Iraq National Investment Commission [www.investpromo.gov.iq/](http://www.investpromo.gov.iq/); *Basra Plan Report* (chapters n° 3,6,7) by BOC Development (consulting firm).

<b>Safwan</b> (sub-district, near the Kuwaiti border)	Informal Zone	about 85 firms	Cement, brick and gas factories	The Industrial Zone in Safwan District consists of 3 major streets plus several workshops and shops around the industrial area and its all located near the major road of Safwan which leads to the Iraqi-Kuwaiti borders and its about 1.500 km from the major road goes to the Um'Qasr District
<b>Um Qasr</b> (sub-district of Al-Zubair)	Informal Zone that should be regulated	More than 250 industrial firms, workshops, factories	Fishing, boats factories	The Industrial Zone in Um'Qasr District consists of 2 major streets plus several workshops and shops around the industrial area and it is all located near the major road of Um'Qasr which leads to the port of Um'Qasr South and to Basra North (about 1.80 Km from the of Um'Qasr District)
<b>Abu Al-Khaseeb</b> (district)	Informal Zone	400 firms	Dates and bee farms	There is no formal Industrial Zone, but several shops and workshops in the area: it is located about 46 Km North East of Port of Um and about 16 Km South East of the town
<b>Khor Al-Zubair</b> (area surrounding the Free Zone)	Informal Zone that should be regulated	39 investors of different nationalities	Warehousing (up to 90%), industrial services, banking and insurance, construction materials, petrochemical, plastic. Proposed by the NIC: petrochemicals	The Industrial Zone in Khor-Al-Zubair has a chemicals, building materials and plastic factories and it is located about 6 Km South of the town centre and right on the major road which is connecting the area with the Basra city
<b>Al Rafdiyah Al-Gharbiyah</b> (inside the Al-Zubair district)	Industrial Zone	10 firms	Various sectors	The Industrial Zone in Ar Rafidhiya District is composed of about 10 enterprises and it consists of 2 major streets plus several workshops and shops around the Industrial Zone. It is located 4 Km from the major road of Um'Qasr which leads to the port of Um'Qasr South and to Basra North (about 18.00 km North of Um'Qasr District)
<b>Al-Orghali Al-Shemali- Khwaisat</b>	Industrial Zone	10 firms	Oil refinery, petrochemicals and tar production, iron and steel	The Industrial Zone Northern Al-Orghali District consists of few major enterprise plus several workshops. It is located about 30 Km North of Um'Qasr and following to the Al-Zubair District, West of Basra close to the major road to Basra
<b>Al-Bardiyah Balad Al- Said</b>	Industrial Zone (constructio n works are ongoing)	480 firms	Food processing and plants	The zone is bordered by the Euphrates river from the East side and it is about 3 Km East from the Basra city centre

Moreover, some of the interviewed people reported that new zones should be in the planning and feasibility stage for formalization: **Shaiba, Al-Qizaiza, Al Awjaa, Al-Fao, Al-Awrkaly, Al-Shimaly**. More precisely the last three ones (in addition to **Um-Qasr** and **Khor Al-Zubair**) could sooner become formal regulated zones.

Finally, we have to mention that AECOM completed a feasibility study for the establishment of a **Basra Province Industrial Zone** that is sponsored by the Iraqi Ministry of Planning.

Subsequently during the mission in Basra out of the above identified 19 zones, it has been possible to focus on the five target zones that appeared the more significant standing to:

- the opinion of several reliable and authoritative stakeholders and experts: Majid Rashak Abdullah (Head of the Industrial Union), Phd. Nabil Jasim Abdul Redah (Consultant economist and researcher), Mr. Saad Al-Hamad (Businessman and member of the Chamber of Commerce), Mr Khalf Al-Badran (Chairman of the Businessmen Union), Dr. Haidar Fadhil (Deputy of the Investment Commission), Mr. Imad Saad (Manager of the Small Business Development Center), Engineer Roushdy Jasim (Basrah Planning Directorate); Mr. Ahmed Al-Edani (Engineering Department - Basrah Provincial Council), Mr. Qasim Al-Sabity (NGO activist and researcher), Mrs. Abeer Al-Shemary (NGO activist);
- the above mentioned studies and documents (*see above note 4*);
- the relative importance, number and sectors of the firms present in each zone.

**TABLE 5 - LIST OF THE TARGET INDUSTRIAL ZONES IN BASRA**

NAME	TYPE OF ZONE	ESTIMATED NUMBER OF FIRMS	SECTORS
<b>Al-Zubair</b> (district)	Industrial Zone	2.500 firms and SMEs (workshops, plants, factories)	Poultry and farms; raw materials and manufactured goods
<b>Al-Qorna</b>	Informal zone reported to be regulated in the future	300 firms, workshops and factories	Buffalo breeding and vegetable farms, manufacturing and trade
<b>Hamdan</b> (in the Abu Al- Khaseeb district)	Industrial Zone	6.000 firms and SMEs (workshops, plants, factories)	Mechanics, services, mosaic tiles, mills and steel factories
<b>Al-Hwair</b>	Informal Zone	1.600 firms	Manufacturing and trade, production of doors and windows, wooden and iron materials
<b>Al-Sinaat &amp; Al-Takhzeen</b>	Informal Zone	125 firms and warehouses	Food processing and services

Nevertheless subsequent to the revision by UNIDO of the Basra Pilot Phase Interim Report, it appeared necessary to include some selected SOEs of the Basra oil district, in order to obtain a more complete and effective snapshot of the industrial/investment zones of the Basra Governorate. The selected SOEs interviews will be illustrated in this Part, par. 3.5.

Consequently, a number of 102 firms and 8 SOEs have been interviewed in the Basra Governorate.

Needless to say, the Free Zones did not need any identification since there are only three Free Zones in Iraq and only one (Khor-Al-Zubair) is located in the Basra Governorate.

## 1.2 - ERBIL GOVERNORATE

Differently from Basra, in Erbil all the existing industrial zones have been targeted (this has also been confirmed by local stakeholders and especially Suzan Aref, Responsible of SBCD of Erbil, and Srood Ahmed F. Yousif, Manager of Planning, Ministry of Trade and Industry):

*TABLE 6 - LIST OF INDUSTRIAL ZONES IN ERBIL*

NAME	TYPE OF ZONE	ESTIMATED NUMBER OF FIRMS	SECTORS	LOCATION
<b>North Industrial Zone</b>	Industrial Zone	5000 firms	Blacksmith, car Services	Northern Industrial Zone is located in Erbil city on Masif Road and ends in Salahdeen street which is located 3 KM from AL Qala`a of Erbil city center.
<b>South Industrial Zone</b>	Industrial Zone	3500 firms	Aluminum, flagstones and brick industry	Southern Industrial Zone is in Erbil Province; it is located in the Al Makhmour Street which starts from 100 M street & ends in Kuran which is 4 KM away from the Al Qala`a Erbil city center.
<b>Ainkawa Industrial zone</b>	Industrial Zone	100 firms	Blacksmith, carpenter ,car Services	Ainkawa is located in Erbil Province; it is 4 KM away from Al Qala`a Erbil city center. The area starts from Lamasou Hotel & ends in 108 Quarter.
<b>Kasnazan Zone</b>	Industrial Zone	50 firms	Industries of construction materials	Al Kasnazan Industrial Zone in located in Erbil province in the Kawiah Street that starts in the Na`yendah Quarter & ends in the Balmonmeet Erbil which is 10 KM away from the Al Qala`a Erbil city center.
<b>Qushtepa Zone</b>	Industrial Zone	40 firms	Mangers and slaughterhouse	Qushtepa Industrial Zone is located in Qushtabah Qatha in Erbil province and it is 20 KM away from Qala`a Erbil city center.
<b>Bahirka Zone</b>	Industrial Zone	30 firms	Car Services	Bahirka Industrial Zone is located in Erbil Province which is 6 KM away from the AL Qala`a city center & 3 KM away from Ainkawa area.

## 1.3 - BAGHDAD GOVERNORATE

In Baghdad have been first selected the 23 zones identified in the following Table:

*TABLE 7 - LIST OF INDUSTRIAL ZONES IN BAGHDAD*

NAME	TYPE OF ZONE	ESTIMATED NUMBER OF FIRMS	SECTORS	LOCATION
<b>Al-Bayaa (Al-Karkh district)</b>	Industrial Zone	3000 firms	Plastic industry and Blacksmiths	Consists of seven major streets plus several workshops and shops around the industrial area. It is located near Albyaa Terminal, close to the Albyaa high way and Al Amel Q. (neighborhood No. 815). Indication points: the apartments of Saddam Q. and the famous show rooms of Al-Bayaa car dealers and pre owned cars direct sell



<b>Al-Salaam</b> (Al-Karkh district)	Industrial Zone	3000 firms	Textile industry, electric wires industry plastic industry	The Industrial Zone in Al Salam Q. 'Al Tobchey' is the biggest among the Industrial Zones in Baghdad Province. It is located in Al-Karekh side about 10 Km North-West from Baghdad centre in 412 quarter. Nearby the rail line which is connecting Baghdad with the Southern part of Iraq (Samawah, Nasyreah and Basra). In this zone there is the underage monitoring house followed to the Ministry of Labor and Social Affairs also Al Noor Institute for deaf and dump. One of the major transport lines crossing the area is Byaa- Eden sq. line
<b>Al-Kadhimiya</b> (Al-Kadhmiya district)	Industrial Zone	2500 firms	Goldsmiths, textile industry and clothing, Knitting industry and electric wires industry	The Industrial Zone is located in Al Kadhumyah at Al Newab which is starting from Adan Square and ends in Al Zeharaa Square. It is less than 5 Km from Al Muthanna Airport. The zone is located in quarter No 425 and it is 8 Km to the North West of Baghdad city and 2 Km far from Al Imam Al Kadhum Holy Shrine and Private Kadhumyah Hospital
<b>Al-Aawiridj</b> (Al-Mahmoudiya district)	Industrial Zone	2000 firms	Different food industries (dairy plants, coefficient of sweets and mills) and coefficient of dyes	The area is located on the major road of New Baghdad-Hilla started from Dasheer to the Baghdad gate which is the Southern entrance of the city
<b>Al-Rasheed</b> (Al-Risafa district)	Industrial Zone	2000 firms	Goldsmiths, textile industry and clothing, shoes industry	The zone begins from Al-Rasheed street (in the city centre approximately from Al Jemhurayah Bridge) and ends in Al Maydan square (former Ministry of Defense). The street is along the Tigris river and Al Nehar St.; the zone is located from 112 quarter (Al Aqulyah) and Bab Al Agha from Al Safafeer Bazaar Q. No 114 (Jadeed Hassan Basha) faces to Haider Khana Masjed which is related to Al Maydan Area (Al-Rashedd street). Important marking points are: Iraqi Central Bank, Main Al Rafidain Bank, Al-Rasheed Bank, Al Safeer Bazaar, Al Mutanaby St., Former Ministry of Defense
<b>Al-Waziriya</b> (Al-Risafa district)	Industrial Zone	2000 firms	Textile industry and clothing, different food industries (dairy plants, coefficient of sweets and mills)	This zone is located North West of the capital Baghdad, bordered from the West by Mohammed Al Qasim expressway, from the North East by the Falastin st. South and bordered from the South by Al Mustansirya Q.
<b>Kasra Wa Atash</b> (Al-Sadir district)	Industrial Zone	2000 firms	Blacksmiths, car services and maintenance	This zone is located in Al Sadeer city started from the round about No83 in Altalebya area and ending with Al Sadeer city at Alsada Q. & Tareq Q.
<b>Al-Kamaliya</b> (Al-Risafa district)	Industrial Zone	1500 firms	Flagstones and brick industry	The zone is located at Al Kamalya main commercial street which is directed along Al Mashetal Street. It is 10 Km on the East side of Baghdad city center and consists of 757-759 quarters. There is Al Rafedain Gov. Bank and Al Imam Ali Sayed Masjid (Mosque)
<b>Ubaydi</b> (Al-Risafa district)	Industrial Zone	1500 firms	Building and construction materials	This zone is located between the end of Al Mashtel Q. and Alhussainya & Almameel areas and it is located right on the major road which leads to Dayala province, known as old Baquba road

<b>Bob Al Sham</b> (Al-Rashdia district)	Industrial Zone	1200 firms	Carpenters and plastic industry	This Industrial Zone is located between Al Shab area and the check point of Al Shab Q. which is the Eastern entrance of Baghdad, and it is right on the new Baquba road
<b>Al-Jamila</b> (Al-Sadir district)	Industrial Zone	1000 firms	Food industries (dairy plants, coefficient of sweets ), textile industry and clothing	The zone is located between square 55 and square 83 and it has many streets. The main street, which so called Altajned st., is parallel to the Alqanat st. and from the other side it's bounded with Altalbya st. The area consists of 514 and 515 neighborhoods. Indication points: Al Sader Municipality, Al Sader Court, Al Ansary Mosque and Jamilla market for the frost and vegetables
<b>Shaoura Um Jidir Al-Sadir district</b>	Industrial Zone	1000 firms	Plastic industry and blacksmiths	This zone is located between the end of Alobaidy area and the check point of Almamel area and it is close the area which is known as the Christian cemetery, and its located on the Baquba tourism road
<b>Camp Sara</b> (Al-Risafa district)	Industrial Zone	500 firms	Textile industry and clothing, Blacksmiths, Carpenters and mills	This zone is located in Baghdad between Mohammed Alqasim high way in the centre of Baghdad and Alrasheed camp with the vegetable oil factory
<b>Al-Shula</b> (Al Kademya district)	Industrial Zone	500 firms	Textile industry and clothing, blacksmiths	This Industrial Zone is located at the entrance of Al-Shula Q. which is located between Al Kademya and Chekok Industrial Zones and Baghdad gate on the Altajy road
<b>Al-Sadoun and Al-Btaween</b> (Al-Risafa district)	Industrial Zone	250 firms	Printing house	It is located on the street that connects Al Khulani square (which is entering Al Tahreer square heading to Al-Sadoun statue) and Al Ferduss square. It is located behind Abi nua`ss street and it is only 1 Km away from City center. The zone located in 101 quarter and the industries focused in the lanes 13,14,15 within the Industrial Zone. The main indicative locations are the Al-Sindibad cinema and Al-Sadoun police station, the statue of the Al-Sadoun, Al-Awrfely Mosque and Al-Sheraton Hotel
<b>Al-Rahmaniya</b> (Al-Karakh district)	Industrial Zone	250 firms	Specialized in coefficient of ice, blacksmiths and plastic industry	This zone is located between Hayfa st., Ala'lawy area and Al Muthanna airport st. in Al-Kerkh side of Baghdad
<b>Mutanabi street</b> (Al-Risafa district)	Industrial Zone	200 firms	Printing house	This zone is located in the end of Alrasheed st. towards Almaydan square, near Al Rosafee square in Alrsafa side of Baghdad
<b>Al-Nahrawan</b> (Al-Madain district)	Industrial Zone	150 firms	Tanning, flagstones and brick industry	This Industrial Zone is located on the Baghdad-Wasit road and its bordered by Jeser Dayla from one side and Al Wheda sub-district from the other side
<b>Al-Daudiya</b> (Al-Karakh district)	Industrial Zone	100 firms	Flagstones industry, textile industry and clothing, coefficient of sweets	It is located in Al-Mansoor district which is Al-Karakh side of Baghdad

<b>Al-Mahmoudia and Al-Latifia</b> (Al-Mahamoudia district)	Industrial Zone	100 firms	Bicycle industry, different food industries (dairy plants, coefficient of sweets, tomato paste), blacksmiths, textile industry and knitting industry	The Industrial Zone in Al Mahmoudia is located on the Baghdad-Babil main road South East of Baghdad bordered by the international high way goes to Basra and Babylon Province
<b>Hay Al-Nassir</b> (Al-Sader)	Industrial Zone	100 firms	Coefficient of alcoholic beverages	The zone is located between Alobaidy area and Alhussainya, Almamel, and its located on the old road leading to Dyalla Province
<b>New Baghdad</b> (Al-Risafa district)	Industrial Zone	100 firms	Textile industry and clothing and blacksmiths	The zone is located between Al-Qanat high way and the Mohammed Al-Qasim High way and its surrounded by Al-Ghadeer area and Maysloon square
<b>Al-Doura</b> (Al-Karkh district)	Industrial Zone	50 firms	Massacre (poultry, cows)	Al-Doura Industrial Zone is located between three areas sounded by the high way leading to Al Saydea area, Albou Aytha agricultural area and the area of the refineries in Al Doura

Subsequent to the crosschecking of the information obtained through the stakeholders and experts met by IRI, among which Mr. Basim J. Anton – Vice Chairman of Iraqi Businessmen Union it has been possible to select 7 out of the above 23 as project target zones for Baghdad.

*TABLE 8 - LIST OF THE TARGET INDUSTRIAL ZONES IN BAGHDAD*

<u>NAME</u>	<u>TYPE OF ZONE</u>	<u>ESTIMATED NUMBER OF FIRMS</u>	<u>SECTORS</u>
<b>Al-Bayaa</b>	Industrial Zone	3000 firms	Plastic industry, blacksmiths, car services
<b>Al-Salaam</b>	Industrial Zone	3000 firms	Textile, electric wires, plastic industry
<b>Al-Kadhimya</b>	Industrial Zone	2500 firms	Goldsmiths, textile, clothing, knitting, electric industry
<b>Al-Rasheed</b>	Industrial Zone	2000 firms	Goldsmiths, textile, clothing, shoes industry
<b>Al-Kamaliya</b>	Industrial Zone	1500 firms	Flagstones and brick industry
<b>Al-Jamila</b>	Industrial Zone	1000 firms	Dairy plants, coefficient of sweets, textile, clothing industry
<b>Al-Sadoun</b>	Industrial Zone	250 firms	Printing house

#### 1.4 - AL-ANBAR GOVERNORATE

In Al-Anbar could be identified the following 14 zones:

**TABLE 9 - LIST OF INDUSTRIAL ZONES IN AL-ANBAR**

<b>NAME</b>	<b>TYPE OF ZONE</b>	<b>ESTIMATED NUMBER OF FIRMS</b>	<b>SECTORS</b>	<b>LOCATION</b>
<b>Al Soq Alqadeen</b> (Fallujah district )	Industrial Zone	620 firms	Carpenter, coefficient of aluminum doors and windows, coefficient of ice	The zone is located at the city center next Euphrates river and covers the local demand of handmade households
<b>Al-Amirriya</b> (Fallujah district )	Industrial Zone	50 firms	Dairy, coefficient of animal feed, coefficient of meat production	A group of simple plant depends on the agricultural region out there in its activity and marketing
<b>Al-Industry</b> (Fallujah district )	Industrial Zone	2670 firms	Mills, coefficient of plaster, textile industry, plastic industry, blacksmith, coefficient of sponge, coefficient of concrete, coefficient of block, coefficient of dyes	The Industrial Zone is considered as one of the biggest industrial zones in Iraq. It is located in the South-Eastern from Al Fallujah which is 3.5 Km away from the city center and 1 Km from the express way that connects Baghdad to Syria and Jordan (it consists of 207-209 quarters)
<b>Al-Karma</b> (Fallujah district )	Industrial Zone	900 firms	Coefficient of block, coefficient of concrete, coefficient of detergents and coefficient of asphalt	Al Karma Industrial Zone area is located in the East of Fallujah city which is 18 Km away of its city center. The Industrial Zone is located at the South-West entrance of Al Karma district which is 2 Km a way of Al Karma city center and approximately 3 Km away from Baghdad - Fallujah old route. Al Karma bridge is 2 Km away from Al Karma industrial zone (there are no quarters within the zone because Al Karma is officially a sub-district belong to Al Fallujah district).
<b>Al-Shahabi</b> (Fallujah district )	Industrial Zone	42 firms	Coefficient of liquid batteries, coefficient of block, coefficient of breaking and crushing the gravel	The zone is about 6 Km North of Al-Garma and consists of several unit: the main part is the block and stone crushing plant
<b>Al-Saqlawiya district center</b> (Fallujah district )	Industrial Zone	25 firms	Coefficient of ice, dairy, forage and meat proceeding factory	The zone is located about 1 Km West of the town centre
<b>Al Jarishi</b> (Al-Ramadi district )	Industrial Zone	60 firms	Coefficient of asphalt, of breaking and crushing gravel, coefficient of block	The zone is located about 15 km east of Ramadi and it is the main provider of H.M.A roads construction projects in the Province
<b>Al-Industry</b> (Al-Ramadi district )	Industrial Zone	3020 firms	Textile industry, coefficient of Sweets, dairy plants, coefficient of soap, coefficient of the glass sheets,	The Industrial Zone is one of the six cities in Al Anbar Province at 189 quarter. It is 1 Km away from Al Ramadi Eastern entrance. The Industrial Zone consists of quarter that has complex buildings and many sub-streets, in addition to a residential quarter near by the Industrial Zone

			coefficient of juices, coefficient of concrete	
<b>Al-Industry</b> (Al-Heet district )	Industrial Zone	500 firms	Coefficient of water tanks and cooling pipes, blocks and coefficient of soft drinks	It is one of the six cities of Al-Anbar Province. The Industrial Zone is located in Heet on the main road of Ramady-Baghdad which is outside the town about 300 m towards Al-Baghdady sub-district. The Zone is situated on both sides of the road (the data collectors didn't find any registered quarter for this zone)
<b>Abutiban</b> (Al-Heet district )	Industrial Zone	120 firms	Coefficient of asphalt and concrete, stone crushing plants, plastic industry	The Zone is located about 9 Km from the city centre
<b>Al_Borwana</b> (Al-Haditha district )	Industrial Zone	320 firms	Blacksmith and carpenters, coefficient of ice, coefficient of pastry and sweets	The Zone is located about 2 Km West of Hadithah group of workshops and shops
<b>Wadi Hurran</b> (Al-Haditha district )	Industrial Zone	37 firms	Coefficient of breaking and crushing the gravel	The Zone is located about 10 Km East of Hadithah next to Ramadi road
<b>Al_Obeidi</b> (Al Qa'im district )	Industrial Zone	75 firms	Coefficient of block and concrete, stone crushing plants	The Zone is located about 3 Km West of Al-Qaim
<b>Al_Rumana</b> (Al Qa'im district )	Industrial Zone	30 firms	Flagstones industry and ceramics industry	The Zone is located 5 Km East of Al-Qaim and about 1.5 Km to Ramadi

and have been selected 4, thanks to the opinions of the most relevant stakeholders (Amir Farhan Owf, Chairman of the Investment Authority in Al-Anbar; Fanar Hamad Ghany, Director of the Free Zone in Al-Qa'im; Arif Mohamad Awad, Official of Media's Department, Factory of Gray Glass; Omar Youssef, Chairman of the Technical Department- Sewage Department in Fallujah; Emad Ibrahim, Chief of Maintenance Department - Electricity Distribution Directorate Fallujah; Abdul Hadi Abdul, Chief of Projects Department in the Municipality of Fallujah; Nasser Abdul, Official of Media Department - Refractory's plant in Fallujah; Eng. Mohamed Khalaf, Follow-up Department Official - Cement plants in Fallujah; Ziad Ghaleb, Official of Information Department – Electricity Department in Al-Ramadi; Mustafa Saadoun, Official of Operations Department - Sewage Department in Al-Ramadi):

**TABLE 10 - LIST OF THE TARGET INDUSTRIAL ZONES IN AL-ANBAR**

<u>NAME</u>	<u>TYPE OF ZONE</u>	<u>ESTIMATED NUMBER OF FIRMS</u>	<u>SECTORS</u>
<b>Al-Ramadi - Industrial area</b>	Industrial Zone	3020 firms	Textile industry, coefficient of sweets, dairy plants, coefficient of soap, coefficient of the glass sheets, coefficient of juices, coefficient of concrete

<b>Fallujah - Industrial area</b>	Industrial Zone	2670 firms	Mills, coefficient of plaster, textile industry, plastic industry, blacksmith, coefficient of sponge, coefficient of concrete, coefficient of block, coefficient of dyes
<b>Al-Karma - Industrial area</b>	Industrial Zone	900 firms	Coefficient of block, coefficient of concrete, coefficient of detergents and coefficient of asphalt
<b>Al-Heet - Industrial area</b>	Industrial Zone	500 firms	Coefficient of water tanks and cooling pipes, blocks and coefficient of soft drinks

Needless to say, the Free Zone did not need any identification since there are only three Free Zones in Iraq and only one (Al-Qa'im) is located in the Al-Anbar Governorate.

## 1.5 - THE FREE ZONES

The Free Zones are governed by the basic *Law of General Board of the Free Zones* n.(3) of 1998 (that is dealt with hereunder in Part III). Nevertheless it is interesting to remind that the bureaucratic procedure for the firms settlement has been significantly facilitated through a 'delegation of authorities' by the Free Zones Board to the Basra Zone Management, mainly referring to trade and service projects (as stated by the Basra Free Zone Manager). It could not be ascertained whether such delegation of authorities had also been extended to Al-Qa'im Free Zone, since the text of the Decree 5542/2008 has not been made available to the project team. It is important to remark that it has been impossible to interview the firms in the Free Zones.

### 1.5.1 - THE KHOR AL-ZUBAIR FREE ZONE

The Khor-Al-Zubair Free Zone is the only Free Zone in the Basra Governorate and it is located on 45 Km West-South of Basra city. Its expanding area is 18 sq. Km that overlooks the Arabian Gulf which made it to be an important link to the International Trade Lines. It is strategically positioned: 20 km to Um Qasr Port, nearby Khor Al-Zubair Port. An easy access to Safwan terminal and Al-Shalamchaa terminal, through the Um Qasr Port facilitates the trading with Kuwait and Iran. The zone is also connected by roads and highways to the main Iraqi towns and neighboring Countries.

At present are established in the Free Zone 56 commercial, 8 industrial and 6 services firms (total 70 firms) from the following Countries:

Iraq:	50 firms	Lebanon:	1 firm
UAE:	6 firms	Jordan:	2 firms
U.K.- UAE:	3 firms	Egypt:	2 firms
Italy-UAE:	1 firm	Kuwait:	2 firms
Bahrain:	1 firm	Italy:	2 firms

Conducting interviews with the Free Zone firms was considered useless by the Free Zone General Manager, since only technical personnel were then available in the zone. The visit of the zone confirmed that the majority of the firms were traders of various products and vehicles, or merely dedicated to the warehousing and storage of oil and other products.

### 1.5.2 – THE AL-QA’IM FREE ZONE

The Al-Qa’im Free Zone is located in the North-West of Iraq in the Al-Anbar Governorate, close to the Syrian border. Its expanding area is about 28 sq. Km and it is connected to the Ninevah Governorate by 270 kilometers of road along the Syrian border and by railways lines to Baghdad, Basra, Khor Al-Zubair and Um Qasr through the Arab Gulf. The Al-Qa’im Free Zone is not currently operational, but there is a project to rehabilitate the zone. The firms settled in Al-Qa’im Free Zone are not operational and hence they could not be interviewed.

## 2 – TRAINING AND ORGANIZATION OF THE SURVEYORS TEAM AND SELECTION OF THE TARGET FIRMS TO BE INTERVIEWED IN EACH ZONE

In order to plan the interviews campaign and ensure at the same time meaningful results to draw a significant profile of the different firms present in each zone, a meeting was organized in Basra with the Project Local Team Coordinator, Mr. Kaldoun Kobba, the expert engineer Mr. Berj Boghos Butros, the data collection team (Ahmed Karioush, Ahmed Najem Abed, Isam Mohammed, Salam Abdul Ridha, Dhia Hatim) and Mr Majid Abdullah (representative of the Industrial Federation).

The Iraqi Reconstruction Institute - IRI management team (local partner) opted for the use of key informants for a systematic selection of the survey target respondents. Experience has taught that the quality of the results depends directly on the reliability and personal relations of the surveyors. The approach was tailored to ensure that the results of the survey could not be politically, socially or economically biased, but paying special attention to ethnic, cultural, regional, gender and other social dimensions to generate representative and accurate samples. IRI used local data collectors - with local knowledge - to further ensure that methods were culturally appropriate and a core management team to ensure that the quality standards were maintained.

The following Table shows the interviewers team chart:

**TABLE 11 – INTERVIEWERS TEAM CHART**

	ZONE LOCATION	AREA COORDINATOR	N° OF SURVEYORS
<b>BASRA</b>	HAMDAN	Berj Boghos Butros	Salam Radhi Ofi
	AL-SINAAT AND AL TAKHZEEN	Berj Boghos Butros	Dhia Abdul Hussain
	AL-ZUBAIR	Berj Boghos Butros	Firas Abid Mahmood
	AL-QORNA	Berj Boghos Butros	Ammar Salih
	AL-HWAIR	Berj Boghos Butros	Ahsan Shakir
<b>ERBIL</b>	NORTH INDUSTRIAL ZONE	Berj Boghos Butros	Firas Ghrabit Khajeek
	SOUTH INDUSTRIAL ZONE	Berj Boghos Butros	Zaid Talib Thakir
	EAN KAWA	Berj Boghos Butros	Mahmood Kamal Ahmed
	KASNAZAN	Berj Boghos Butros	Mahmood Kamal Ali
	QUSHTAPA	Berj Boghos Butros	Mostafa Qusai Ahmed
	BAHIRKA	Berj Boghos Butros	Mahmood Kamal Ahmed
<b>BAGHDAD</b>	AL-BAYAA	Berj Boghos Butros	Mohammed Ismail
	HAY AL-SALAM	Berj Boghos Butros	Waseel Abona
	AL-KADHIMIYA	Berj Boghos Butros	Jimmy Michael
	AL-RASHID	Berj Boghos Butros	Mohammed Ismail
	AL-KAMALIYA	Berj Boghos Butros	Sinan Kesab
	AL-JAMILA	Berj Boghos Butros	Waseel Abona
	AL-SADOON	Berj Boghos Butros	Waseel Abona
<b>AL-ANBAR</b>	RUMADY	Berj Boghos Butros	Ahmed Safi Ali
	FALLUJAH	Berj Boghos Butros	Wisam A. Muhsen
	KARMA	Berj Boghos Butros	Omar Ata Alla
	AL-HEAT	Berj Boghos Butros	Ahmed Jasim Mohammed
	AL-QATM	Berj Boghos Butros	Wisam Amer

The firm sample size for each zone was determined according to the most significant factors, like the total number of firms and their size, as well as the type and sector of business in the zone. The surveyors team was selected according to their personal and direct knowledge about each zone and supervised by an area coordinator. Each coordinator was a well known firm or workshop owner - well established in the zone - and his task was to introduce and drive the surveyors to the zone businessmen, as well as ensuring that the target sample could cover the different type of firms settled in the zone, spread out of the streets and blocks of each zone.

### **3 – CONDUCTION OF THE INTERVIEWS THROUGH THE PREDEFINED QUESTIONNAIRE**

The **BASRA** interviews were based on the predefined questionnaire (*see Annex 1- Questionnaire 1*):

A total of **102 interviews** were conducted among the five selected zones of the **Basra Governorate**: Hamdan (27 firms), Al-Sinaat & Al-Takhzeen (15), Al-Zubair (25), Al-Qorna (15) and Al-Hwair (20).



The interviews in ERBIL, BAGHDAD AND AL-ANBAR were based on a questionnaire (see Annex 2 - Questionnaire 2) revised in respect to the version used in Basra, in order to gather additional and more specific information.

A total of **118 interviews** were conducted among the six selected zones of the **Erbil Governorate**: Kasnazan (13 firms), Bahirka (9), Northern Industrial Area (41), Southern Industrial Area (32), Ainkawa (14) and Qushtepa (9).

A total of **130 interviews** were conducted among the seven selected zones of the **Baghdad Governorate**: Al Kamalyia (15 firms), Al Salaam (25), Al Kadhimya (19), Al Rasheed (19), Al Bayaa (34), Al Jamila (8) and Al Sadoun (10).

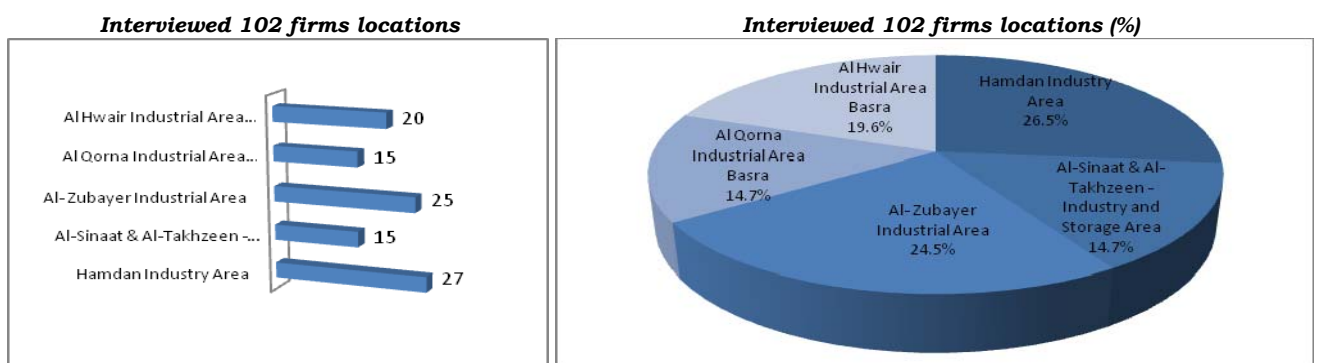
A total of **96 interviews** were conducted among the four selected zones of the **Al-Anbar Governorate**: Fallujah (30 firms), Al Karma (20), Heet (10) and Al Ramadi (36).

### 3.1 - FIRMS INTERVIEW CAMPAIGN: BASRA GOVERNORATE

The results of the interview campaign conducted in Basra Governorate are summarized in the graphs hereunder.

#### a - Firms interviewed by zones

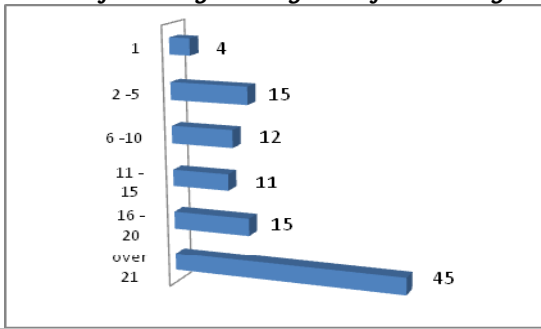
The following graph highlights the distribution of the interviews by zone. The number of the interviewed firms varies from 27 to 15 depending on the overall estimated population of each zone (Hamdan is the first and biggest zone of the Governorate with estimated over 6.000 firms, Al-Zubair 2.500, Al-Hwair 1.600, Al-Qorna 300 and Al-Sinaat & Al-Takhzeen 125).



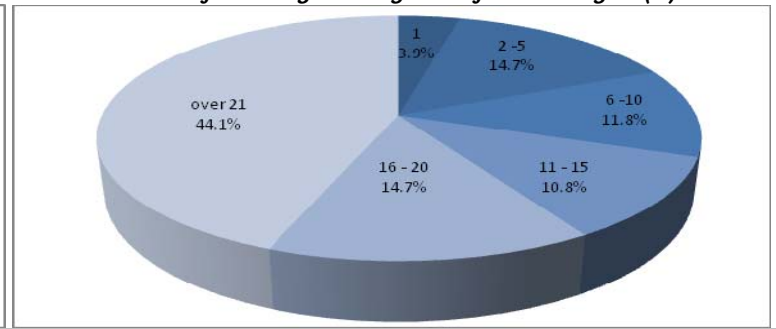
#### b - Firms by years of starting activity

Interesting considerations can be drawn from the analysis of the year of starting activity of the interviewed firms.

**Years of starting activity - 102 firms analysis**



**Years of starting activity - 102 firms analysis (%)**

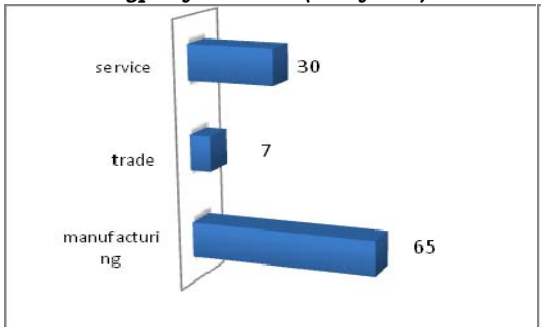


The graph shows that the large majority of the firms have started their work at least 10 years ago (about 70%), whilst the younger ones (from 10 to 1 year old) only count for about 30%. This proves that a good amount of the interviewed firms have a good tradition and experience. In particular 44,1% of the firms (45 out of 102) started their business from over 21 years, that is before 1990, which means that they could survive the two Wars and the embargo period.

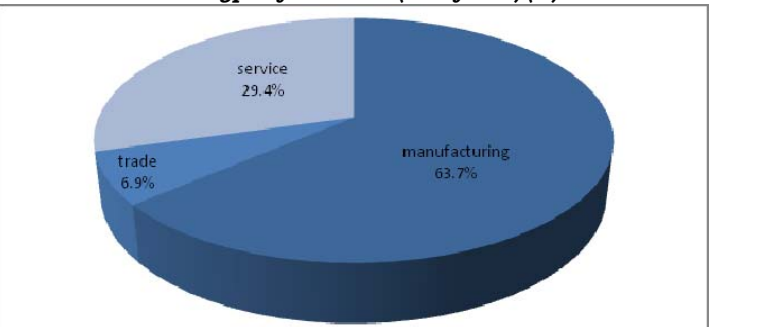
***c - Type of business***

Looking to the type of business, it is evident that manufacturing is the largest sector, not only considering the total of the interviewed firms, but also within almost all the zones.

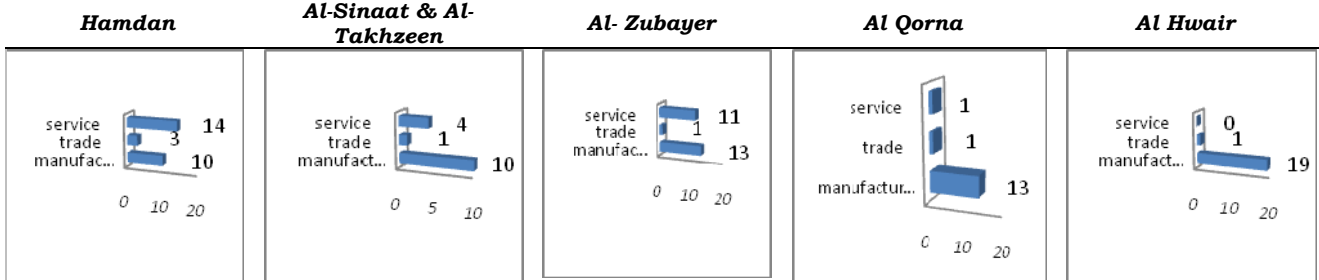
**Type of business (102 firms)**



**Type of business (102 firms) (%)**



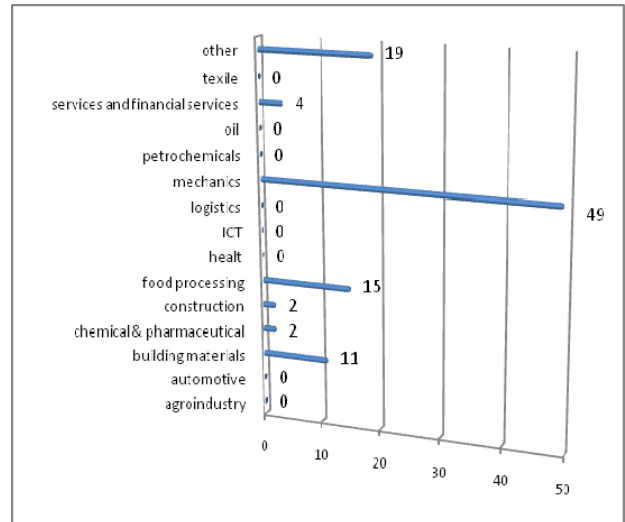
**Type of business**



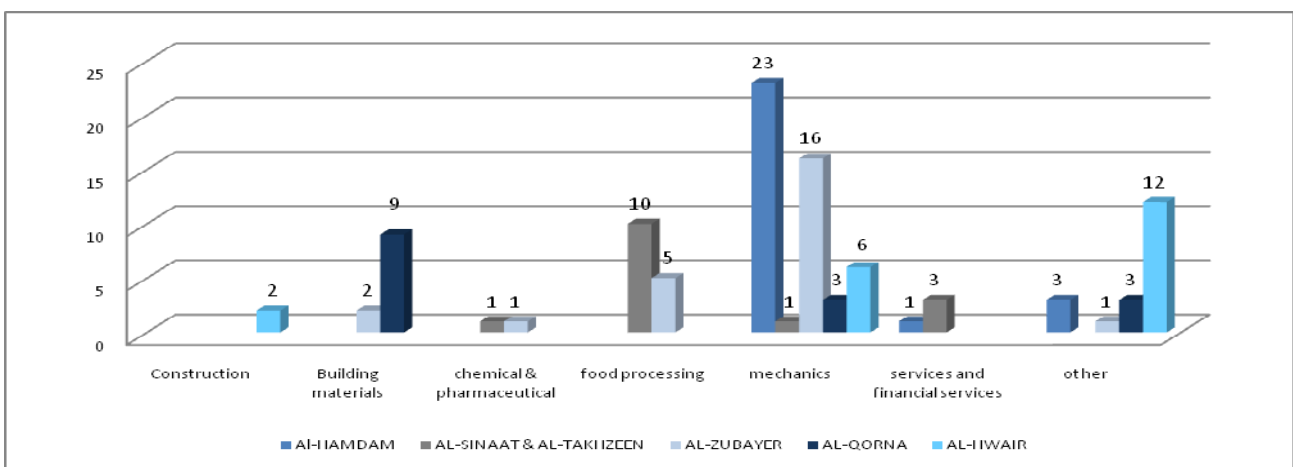
Nonetheless referring to the opinions and impressions of the interviewers, it is very often matter of very limited and small scale manufacturing, with poor and basic technologies and machineries, almost always connected to trading and retail.

**d – Sector of business**

Turning now to the business sectors, mechanics counts the overwhelming majority of the firms (48%), followed by food processing (14,7%), building materials (10,8%) and other sectors (19%). In the latter sector it is possible to include blacksmiths, car repairs and spare part shops in Hamdan, ice factory in Al-Sinaat & Al-Takhzeen, carpentry workshops in Al-Qorna and Al-Hwair. The figures appear in line with the economic studies conducted for the Basra Governorate, but once more it is worth noticing that it is very often the case of small metal processing (blacksmith, carpentry, car repairs and spare parts), food (production of ice, ice creams and soft drinks), building materials (tiles and cement blocks).

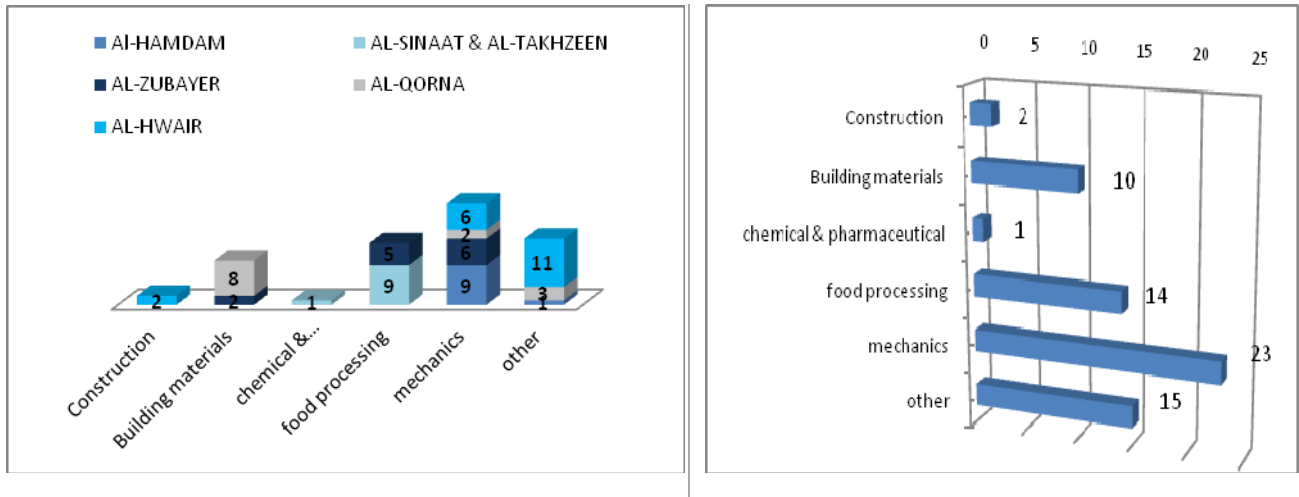


More interestingly the following graph shows that some potential clusters can be identified: mechanics in Al-Hamdam and in Al-Zubair, food processing in Al-Sinaat & Al-Takhzeen and building materials in Al-Qorna. This appears an interesting feature if we refer to the traditional vision of clusters, considered as groups of firms spontaneously formed for maximizing the value chain benefits (production of product components or sub-contracting) or to facilitate the consumers access to a wider range of products in the same geographical location.



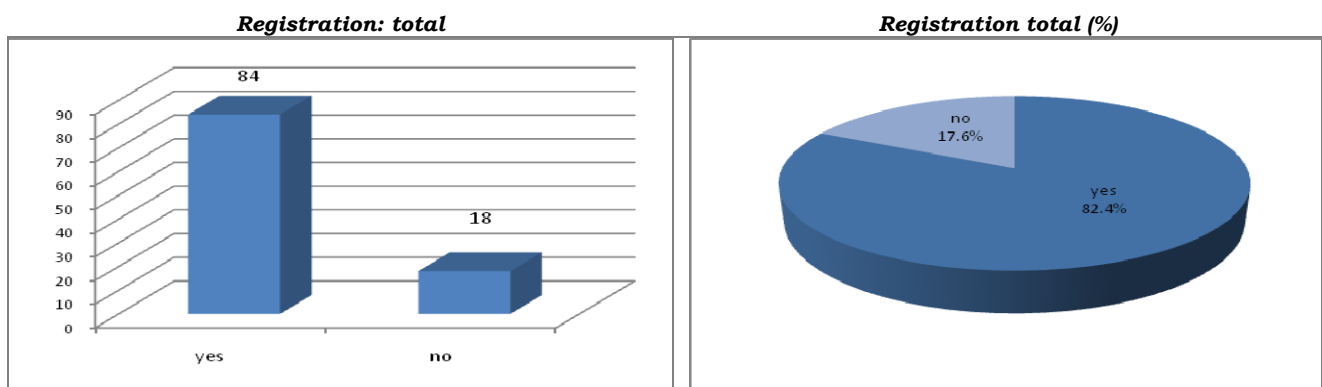
Zooming now on firms classified as manufacturers (65 firms), the graphs confirm the relative importance of mechanics (23), food processing (14) and building materials (10).

**Manufacturing: total 65 firms**



#### **d - Registration**

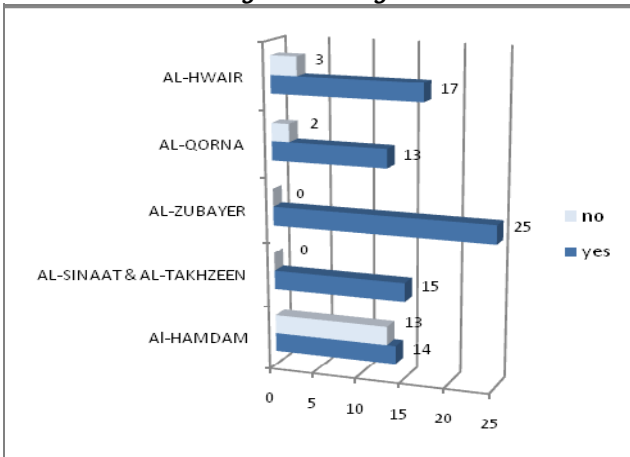
Surprisingly over 80% of the firms declared to be registered<sup>7</sup>. Unfortunately, the interviewers did not always specify with which Institutions (some mentioned Chamber of Commerce, but other referred to different Association). However, although the registered/not registered firms cannot be flatly classified as formal/informal economy, it is interesting to remark that the majority of the businesses claim 'official existence' or - more limitedly - their belonging to some of the components of the local business community. Unfortunately, the interviews do not allow to further elaborating on this aspect.



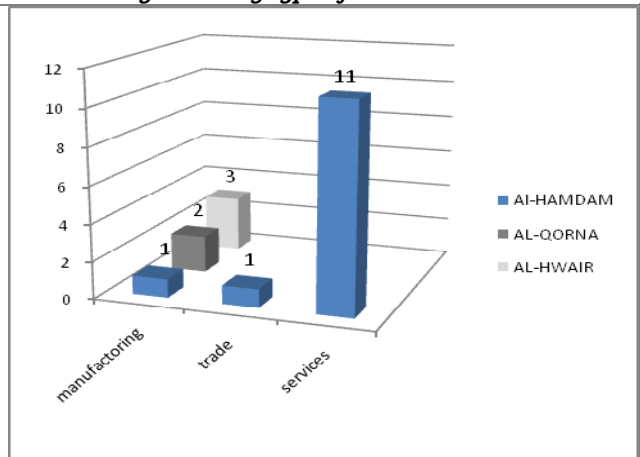
Needless to say the most important and large industrial zone Al-Zubair counts the largest number of registered firms and the unregistered ones mostly belong to the services.

<sup>7</sup> Further information about registration could have been certainly useful, but the questionnaire provided in the TOR did not refer to this aspect. For the next interviews the questionnaire will be modified accordingly.

**Registration by zone**



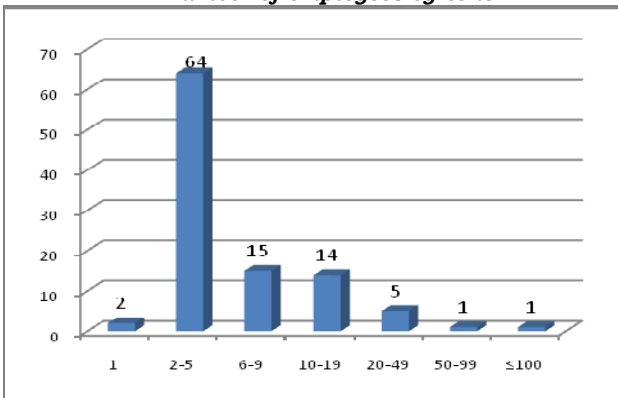
**Not registered by type of business and zone**



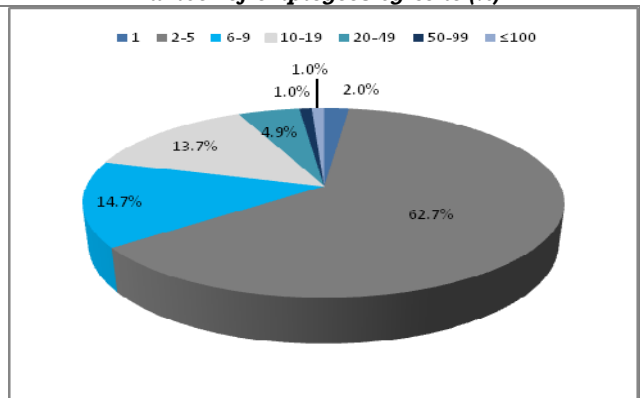
**e – Number of employees**

As it was predictable, the majority of the firms can be considered ‘micro’ since they do not exceed the 5 staff.

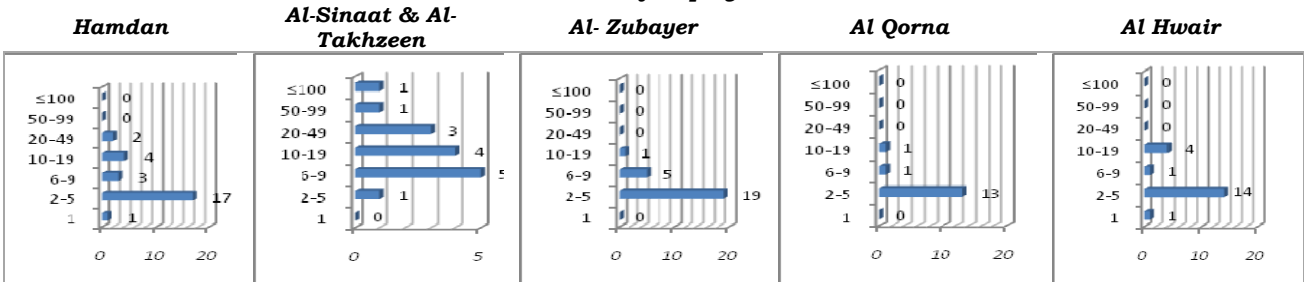
**Number of employees by zone**



**Number of employees by zone (%)**

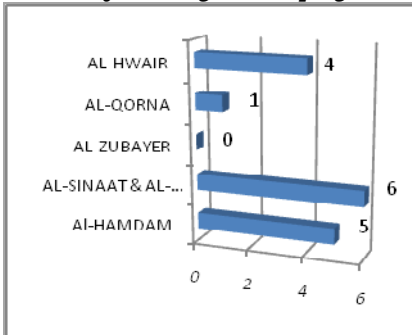


**Number of employees**

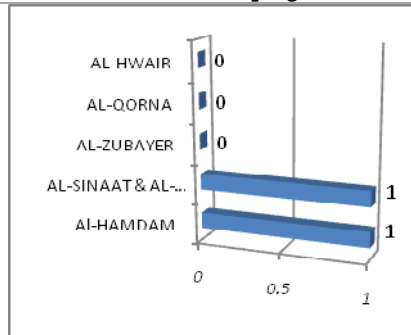


However 21 firms count more than 10 employees (basically in the manufacturing business) and this witnesses of a good number of small firms under the international standards.

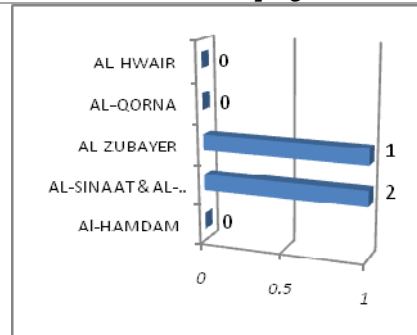
**Manufacturing ≤10 employees**



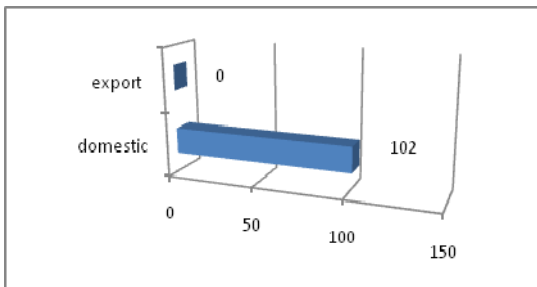
**Trade ≤10 employees**



**Services ≤10 employees**



***f – Main market***

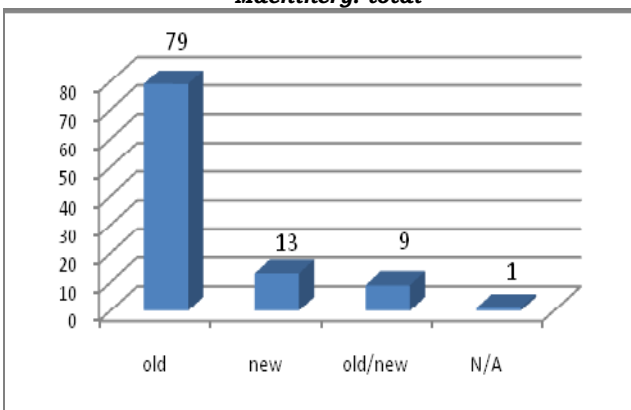


The type and dimension of the interviewed firms was necessarily compatible only with a domestic outreach<sup>8</sup>.

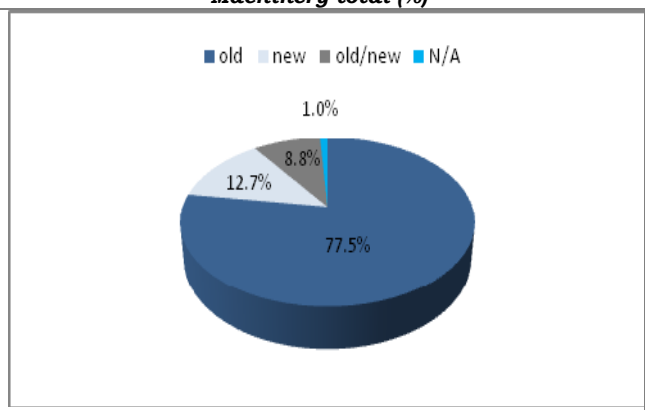
***g – Machinery***

Also due to the lack of suitable funding, most of the firms declare to avail old machinery, but this is true in most developing Countries, where the financial system is poor and ineffective.

**Machinery: total**

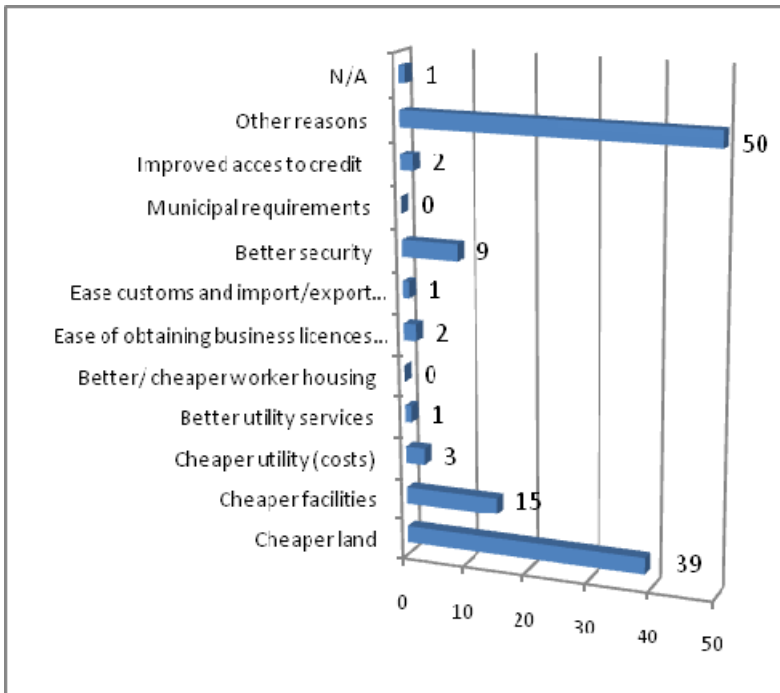


**Machinery total (%)**



<sup>8</sup> The question did not allow to know if it is matter of merely local or national market. Moreover information about suppliers could have been certainly useful, but the questionnaire provided in the TOR did not refer to this aspect. For the next interviews the questionnaire has been modified accordingly.

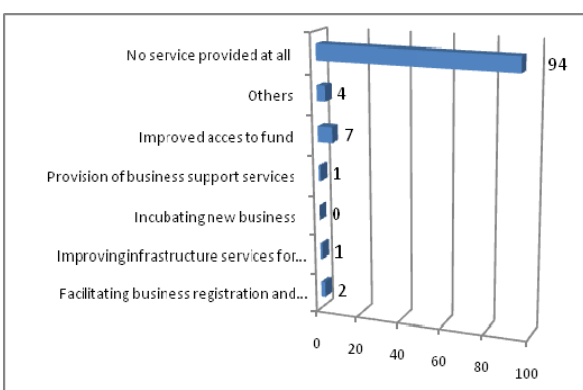
***h – Reasons for operating in the zone***



The answer to this question needs to be interpreted. As it has been underlined by some stakeholders, most of the firms have decided to establish in the industrial zone because of the policy of the local Authorities to keep industrial activities out of the urban area for avoiding pollution. Such policy was implemented through the offering of land at a cheaper prize and providing more favorable conditions for access and supply of water and electricity. Consequently,

when firms reply that among the other reasons for selecting the location there was ‘because it is an industrial zone’: they could simply mean that such location was chosen not for strategic/economic reasons, but because the areas were destined to industry and thus relatively better equipped and served than other locations. This also means that in many cases central and local Authorities could find it more feasible to revamp the existing industrial zones than (or before) creating new ones.

***i – Services offered by the zone management***



As it was clearly resulting from stakeholders’ interviews, the widest majority of the firms in the Basra area do not avail assistance and support services. Neither the Business Associations nor the Chamber of Commerce presently perform the function of business services providers, but only play a very limited advocacy and promotional role. In other

words, not only the industrial zones are unmanaged, but they also lack an institution/structure/body that could actually perform the role of catalyst in respect to the firms settled in the zone.

### *j - Desired requirements for industrial zones*

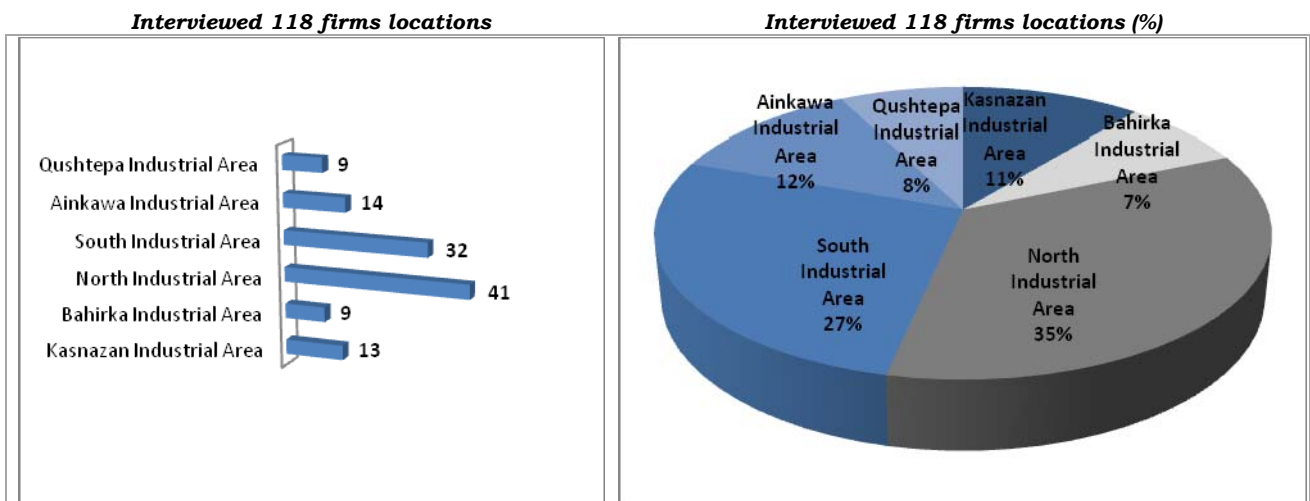
This was the only free question puts to the firms. Not surprisingly, most of the firms manifested the need for improving infrastructure and especially ensuring the provision of basic utilities like electricity, water and sewerage. It is also significant that a large number of answers focused on the need for funding for expanding businesses and buy new machinery. Finally, and more interestingly, some businessmen complained that the Authorities were allowing firms to operate outside the industrial zone, considering them – to a certain extent – as ‘unfair competitors’. This means that industrial zones are at least intended as business areas where all firms should be expected to locate.

### **3.2 - FIRMS INTERVIEW CAMPAIGN: ERBIL GOVERNORATE**

The results of the interview campaign conducted in the Erbil Governorate are summarized in the graphs hereunder.

#### *a - Firms interviewed by zones*

The following graph highlights the distribution of the interviews by zone. The number of the interviewed firms varies from 41 to 9 depending on the overall estimated population of each zone (the Northern Industrial Area is the first and biggest zone of the Governorate with estimated over 5.000 firms, the Southern Industrial Area 3.500, Ainkawa 100, Kasnazan 50, Qushtepa 40 and Bahirka 30).

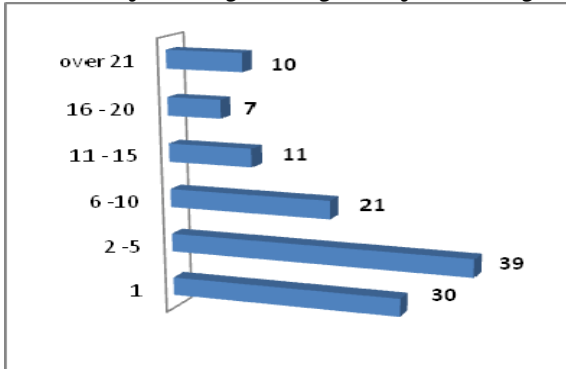


#### *b - Firms by years of starting activity*

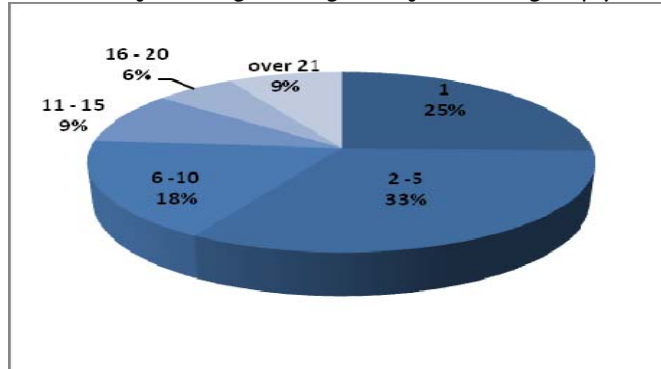
Differing from the situation in Basra, firms in the Erbil surveyed zones are relatively younger.



**Years of starting activity - 118 firms analysis**



**Years of starting activity - 118 firms analysis (%)**

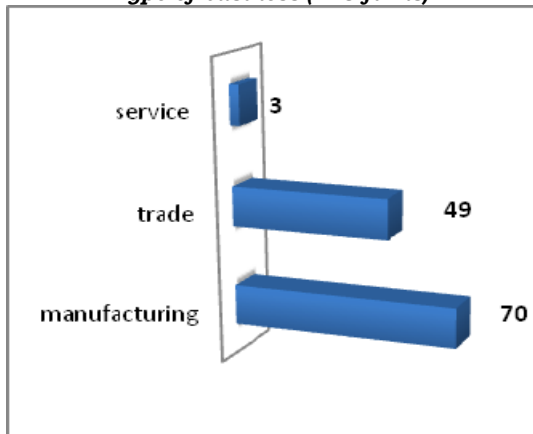


Indeed, the graph shows that the majority of the firms have started their work 1-5 years ago (about 60%), whilst the older ones (from more than 20 to 6 years old) count for about 40%. This proves that a good amount of the interviewed firms benefit of a more limited tradition and experience. In particular 25% of the firms (30 out of 118) started their business only 1 year ago, which means that they have started their activity after the last War and the withdrawal of the international military forces.

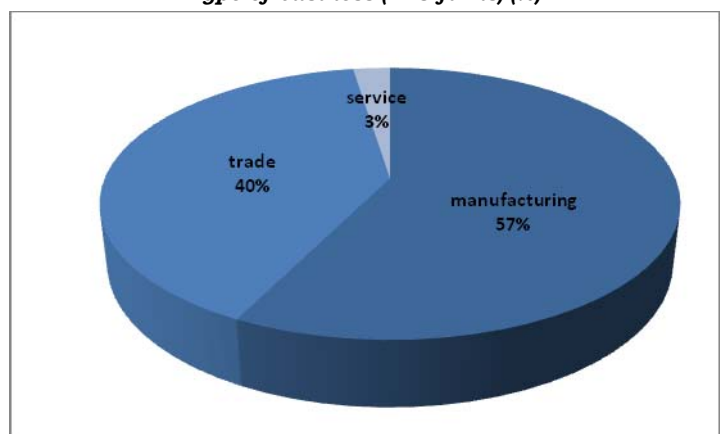
**c - Type of business**

Looking to the type of business, it is evident that manufacturing is the largest sector, not only considering the total of the interviewed firms, but also within almost all the zones.

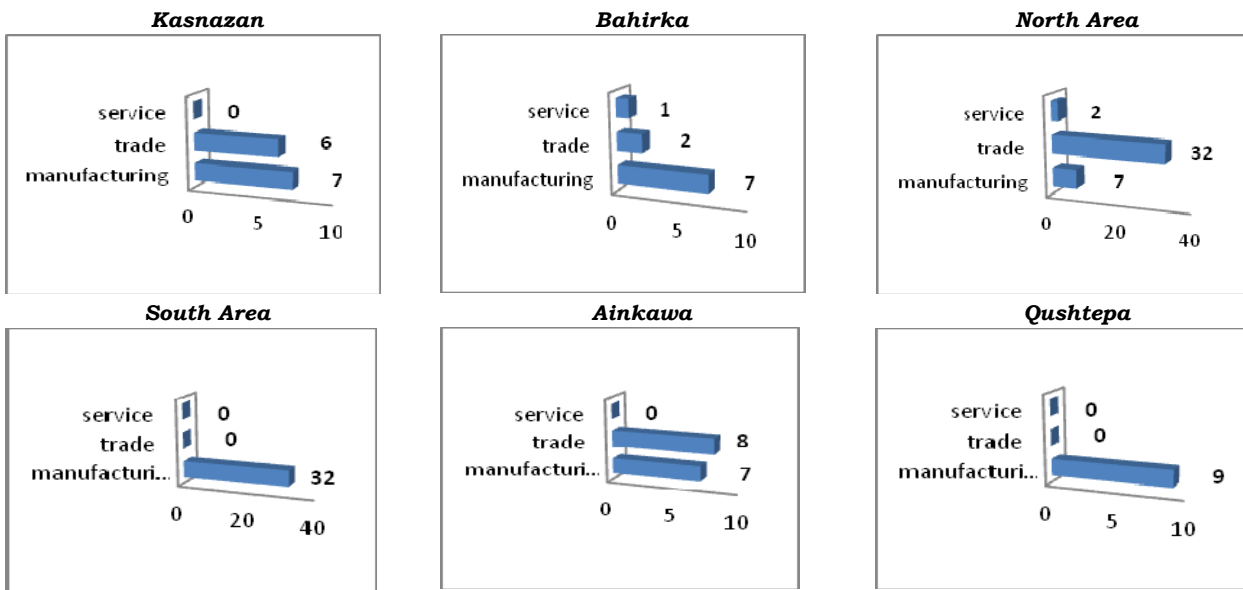
**Type of business (118 firms)**



**Type of business (118 firms) (%)**



**Type of business**

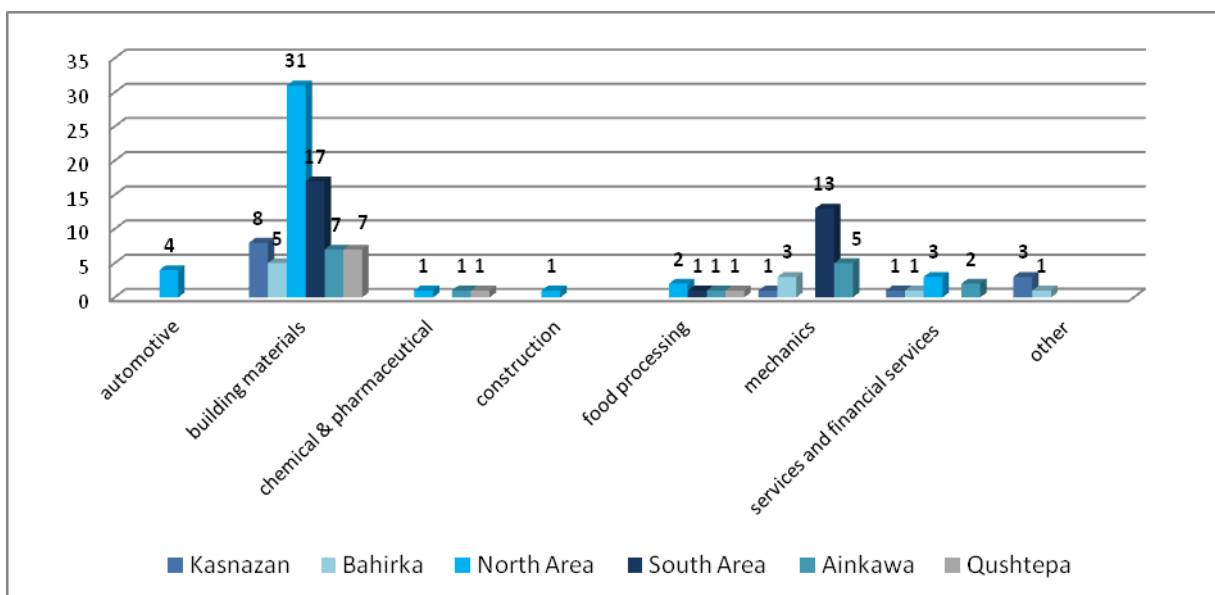


Hence it is interesting to remark that the population of Erbil industrial areas is significantly more oriented to manufacturing, and certainly much more than the other surveyed Provinces.

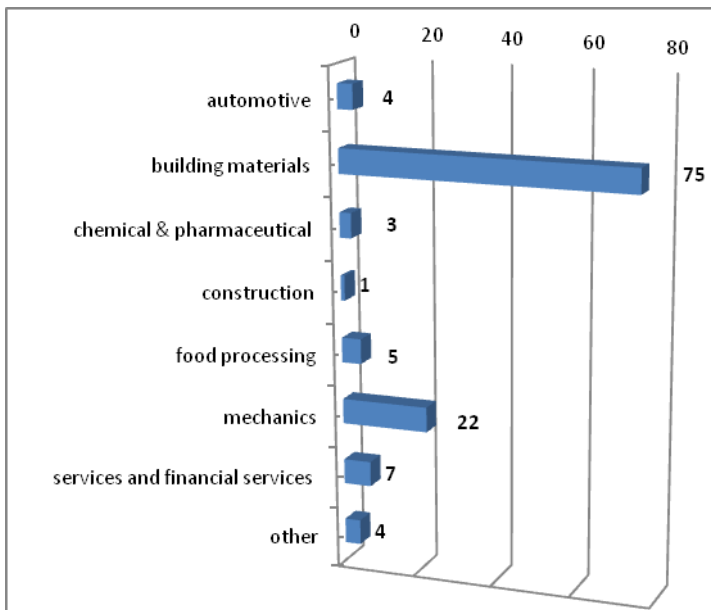
**d – Sector of business**

Turning now to the business sectors, building materials counts the overwhelming majority of the firms (75), followed by mechanics (22). The figures appear in line with the economic studies conducted for Basra Governorate, but once more it is worth noticing that it is very often the case of small metal processing (blacksmith, carpentry, aluminum factory), building materials (PVC windows and doors, tiles).

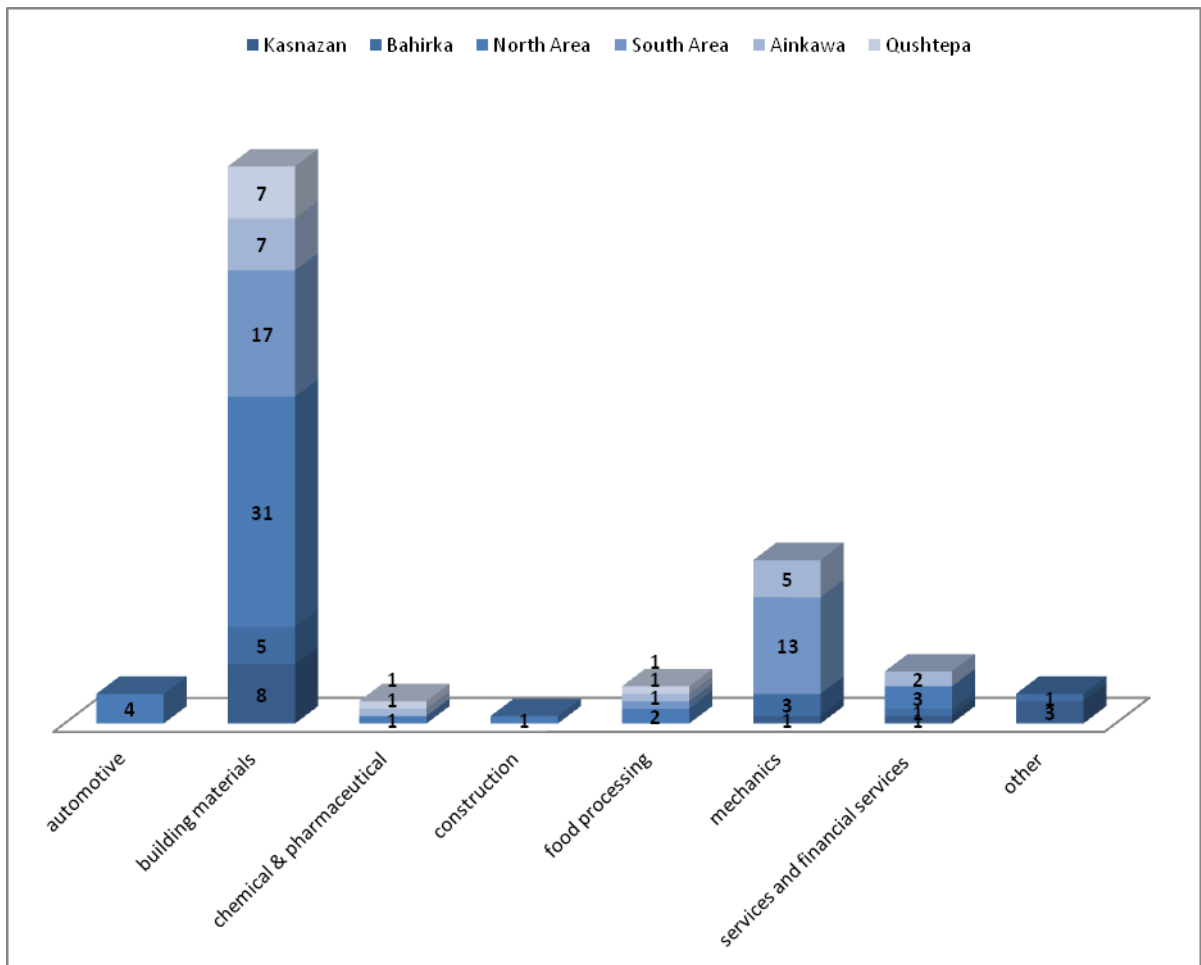
More interestingly the following graph shows that some potential clusters can be identified also in Erbil: building materials in the Northern Industrial Area and mechanics in the Southern Industrial Area.



**Manufacturing: total 102 firms**

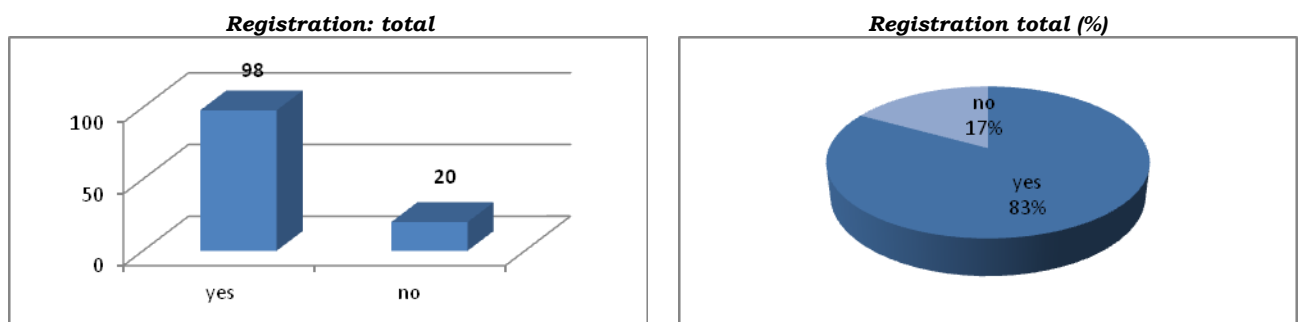


Zooming now on firms classified as manufacturers (102 firms), the graphs confirm the great importance of building materials (75), mechanics (22) and food processing (5).

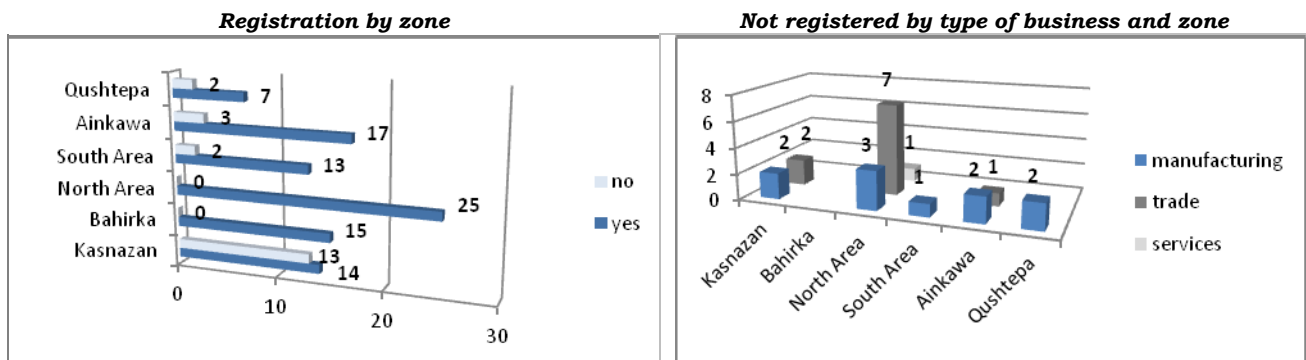


**d – Registration**

Surprisingly, over 90% of the firms declared to be registered. As already noted, the questionnaire provided in the TOR did not add further information regarding this aspect, so the questionnaire has been modified in order to know to which Institutions they were registered with (Chamber of Commerce, Business Associations, ect.). Differently from Basra Governorate, the target firms mostly intended registration as membership of various types of entrepreneurial Associations and Bodies. This could prove that they are more ‘formal’ than in Basra, but nonetheless that it is still difficult to identify a single reference Body (or intermediary Institution) for Erbil entrepreneurial population.



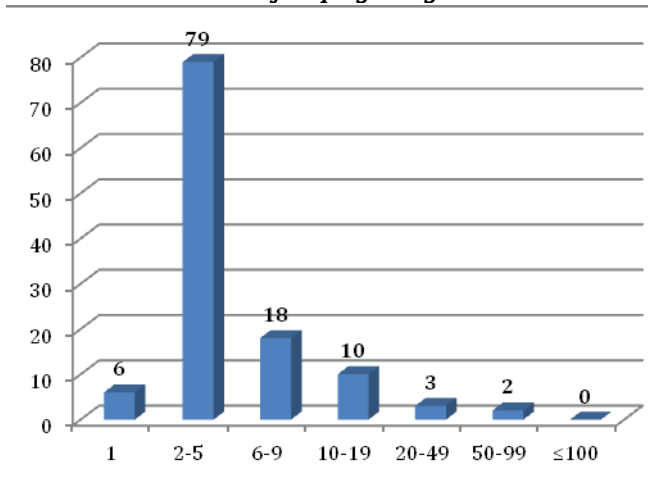
Needless to say the Northern Industrial Area counts the largest number of registered firms and the unregistered ones mostly belong to the trade sector.



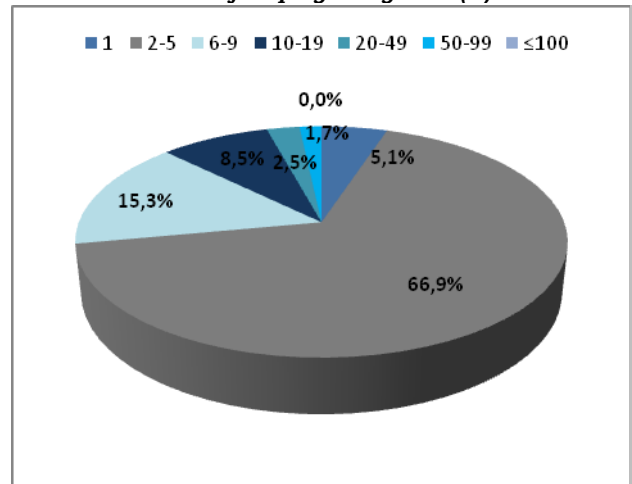
**e – Number of employees**

As it was predictable, the majority of the firms can be considered ‘micro’ since they do not exceed the 5 staff.

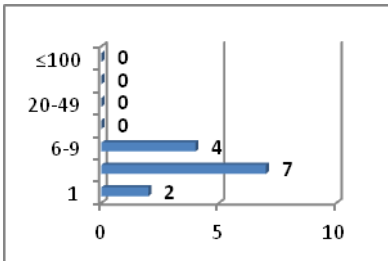
**Number of employees by zone**



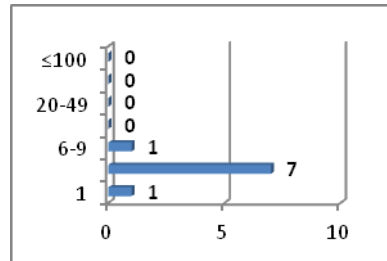
**Number of employees by zone (%)**



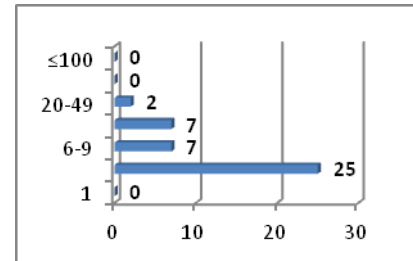
**Kasnazan**



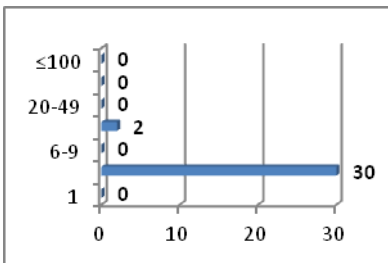
**Number of employees Bahirka**



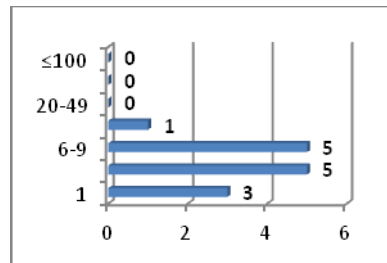
**North Area**



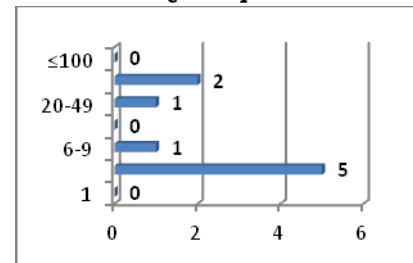
**South Area**



**Ainkawa**

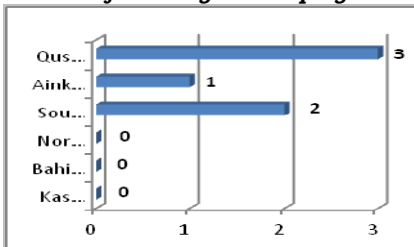


**Qushtepa**

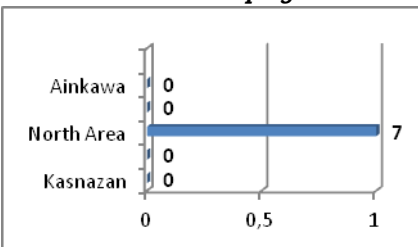


Only 15 firms count more than 10 employees (basically in the trade sector).

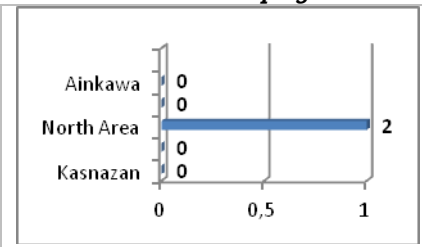
**Manufacturing ≤10 employees**



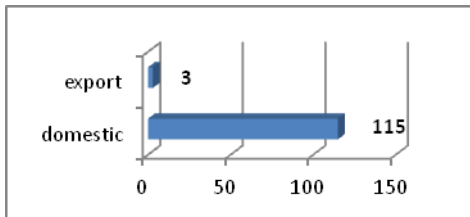
**Trade ≤10 employees**



**Services ≤10 employees**



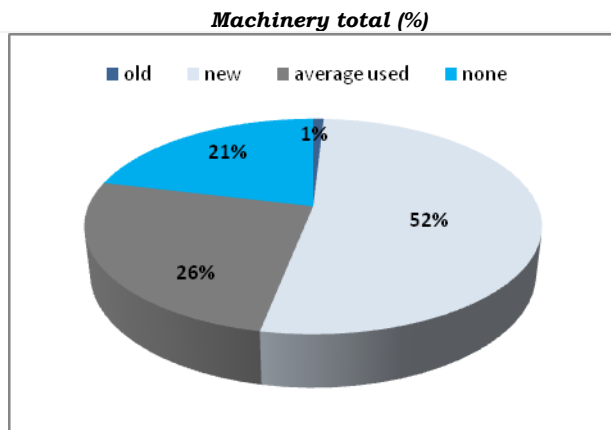
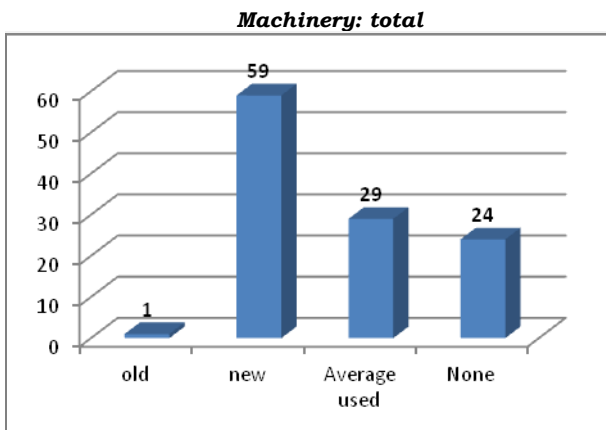
### *f – Main market*



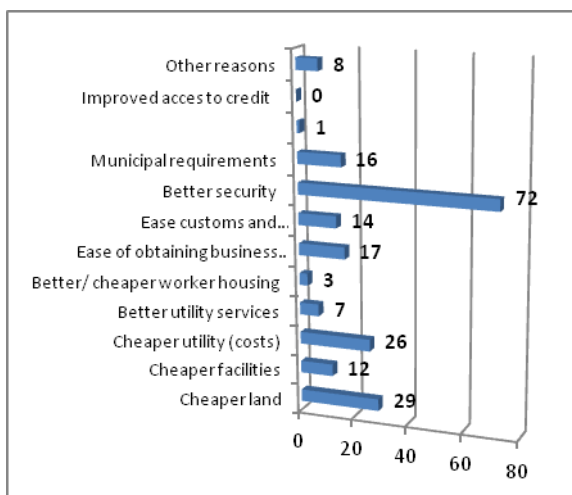
Although it is true that also in the Erbil target zones the type and dimension of the interviewed firms is necessarily compatible only with a domestic outreach, nonetheless in this area could be found also 3 exporters<sup>9</sup>.

### *g – Machinery*

It is interesting that most of the firms (52%) declared to avail new or ‘average used’ machinery (26%), whilst only 1% of the firms avail only old machinery.



### *h – Reasons for operating in the zone*

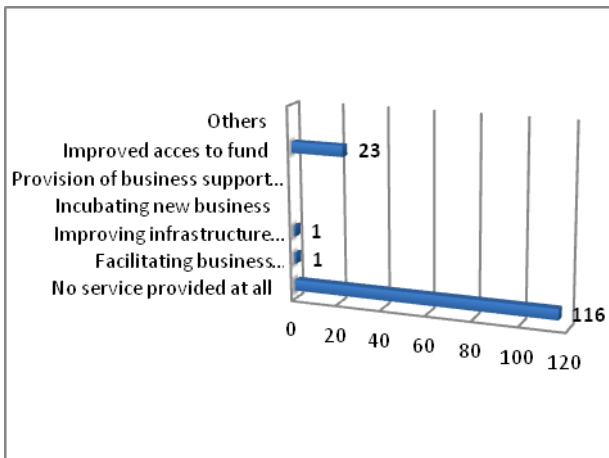


The answer to this question needs to be interpreted. As it is clearly underlined by the interviewers, most of the firms have decided to establish in the industrial zone because of a better security. Moreover, also the cheaper land available, as well as cheaper utility costs<sup>10</sup>, have facilitated the decision to establish the business activity in the zone.

<sup>9</sup> The question did not allow to know about export markets.

<sup>10</sup> The question did not allow to know about the quality and the costs of utilities.

### ***i – Services offered by the zone management***



As it was clearly resulting from the interviews, the widest majority of the firms in the Erbil area do not avail assistance and support services. Nevertheless, and curiously, about 5% of the firms interviewed (23 out of 118) has mentioned an improved access to funding as the only significant service available in the zone. Unfortunately no comments were made by the firms about such easier access to funding.

### ***j – Desired requirements for industrial zones***

Since the experience in the pilot phase of Basra has revealed some difficulties in reporting the answers to this question (multiple choice), the questionnaire now provides 5 choices that summarize the most required services in an industrial zone, as infrastructure, roads, ports and airports, utilities and communications. In the Erbil area, the majority of the interviewed businesses have identified infrastructure as the most important desired requirement (98 out of 118), followed by utilities (70 out of 118), roads, ports and airports (63 out of 118) and communication (60 out of 118).

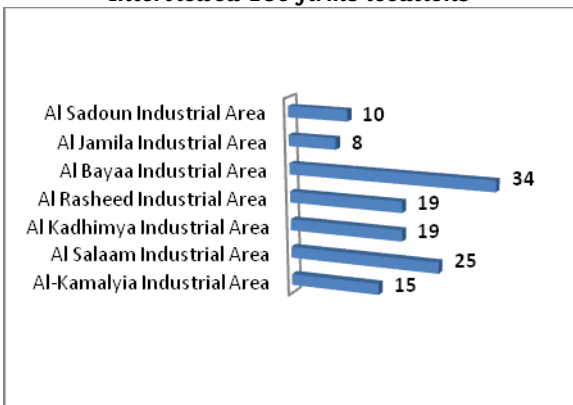
## **3.3 - FIRMS INTERVIEW CAMPAIGN: BAGHDAD GOVERNORATE**

The results of the interview campaign conducted in the Baghdad Governorate are summarized in the graphs hereunder.

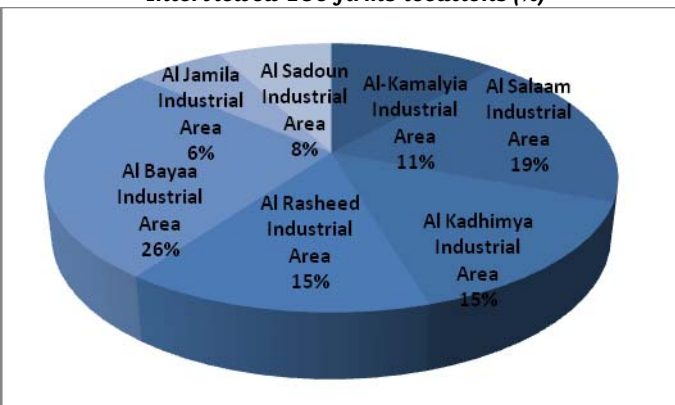
### ***a - Firms interviewed by zones***

The following graph highlights the distribution of the interviews by zone. The number of the interviewed firms varies from 34 to 8 depending on the overall estimated population of each zone (Al-Bayaa and Al-Salaam are the biggest zones of the Governorate with estimated over 3.000 firms, Al-Kadhimya 2.500, Al-Rasheed 2.000, Al-Kamalyia 1.500, Al-Jamila 1.000 and Al-Sadoun 250).

**Interviewed 130 firms locations**



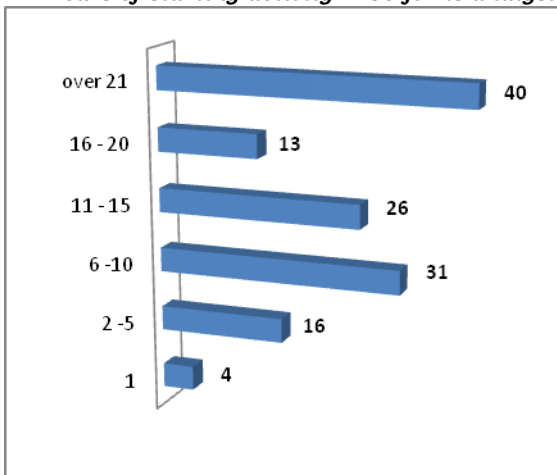
**Interviewed 130 firms locations (%)**



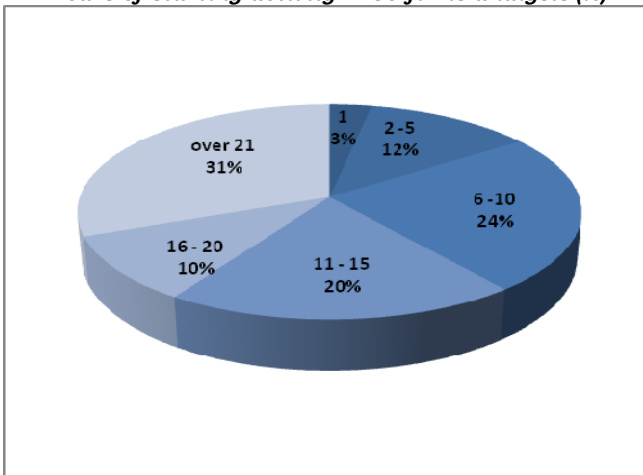
**b - Firms by years of starting activity**

The analysis of the year of starting activity proved that the average age of the firms in Baghdad is higher than in the other target zones. Indeed, more than 50% of the firms are older than 10 years and 40 out of 130 are aged of 20 years.

**Years of starting activity - 130 firms analysis**



**Years of starting activity - 130 firms analysis (%)**

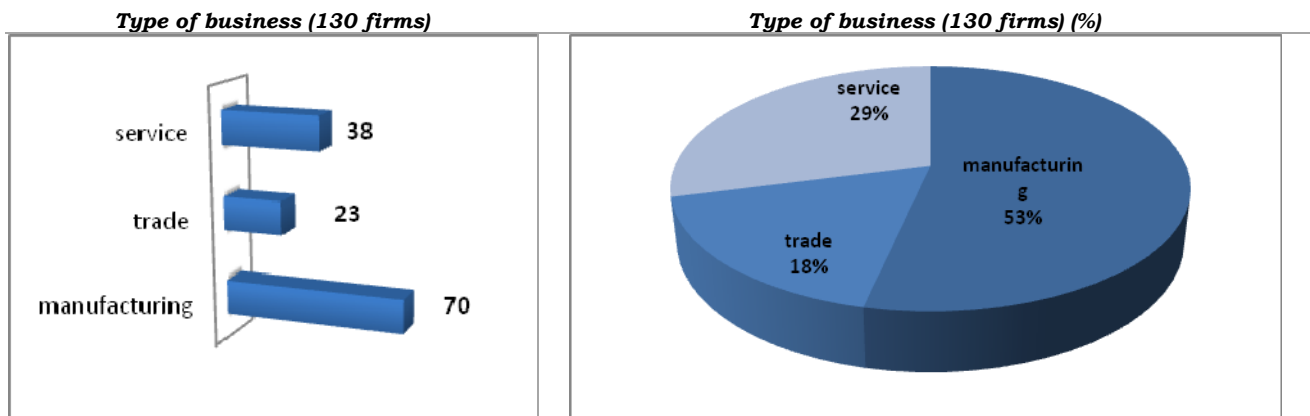


Such experienced firms could thus have relatively more significant development potential, that could be eventually boosted through technical assistance and financial incentives.

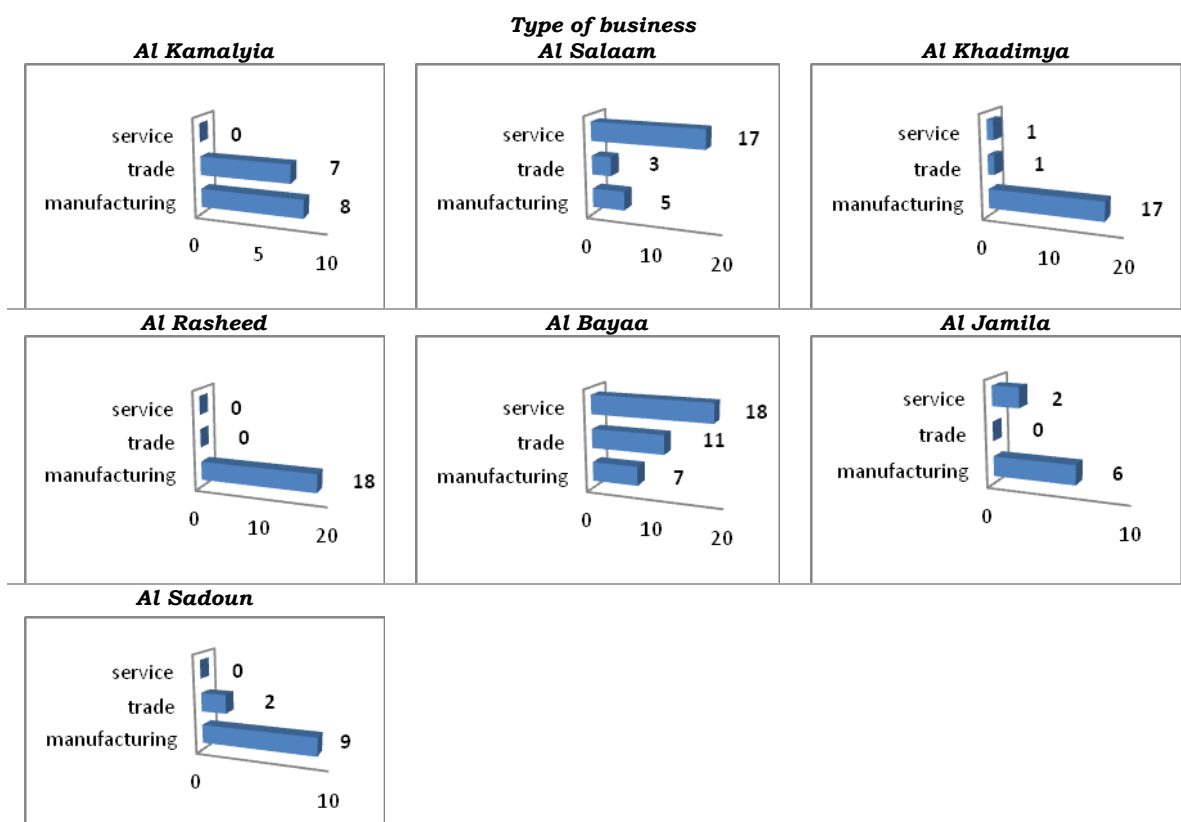
**c - Type of business**

Looking to the type of business, it is evident that manufacturing is the largest sector (about 53%) in Baghdad, but also services have a significant score (29%).





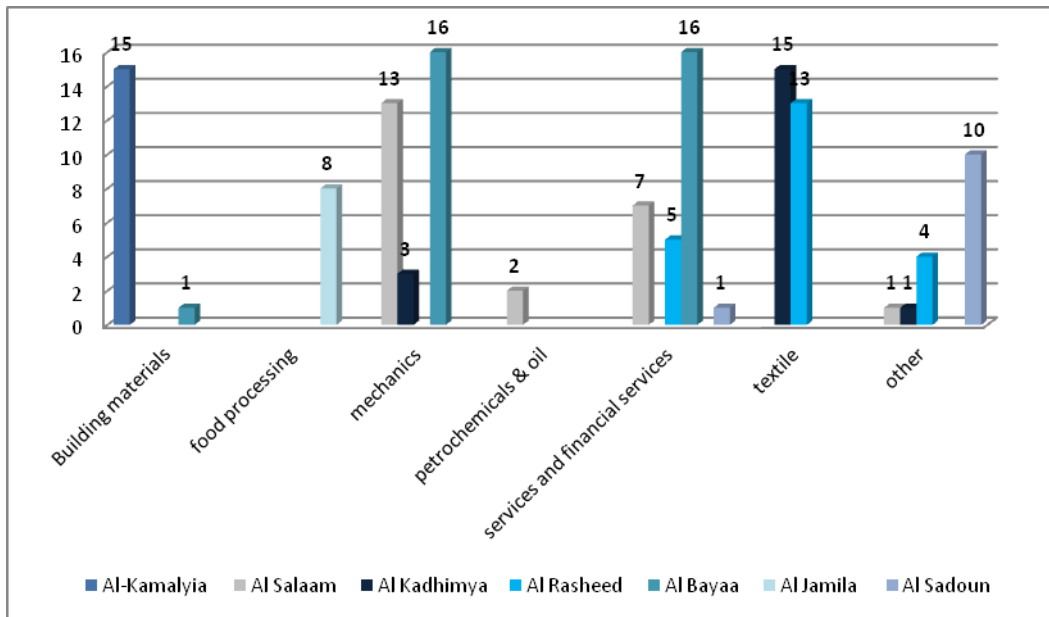
The following graphs show the type of business by zone.



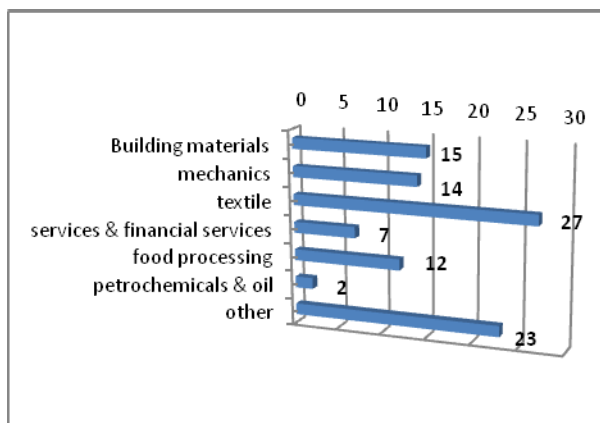
#### ***d – Sector of business***

Considering now the business sectors, mechanics counts the majority of the firms (32), followed by textile (28) and financial services (28), building materials (16), food processing (8) and petrochemical and oil (2).

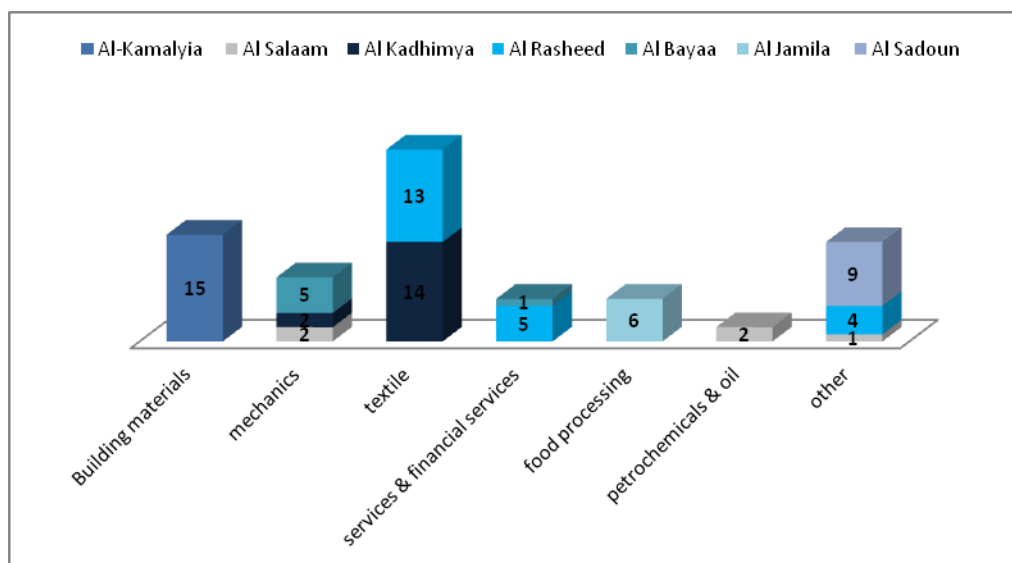
Also in Baghdad a sectoral concentration in some zones (clusters) can be identified (building materials in Al-Kamalyia, financial services in Al-Bayaa and textile in Al-Kadhimya).



**Manufacturing: total 79 firms**

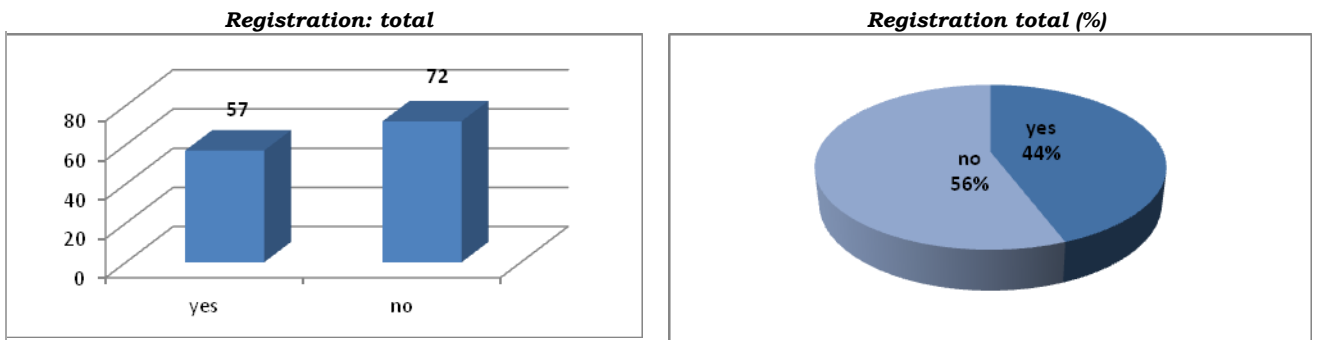


Zooming now on firms classified as manufacturers (79 firms), the graph confirms the prevailing importance of textile (27) and building materials (15).

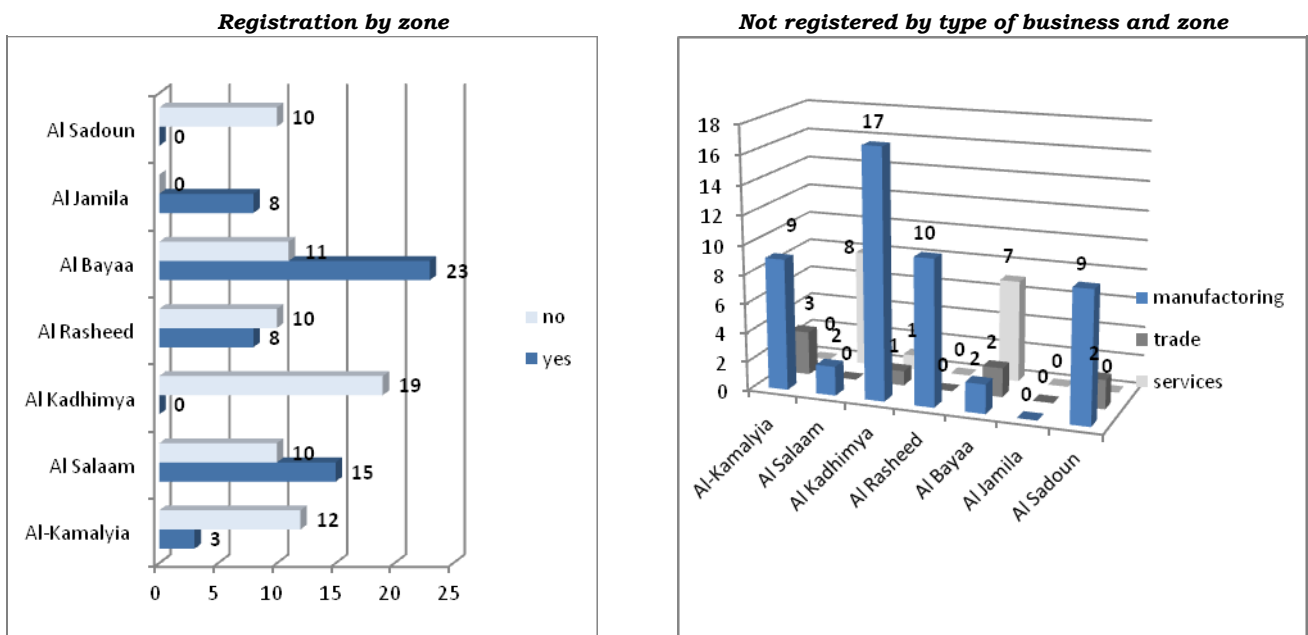


**d – Registration**

Very interestingly the Baghdad area counts the largest percentage of unregistered firms that could be likened to the informal sector. This could mean that the Baghdad business environment is much less structured and formalized than the other target areas. As it was the case for Erbil, the registered businesses declared a very wide variety of affiliations, making it hired to identify the most relevant business intermediary Bodies.



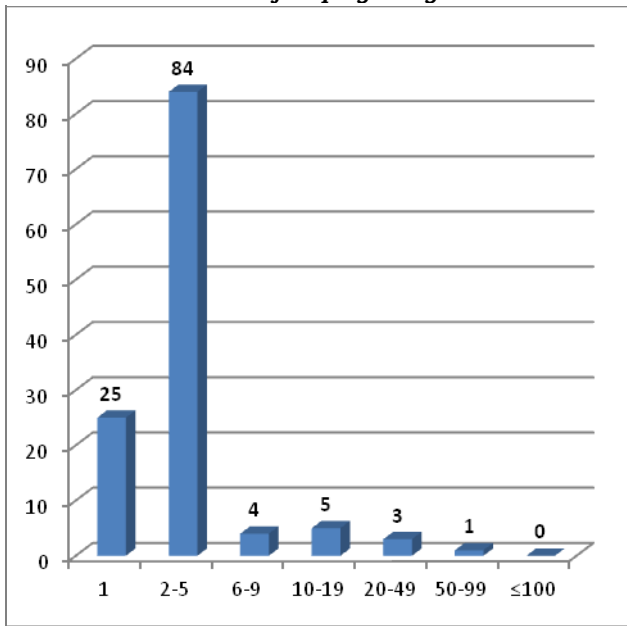
Needless to say, Al-Bayaa – being the most populated zone - counts the largest number of registered firms. whilst the unregistered ones mostly belong to manufacturing sector.



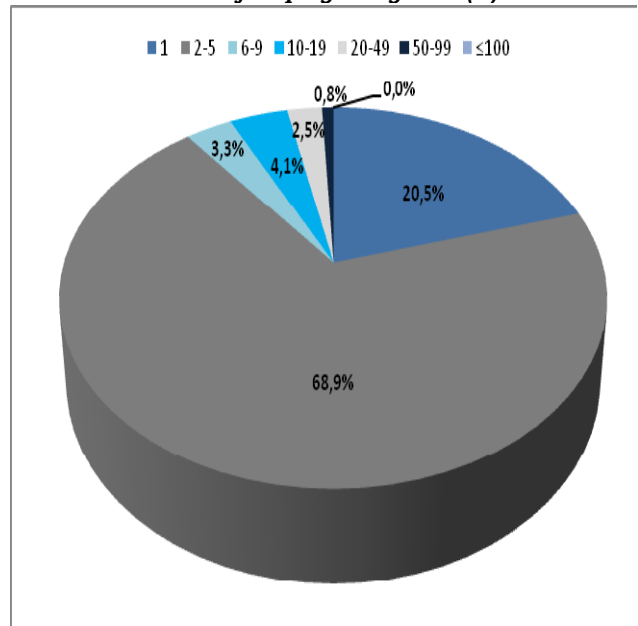
**e – Number of employees**

As happens for almost all target zones, the majority of the firms can be considered ‘micro’ since they do not exceed the 5 staff.

**Number of employees by zone**



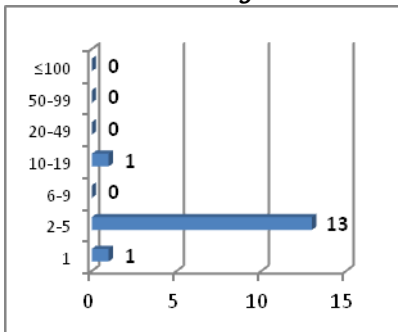
**Number of employees by zone (%)**



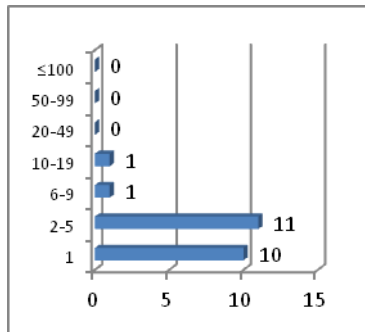
The following graphs enlightened the number of employees by zone:

**Number of employees**

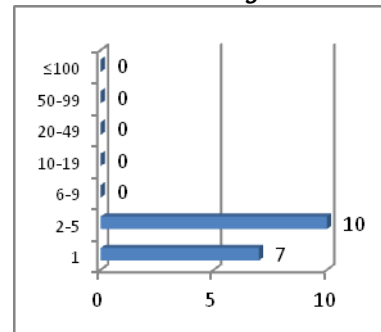
**Al Kamalyia**



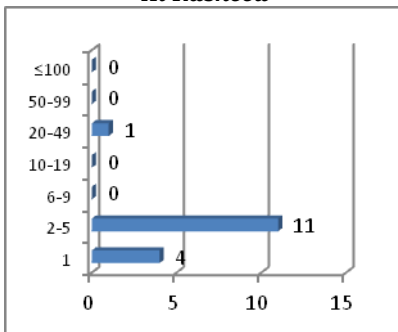
**Al Salaam**



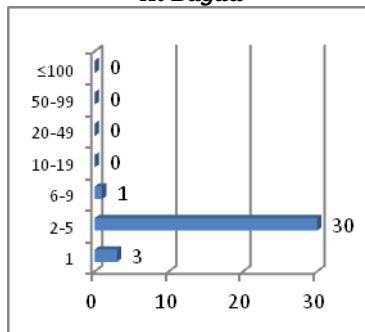
**Al Khadimya**



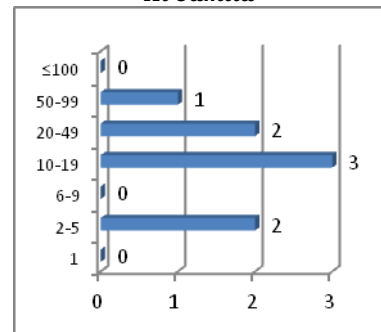
**Al Rasheed**



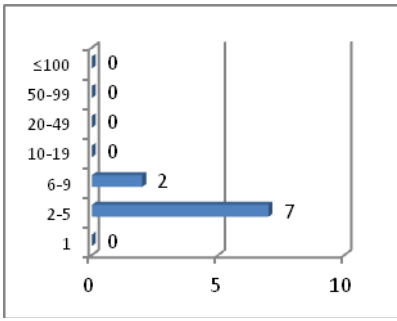
**Al Bayaa**



**Al Jamila**

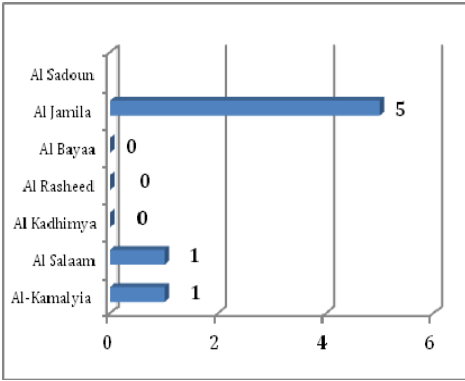


***Al Sadoun***



However, only 8 firms employ more than 10 employees (basically in the manufacturing sector). Thus confirming that the overwhelming majority of firms interviewed in Baghdad are ‘micro’ traders.

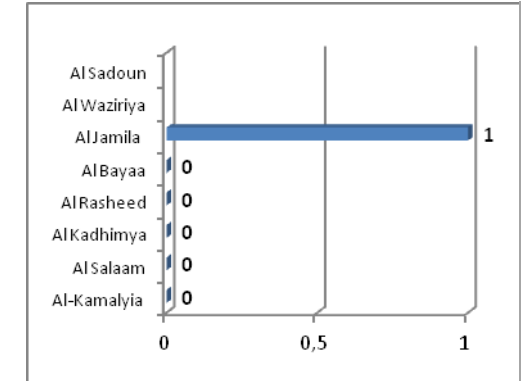
***Manufacturing ≤10 employees***



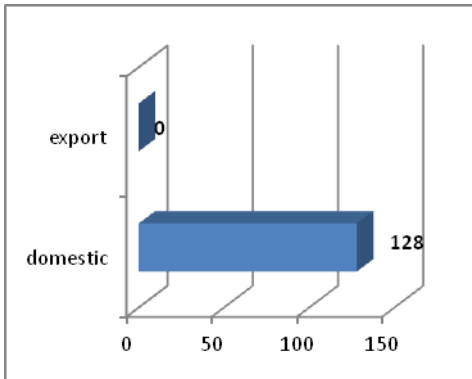
***Trade ≤10 employees***

***No firms***

***Services ≤10 employees***



***f – Main market***

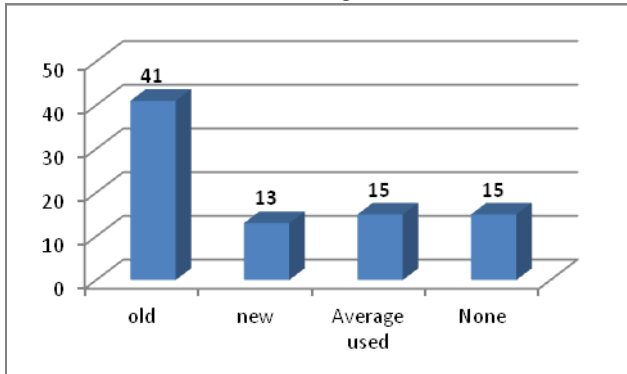


Baghdad firms are no exception in respect to all other target zones, covering only the domestic market.

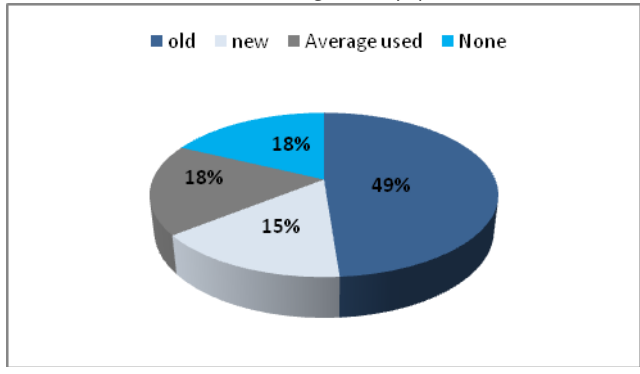
***g – Machinery***

As it was predictable, considering the overall situation ascertained in most of the target zones, most of the firms in Baghdad avail old (49%) and ‘average used’ machinery (18%): only 15% of the firms affirmed to benefit of new machinery.

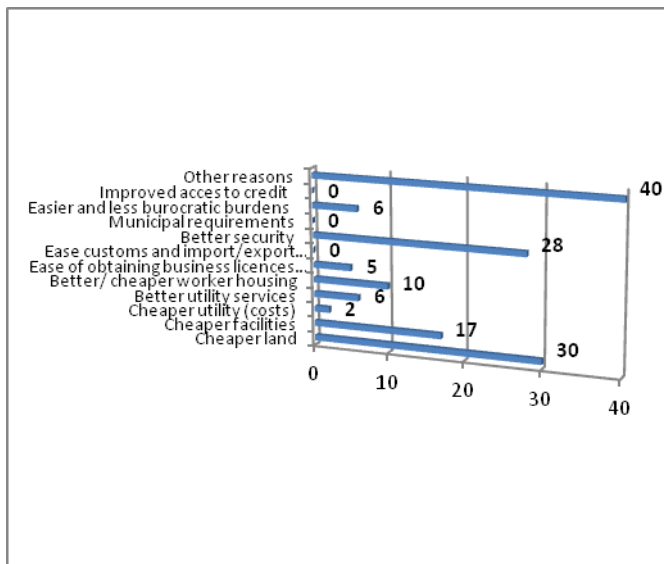
**Machinery: total**



**Machinery total (%)**

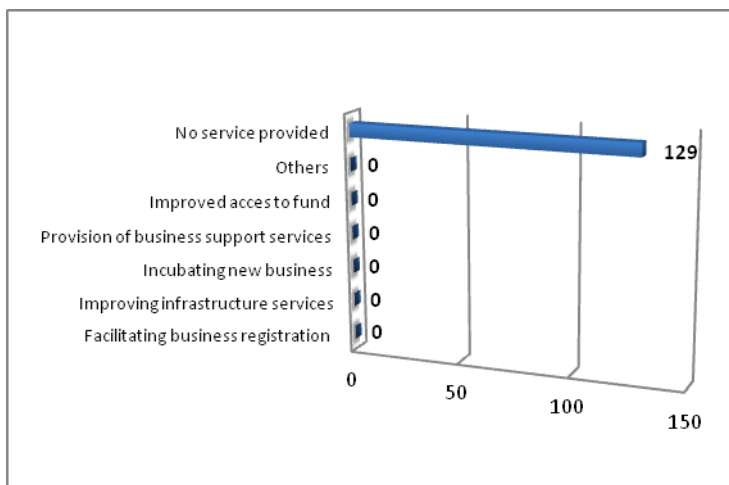


***h – Reasons for operating in the zone***



The graph shows that, whilst the cheaper price of land remains an important driver for establishing in the zones, the evaluation of the ‘other reasons’ specified by the interviewed firms, reveals that most of them very much valued the expediency to locate within sectoral consumer/trade oriented clusters, that facilitate the customer access to a variety of products and services in one single location.

***i – Services offered by the zone management***



The Baghdad firms largely confirmed the lack of services, 129 out of 130<sup>11</sup>.

<sup>11</sup>The lacking one has not answered to the question.

***j - Desired requirements for industrial zones***

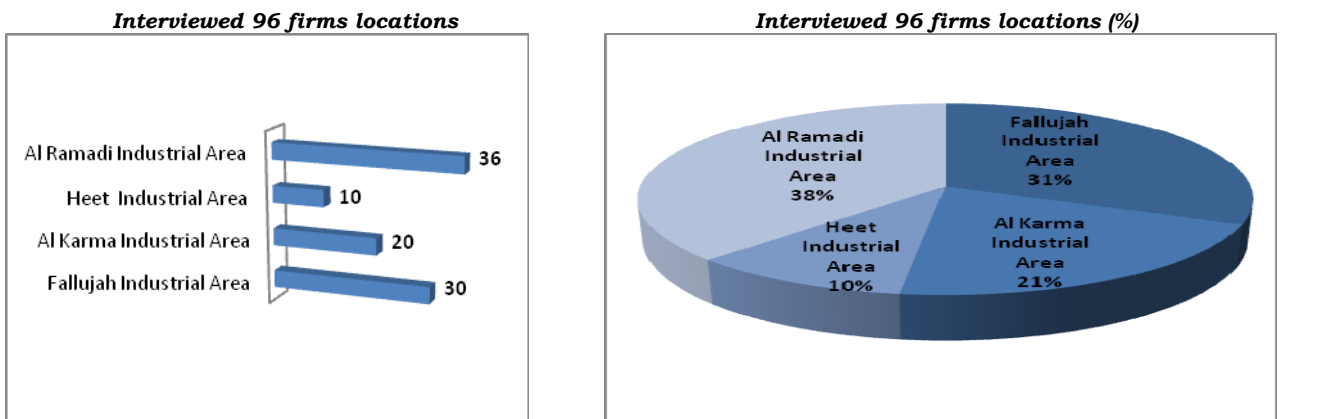
As it was widely predictable, considering the overall situation of Baghdad utilities resulted as the most desired requirement, thus confirming that they still represent a significant constraint for the businesses operating in this Governorate.

**3.4 - FIRMS INTERVIEW CAMPAIGN: AL-ANBAR GOVERNORATE**

The results of the interview campaign conducted in Al-Anbar Governorate are summarized in the graphs hereunder.

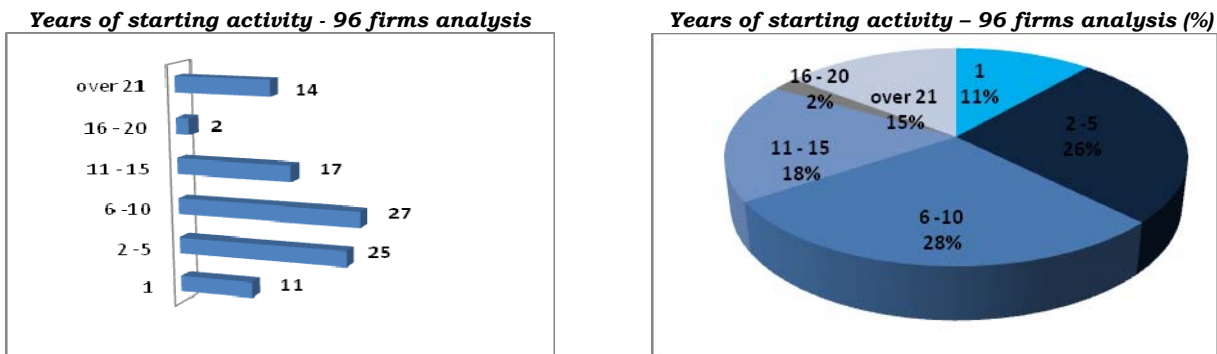
***a - Firms interviewed by zones***

The following graph highlights the distribution of the interviews by zone. The number of the interviewed firms varies from 42 to 10 depending on the overall estimated population of each zone (Al-Ramadi is the first and biggest zone of the Governorate with estimated over 3.020 firms, Fallujah 2.670, Al-Karma 900, Heet 500).



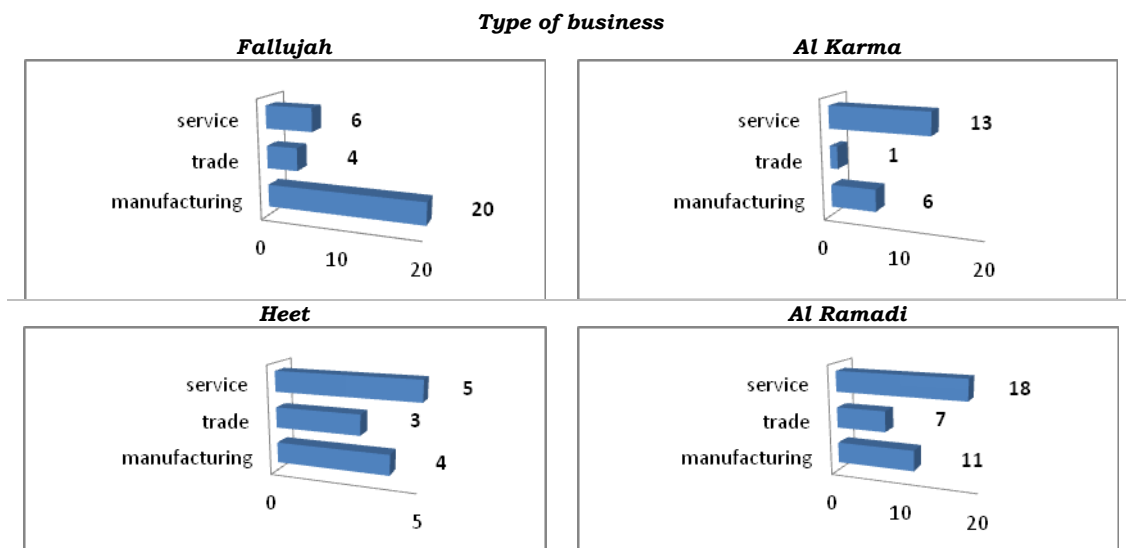
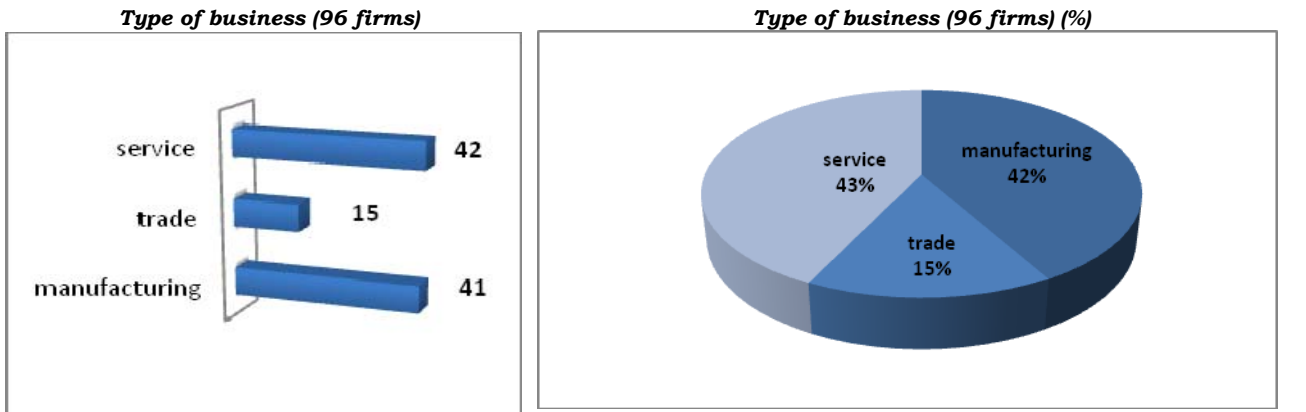
***b - Firms by years of starting activity***

Also in Al-Anbar firms are mostly aged of more than 10 years (46%), whilst an additional 26% is older than 2 years. Hence, experienced firms are the majority in the target population and these data is in line with the results obtained in the other project target zones.



**c – Type of business**

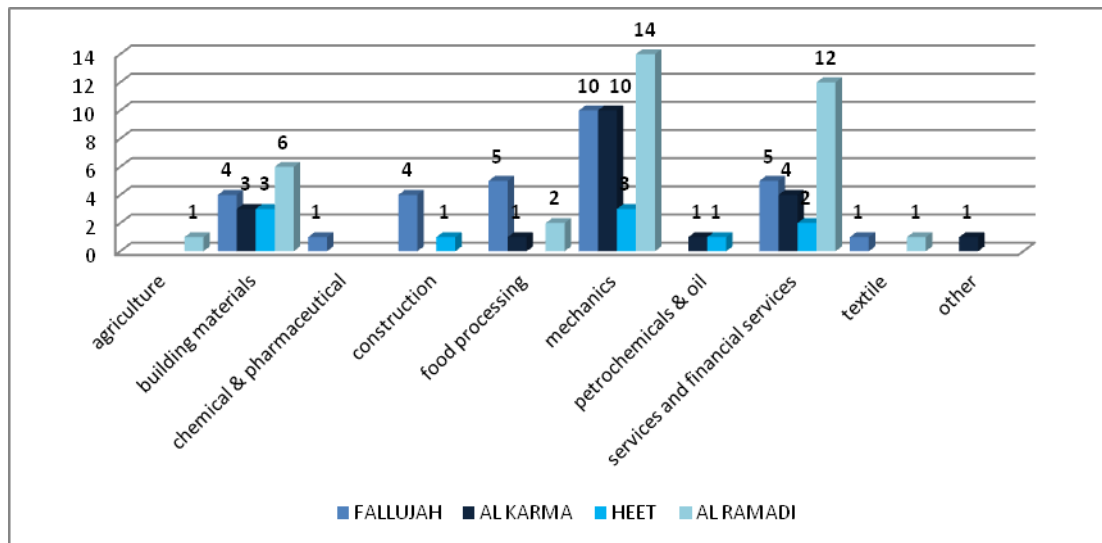
Looking now to the type of business, manufacturing and services reach almost the same percentage (services 43%, manufacturing 42%), whilst trade is certainly less relevant (15%).



**d – Sector of business**

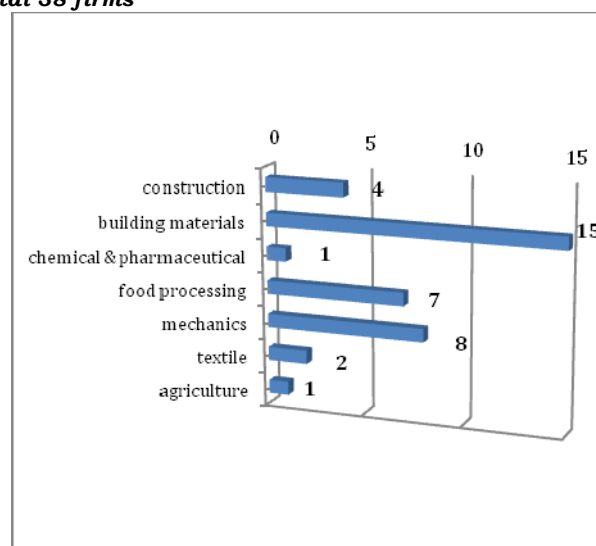
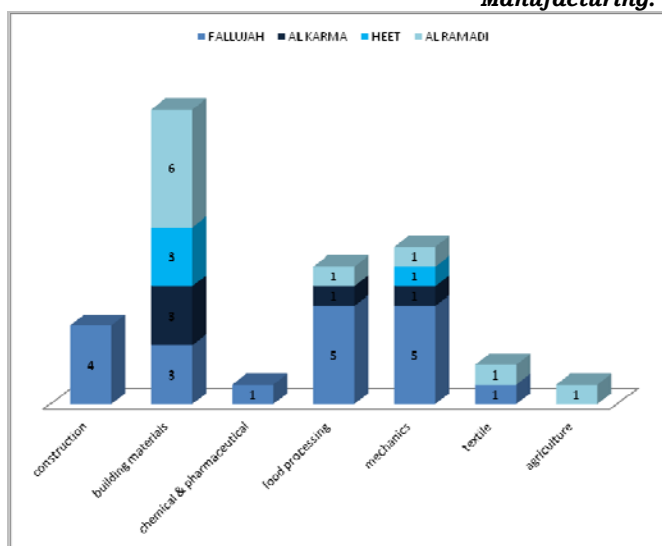
Regarding business sector the most important is certainly mechanics (37 out of 96 firms), followed by financial services (23 out of 96), building materials (16 out of 96), food processing (8 out of 96) and 5 for construction. Such figures are thus in line with the results of the interviews in the other project target zones, except for financial services which are certainly relatively more significant.





Focusing then on manufacturing, the preponderance of building materials is evident (15 out of 38 firms), although mechanics and food processing also deserve mention.

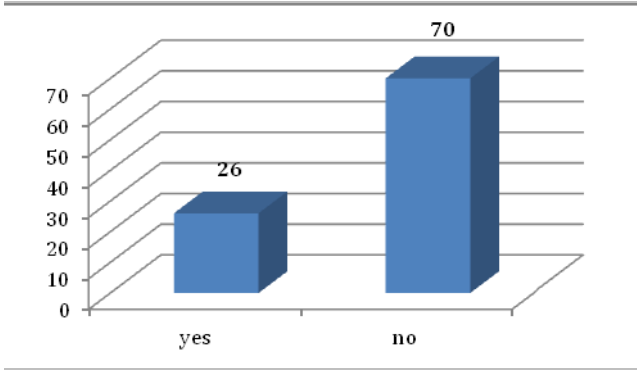
**Manufacturing: total 38 firms**



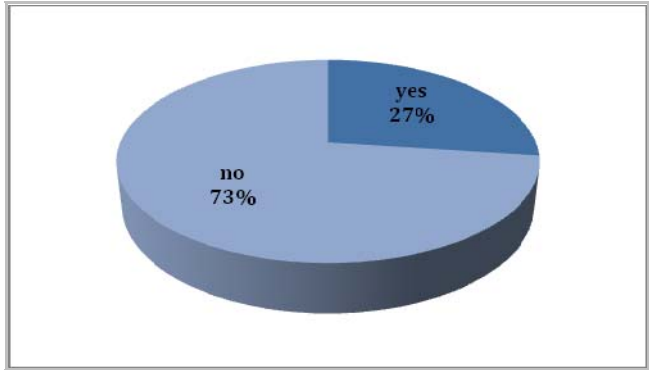
### **d - Registration**

In Al-Anbar the overwhelming majority of firms is not registered, thus suggesting the existence of a very relevant informal sector. As happens in the other project target zones, the registered firms declared affiliation with a variety of Institutions and Associations.

**Registration: total**

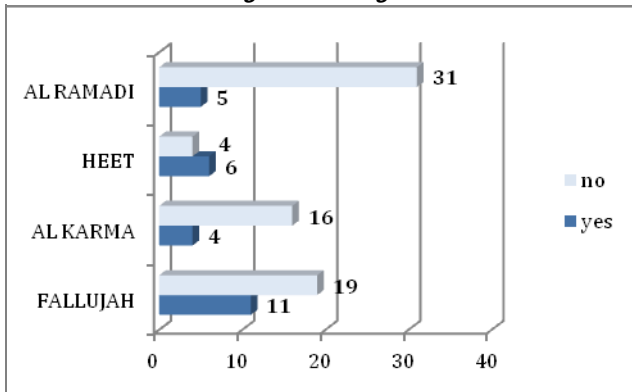


**Registration total (%)**

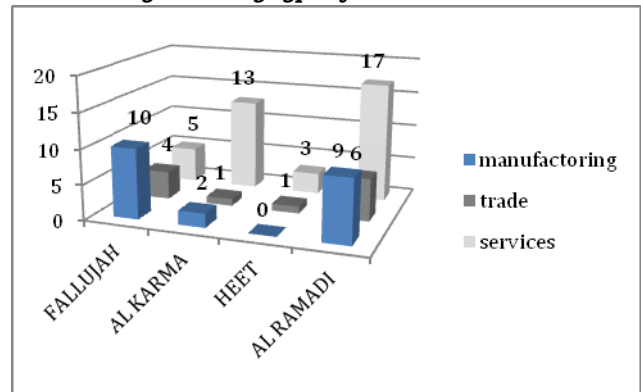


Needless to say, Al-Ramadi – the most populated zone - counts the largest number of registered firms, whilst in all Al-Anbar zones the unregistered ones mostly belong to the services sector.

**Registration by zone**



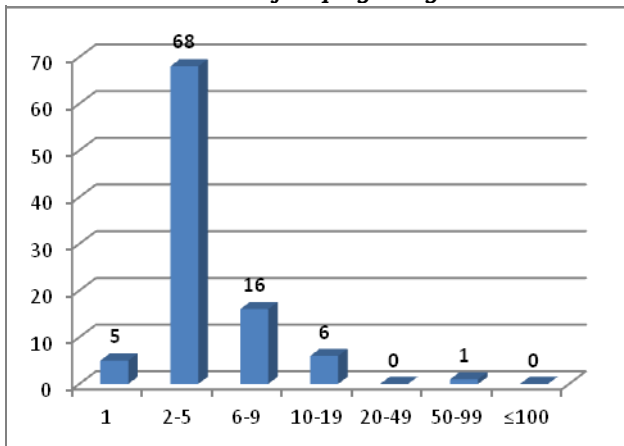
**Not registered by type of business and zone**



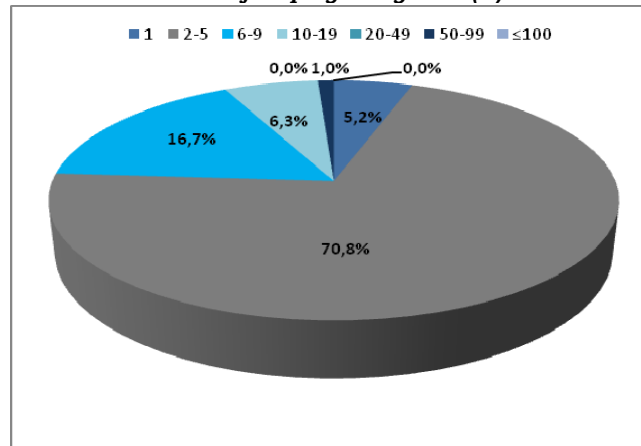
***e – Number of employees***

In Al-Anbar, almost all businesses are ‘micro’ firms, counting less than 5 employees.

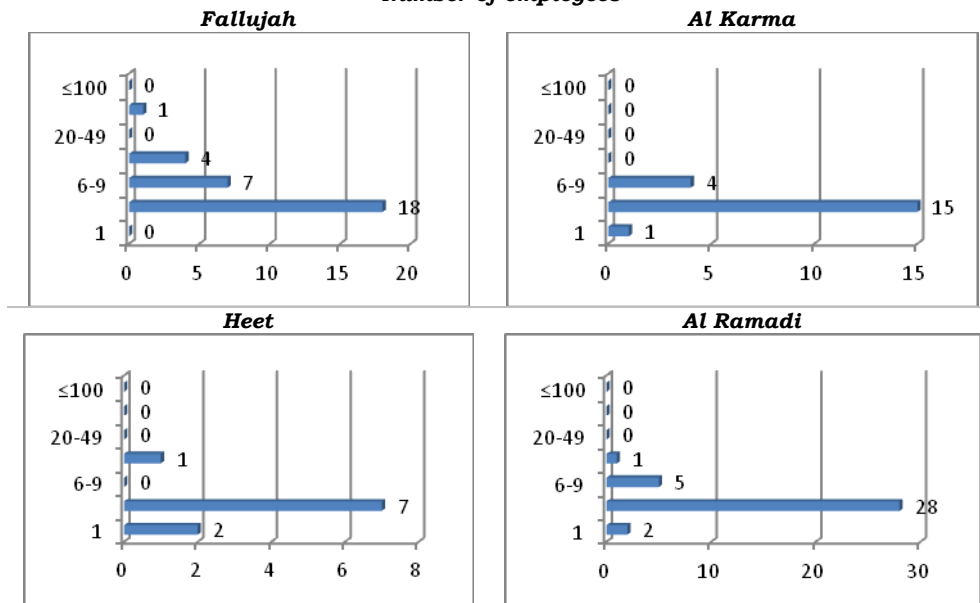
**Number of employees by zone**



**Number of employees by zone (%)**

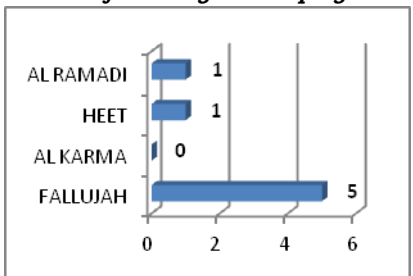


**Number of employees**



Only manufacturing firms count more than 10 employees, as it is shown also in the following graph:

**Manufacturing ≤10 employees**



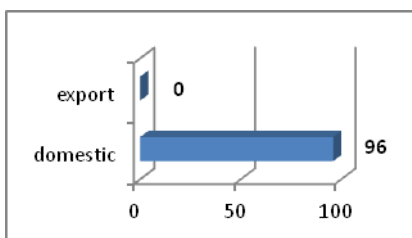
**Trade ≤10 employees**

**No firms**

**Services ≤10 employees**

**No firms**

**f – Main market**

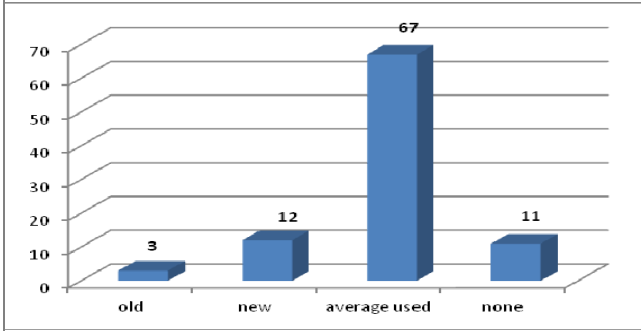


In line with the results of the interviews in the other project target zones, the Al-Anbar firms market is merely domestic.

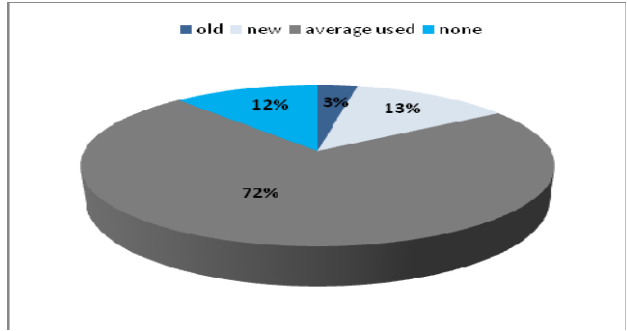
**g – Machinery**

The large majority of Al-Anbar firms avail average used machinery, since only 3% of them benefit of new machinery.

**Machinery: total**

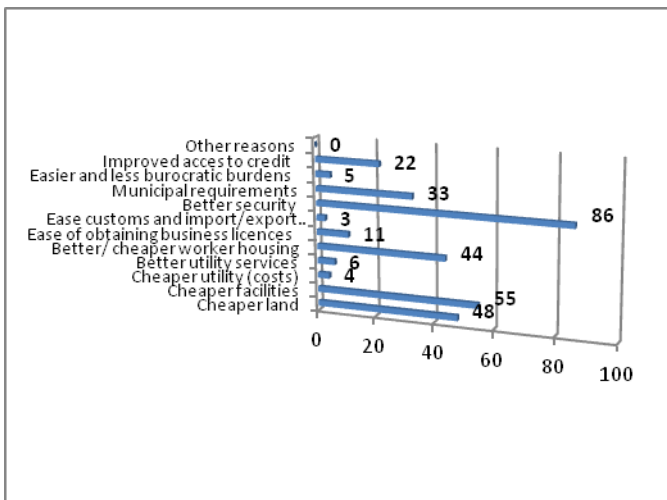


**Machinery total (%)**

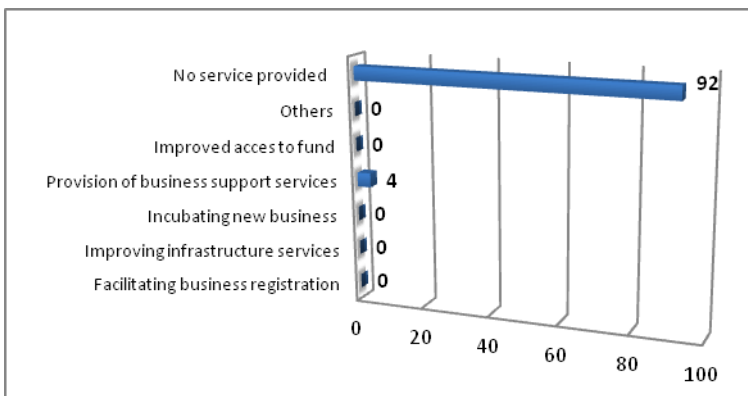


***h – Reasons for operating in the zone***

Among the reasons for establishing in the industrial zones, deserve mentioning security – police protection (86 out of 96 firms), cheaper facilities (55), cheaper land (48), cheaper worker housing (44), municipal requirements (33), but, surprisingly, also easier access to funding has been remarked by 22 firms. Hence, it is interesting to observe that in Al-Anbar a wider variety of reasons for setting up in the zone has been enlightened and this could mean that the business settlement policy of local Authorities has been more effective than in the other three areas.



***i – Services offered by the zone management***



As shown by the interviews conducted in the Baghdad Governorate, Al-Anbar firms confirm the lack of services, except for the cleaning services provided by the Municipality.

***j – Desired requirements for industrial zones***

As it can appear now obvious, Al-Anbar firms call for improving infrastructure and utilities.

TABLE 12 – SOEs INTERVIEWS CONDUCTED IN BASRA, ERBIL AND AL-ANBAR

Zone	BASRA							
	Om Qasir Road	Khor Al-Zubair						
Name of company	Petro-chemical Factory	Fertilizers Co	Steel and Iron co. – Central Management	General Co. for fertilizer Central Management	Steal and Iron Co. – Rolling factory	General Co. for fertilizers/ R.O. plant	General Co. for petro-chemicals - polymers particles production unit	Steel and Iron Co. – melting and casting factory
<b>Building surface</b>	not know	35000 m <sup>2</sup>		35000 m <sup>2</sup>	not know	not know	not know	45000 m <sup>2</sup>
<b>Holding Ministry or public Authority</b>	General Foundation Chemical Industries	MOA and MOIM	MOIM	MOA and MOIM	MOIM	MOIM	MOIM	MOIM
<b>Ministry or public Authority represented in the Board</b>	General Foundation Chemical Industries	MOIM	MOIM, 2 elected	MOIM	MOIM	MOIM	MOIM	MOIM
<b>Relation with Municipality</b>	<i>yes</i>							
	<i>no</i>	X	X	X	X	X	X	X
<b>Partner</b>	<i>domestic</i>				X			
	<i>foreign</i>	X						
<b>Year</b>	<i>registration</i>	1977		1974		not know	1980	1975
	<i>starting activity</i>	1977	1974	1978	1971-1975	not know	1980	1976
<b>Enterprise</b>	<i>single</i>	X	X		X			X
	<i>belonging to group</i>			X		X		
	<i>SOE's affiliates or subsidiaries</i>						X	
<b>Machinery</b>	<i>old</i>	X	X	X	X	X		X
	<i>average used</i>	X					X	
	<i>new</i>							
<b>Type of business</b>	<i>manufacturing</i>	X	X	X	X	X	X	X
	<i>trade</i>						X	
	<i>service</i>							
<b>Sector of Business</b>	Petrochemical	Agroindustry	Steel and iron	Chemical	Building mat.	Chemical	Plastic prod.	Mechanics
<b>Business Assoc. Membership</b>	no	no	no	no	no	no	no	no

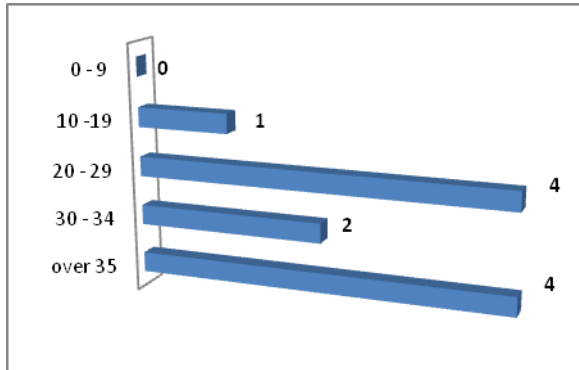
Zone		BASRA							
		Om Qasir Road	Khor Al-Zubair						
Name of company		Petro-chemical Factory	Fertilizers Co	Steel and Iron co. – Central Management	General Co. for fertilizer Central Management	Steal and Iron Co. – Rolling factory	General Co. for fertilizers/ R.O. plant	General Co. for petro-chemicals - polymers particles production unit	Steel and Iron Co. – melting and casting factory
Status	no								
	yes	fully operational					X		
		partially operational	X	X		X	X		X
		restructuring process			X				X
Number of employees		5000	3000	5928	3500	6000	not know	4685	5839
Main market	domestic		X	X	X	X	X	X	X
	export							X	
Supplies	domestic producers		X	X	X	X		X	
	foreign producers		X		X	X	X		
	domestic traders			X			X		X
	foreign traders						X	X	
Reason for operating in the zone	Governmental decision		X	X	X	X	X	X	X
	other reasons								
Services from local bodies	no		X	X		X	X	X	
	yes	Public Authorities			X				X
		Business Associations					X		
		Private Consultants							
3 most important requirements by SOE		Infrastructure, raw materials, cooperation with local/ foreign firms	Infrastructure, utilities, raw materials	Infrastructure, utilities, raw materials	Infrastructure, utilities, raw materials, cooperation with local/ foreign firms	Infrastructure, raw materials, managment training	Infrastructure, utilities, raw materials	Infrastructure, qualified personnel, factory maintenance	Infrastructure, utilities, qualified personnel

### 3.5 - SOEs INTERVIEW CAMPAIGN

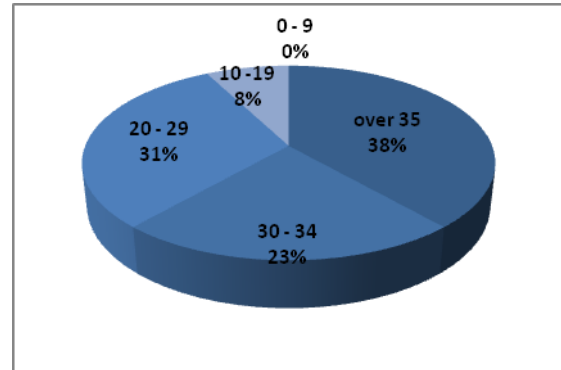
The Table 12 summarizes the results of the interviews to 14 SOEs respectively 8 in Basra, 4 in Al-Anbar and 2 in Erbil.

The same information is more visible in the following graphs:

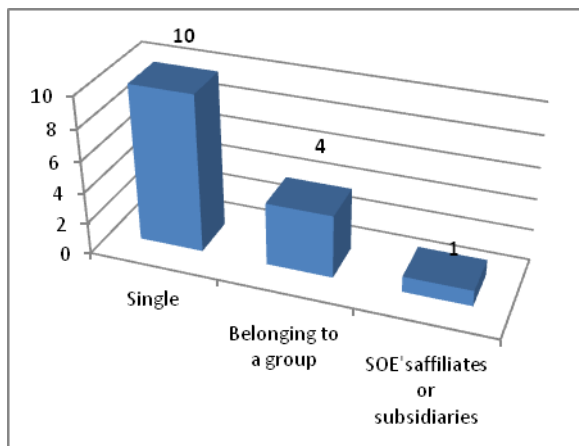
**Year of registration**



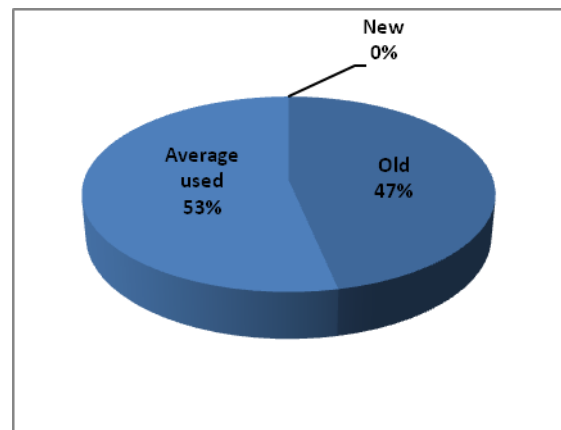
**Year of starting activity**



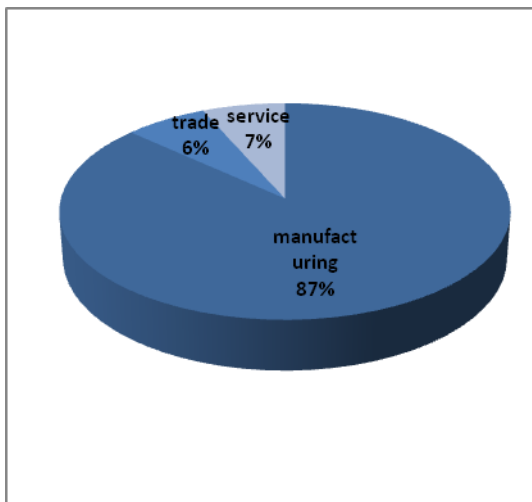
**Type of enterprise**



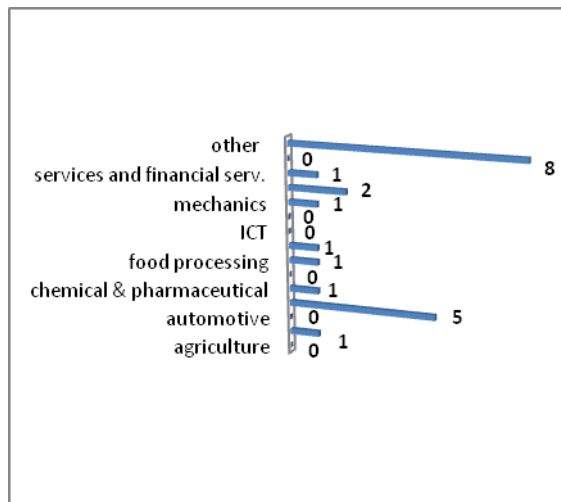
**Machinery**



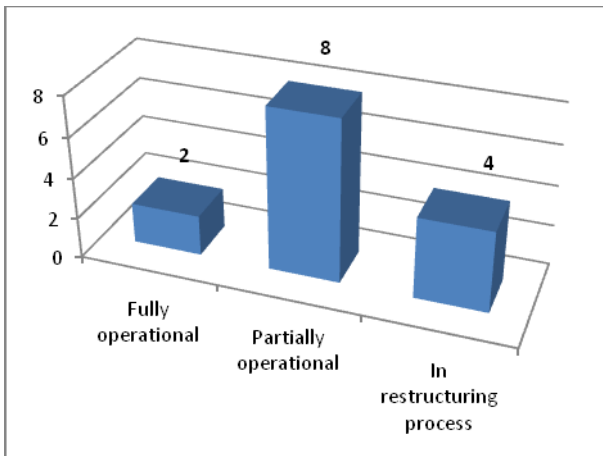
**Type of business**



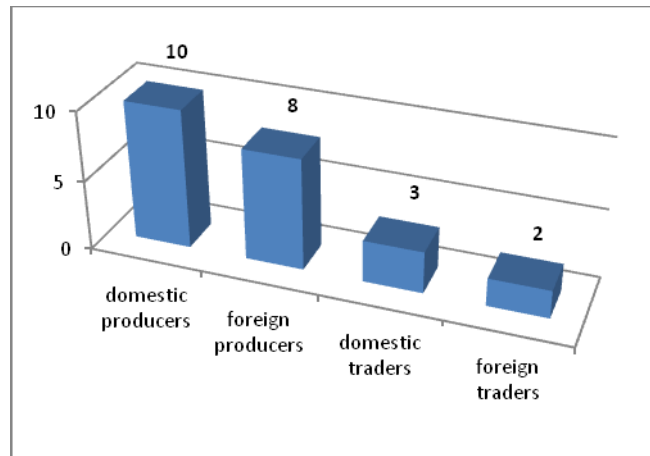
**Sector of business**



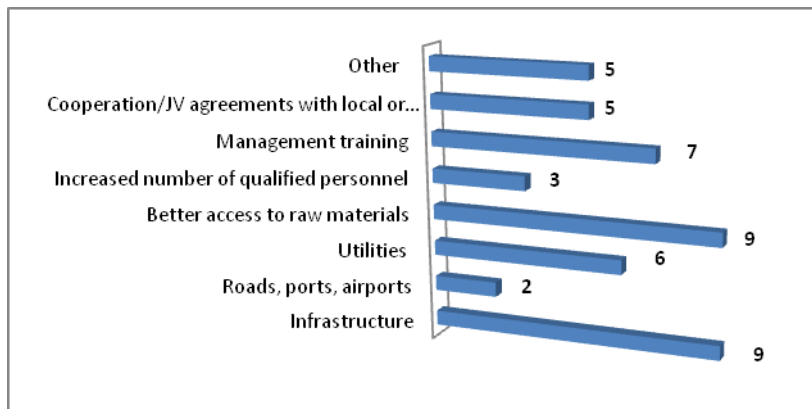
**Status of the SOEs**



**Supplies**



**Three most important requirements**



The Table allows the formulation of the following remarks:

- the overall dimension of the SOEs is very diversified, both in terms of covered surface (from 1.000 to 35.000 sq. M) and staff (from 40 to 6.000 employees). Considering the staff, the majority of the firms count more than 100 employees, but 7 out of 14 can be considered as very large groups employing more than 1.000 people and 4 of them hire more than 5.000 employees.
- 8 SOEs affirmed to be partially operational, 4 as under restructuring process and only 2 declared to be fully operational.
- All SOEs are established in the different zones due to a Governmental decision.
- Obviously, all SOEs are directly supervised by the competent Ministries that appoint representatives in their respective Board of Directors.
- All SOEs belong to the manufacturing sector and their production covers building materials (5), petrochemicals and oil (2), but also belong to the



following sectors: agro-industry, chemical and pharmaceutical, food processing, mechanics and financial services.

- Only 3 of them, and namely Petro-chemical factory, General company for fertilizer Central Management and Al-Fallujah cement factory, declared to have partnership agreements with foreign or domestic firms.
- SOEs market is almost always domestic and only 2 of them declared supply from foreign producers.
- No services are provided to them by Public or Private Bodies.

### 3.6 - RESULTS OF FIRMS AND SOES INTERVIEW CAMPAIGN

Although some of the outputs of the interviews campaign could be considered as easily predictable, some useful aspects deserve attention and could contribute to the formulation of sound and viable strategies and plans for identifying the path to structuring informal aggregations into formal business zones and/or eventually creating a new standard pattern of industrial/investment zone in the Country. However it must be considered that the interviews to the firms are not fully homogeneous, basically because the interviewers were different in each target zone (in order select and contact the firms it has been necessary to hire interviewers based in each zone). Hence their professional skills varied, as well as their motivation and sensitiveness to the topics dealt with in the questionnaire.

- It is well known that most of the zones mainly consists of micro and small firms active in small manufacturing, often tightly related to trade. Mechanics, building materials, textile and agro-industry are the prevailing sectors, which is understandable taking into account that the Iraqi firms are basically oriented to provide essential products and services to the local market.
- However, it is worth remarking that some embryonic sectoral groupings can be identified in some zones: mechanics in Al-Hamdani (Basra), Al-Qa'im (Al-Anbar), Al-Jamila (Baghdad) and in Al-Zubair (Basra), printing in Al-Sadoun (Baghdad); food processing in Al-Sinaat & Al-Takhzeen; building materials in Al-Qorna (Basra), Northern Industrial Area (Erbil); textile in Al-Khadimya and Al-Rasheed (Baghdad). Such occasional and random groupings could potentially become future clusters if public Authorities by one side and firms by the other, will jointly work to provide hard and soft infrastructure (services) through an intermediary Institution performing a catalyst role. In this regard, the results of firms' interviews provide good arguments for drawing the roadmap and preparing the prefeasibility study mentioned in the project objectives.
- Although merely at city plan level, the industrial areas certainly exist, at least as relatively equipped parcels of land. However, they coexist with other areas where firms have settled even without the very limited

equipment and infrastructure of the industrial areas. The problem is thus how to integrate industrial zones and informal groupings, once more through eventually redefining the urban planning, infrastructure and utilities.

- Moreover, it is interesting to remark that a relevant number of the interviewed firms are older than 21 years (109 out of 446 firms). This means that many businessmen have a good experience and thus –maybe- they could improve their performance and increase or diversify their business, for instance from trade to product assembling or manufacturing. Of course this could happen only if adequate services could be made available, like funding, technical assistance and training.
- Referring now to SOEs, the interviews confirmed that most of them are not operational or under a deep restructuring process. It is thus difficult (to) imagine that they could play a significant role in the present or future industrial zones. Moreover, it is well known that the privatization process met very relevant difficulties, and this will further jeopardize development of an healthy private sector in the Country.
- Finally, it has to be reminded that the Iraqi market is presently not protected from imports from the neighboring Countries and from India and China. This caused the closure of many manufacturing firms and the prevailing of trade and services shown in the interviews campaign. The new Custom Law that will enter into force shortly will ensure a tariff protection to domestic productions and will thus support the creation or revamping of manufacturing firms in the Country.

## PART III

### REGULATORY FRAMEWORK

#### OBJECTIVES

Survey, exam and analysis of the legal framework and regulation of Authorities and Bodies governing the Free Zones and the industrial and investment zones in Iraq.

#### METHODS

##### 1 - ACQUISITION OF THE LEGAL SOURCES

The basic sources were gathered during the first desk phase. In Basra it was possible to identify some of the missing sources, especially on the Khor Al-Zubair Free Zone and almost all the texts of such Laws and Administrative Acts were further received. In the last mission in Baghdad it has been possible to receive further information about the Laws and Regulations in force and the relations among them.

##### 2 - IDENTIFICATION AND VERIFICATION OF THE SOURCES FORMING THE REGULATORY SYSTEM OF FREE, INVESTMENT AND INDUSTRIAL ZONES OF IRAQ

The first identification of the Laws and Regulations forming the regulatory system of Free, investment and industrial zones in Iraq, was conducted during the first desk phase of the project and the pilot phase in Basra and verified and finalized in the mission in Baghdad, Erbil and Al-Anbar.

Let us consider first the **Free Zone Law and Regulation**.

The following table summarizes the Free Zones' relevant sources and their content.

TABLE 13 – FREE ZONES LEGAL FRAMEWORK

FREE ZONES LEGAL FRAMEWORK			
LAW NUMBER	TITLE	CONTENT	REMARKS
Law No (3) of 1998	Law of the General Commission of the Free Zones	<ul style="list-style-type: none"> <li>- Establishment of a Commission for administration of free zones;</li> <li>- Commission's tasks and functions;</li> <li>- Commission's regulation</li> </ul>	Available in English
Instruction No (4) of 1999	Administration of the FZs and Systemizing the business of investors inside the Zones framework	<ul style="list-style-type: none"> <li>- Regulation of license obtainment</li> <li>- Administration's tasks on working hours and entering control of investors, clients and workers</li> <li>- Customhouse Department's duties on transit goods</li> <li>- Regime of goods transiting in the FZ</li> </ul>	Available in English
Instruction No (6) of 1999	Instruction on the erection of building on the land piece in the FZ	<ul style="list-style-type: none"> <li>- Regulation on the percentage of buildings allowed on a specified land</li> <li>- Regulation on the use of the area for different sectors.</li> </ul>	Available in English
Resolution No. (170) of 1998	Revolutionary Council Resolution	<ul style="list-style-type: none"> <li>- Exemption from taxes and fees for all the investment projects, capitals, benefits and revenues;</li> <li>- Exemption from the local regulation of export/import of all export/import activities in the free zones (except local export);</li> <li>- Exemption from income taxes for foreign workers (50% for Iraqi workers).</li> </ul>	Available in English
Instruction No (1) of 1998	Free zone Instruction	Products excluded from manufacturing and trading in the free zone	Available in English
Directive No (2) of 1998	Free Zones Directive	Goods storage tariffs rate within the Free Zone.	Available in Arabic (and translated)
By Law No (3) of 1999	Regulation of the General Commission of the Free Zones	Tasks, composition and functions of the Commission	Available in Arabic – to be ascertained if in force
Decree No (5542) of 2008	Delegation of Authority to the Free Zone's Management.	Delegation of Authorities to Free Zone General Manager for simplifying the authorization procedures	Non Available

Directive No 2009 amending the Decree No (5542) of 2008	Contractual Procedures in the Free Zones	Delegation to the General Manager of the Zone to gather all the documents to be submitted to the General Commission for the obtainment of the license.	Available in Arabic
Directive No (2) of 1999	Land development and building in the Zone	Rules for the allocation of land to investors and building.	Available in Arabic (and translated)
Instruction No (3) of 1999	Industrial project licensing process	Instruction and procedures to be followed by investors to obtain a license in the free zone	Available in Arabic– to be ascertained if in force
Regulation No (8) of 2000	Regulation on the General Commission of the Free Zones	Rules for the payment and fee of the General Commission's members.	Available in Arabic

As regard to **investment and industrial zones** there are no specific Laws and Regulations. It was thus necessary to address all the legal sources generally referring to investments, business and industry in Iraq, since they obviously impact on the creation of the industrial/investment zones in the Country.

The following Table provides a visual synopsis of the fundamental business Laws and Regulations in force in Iraq.

*TABLE 14 – INVESTMENT AND INDUSTRIAL ZONES LEGAL FRAMEWORK*

PRIMARY SOURCES		OTHER RELEVANT SOURCES	
Iraqi Constitution*		Law No (30) of 1984***	The Trade Law
Law No. (13) of 2006*	The Investment Law	Law No (21) of 1997*	Company Law and Registration Instructions (Law No (196) of 2004)
Decision No (2) of 2010*	The First Amendment of Investment Law Number 13 of 2006	Law No (22) of 1997**	State Companies Law
Law No (20) of 1998*	Industrial Investment for Private and Public Sectors	Law No (113) of 1982*	Income Tax Law as Amended by CPA Orders No (37), (49) and (84)
Statute No (2) of 2009*	Investment Statute	Law No (162) of 1959*	Real Estate Rental Tax as Amended by CPA Order No (49)
Law No (4) of 2006*	Law of Investment in Kurdistan Region	Resolution No (120) of 2002*	Real Estate Transfer Tax
KRG Instructions No. 1 of 2007***	KRG Regulations on Investments	Law No (26) of 1962*	Vacant Land Tax Law

Law No. (32) of 1986*	Sale and Lease of State Property		Law No (36) of 1997*	Sale Tax Law
Regulation No (7) of 2010 (Council of Ministers)*	Regulation for Selling and Leasing the State and Public Sector Properties and Lands for Investment Purpose		Law No (23) of 1984***	Custom Law (as amended CPA Orders No (16), (26), (38), (54), (70), (100)
Regulation No (1) of 2011*	Regulations for the First Amendment of the Regulation for Selling and Leasing the State and Public Sector Properties and Lands for Investment Purpose		Law No (77) of 1955**	Custom Law
Law No (10) of 2012**	Support to small enterprises and start-ups		CPA Order No (38)*	Reconstruction Levy
* available in English ** available in Arabic *** not available				

### 3 - REGULATORY ANALYSIS

The regulatory analysis will be developed in two parts, the first referring to Free Zones and the second to industrial and investment zones.

#### 3.1 - THE FREE ZONES REGULATORY FRAMEWORK

In order to understand and analyze the Iraqi Free Zones system it has been considered useful:

- to report on the information gathered during the interviews in Al-Zubair (Basra), Al-Qa'im (Al-Anbar) and the Free Zone Department of the Ministry of Finance (Baghdad); and
- to benchmark on the Free Zones systems of Jordan and Egypt, in order to better identify the problems and constraints of the present Iraqi legislation and to be able to propose comments and suggestions for updating and improving it.

##### 3.1.1 - THE CASE OF KHOR AL-ZUBAIR FREE ZONE (BASRA)

The visit to the Khor Al-Zubair Free Zone General Manager allowed an in-depth knowledge of the functioning of the Basra Free Zone. The following Table provides a visual summary of its main features<sup>12</sup>.

<sup>12</sup> See Free Zone @ Khor Al-Zubair, official presentation document.

*TABLE 15 – KHOR AL-ZUBAIR FREE ZONE REGULATION*

POINTS	REGULATION
ALLOWED INVESTMENTS	The investments allowed include all sectors of Industrial, Commercial and Service activities with the exception of the prohibited ones listed in the Regulations Free Zone Instructions No. (1) of 1998.
CONTRACTS TERMS FOR ACTIVITY LICENSING	<ul style="list-style-type: none"> <li>- Industrial activity: 25 years renewable</li> <li>- Commercial activity: 15 years renewable</li> <li>- Service activity: 15 years renewable.</li> </ul>
LAND LEASE FEES	The land is exclusive property of the General Board of Free Zones who has the power to allocate land to investors. For each of the three activities above the lease fee is \$ 5.00 for 1 sq. m per year plus a request submission fee of \$ 250.00.
PROCEDURE STEPS	<ul style="list-style-type: none"> <li>- Submission of the request</li> <li>- Investment Form filling</li> <li>- Submission of required documents</li> <li>- Submission of a brief summary of Project activity</li> <li>- Submission of a brief summary of the commercial and technical feasibility study</li> <li>- Obtainment of the approval</li> <li>- Payment of the contracting fees and signature of the contract.</li> </ul>
SERVICES/ONE-STOP-SHOP	The General Manager of the zone functions as one-stop-shop; nonetheless, the services available are Offices of Customs, Health, Civilian Defense, Custom Police and Service Offices such as Communication, Insurance and Banking.

### 3.1.2 - THE CASE OF AL-QA'IM FREE ZONE (AL-ANBAR)

The visit to the Manager of Al-Qa'im Free Zone conducted by Wisam Amer (IRI surveyors team) has shown that Al-Qa'im is currently inactive. The zone formerly hosted 35 medium-size firms mainly operating in the trade sector and import-export, but to date no firms are operating in the area, because the zone was used by the Coalition forces as a military base and it is presently under reconstruction. Hence, it could not be possible to ascertain neither the procedures related to the activities carried out therein, nor the services and utilities provided to the firms in the times past.

### 3.1.3 - THE INTERVIEW WITH THE FREE ZONES DEPARTMENT OF THE MINISTRY OF FINANCE

On September, 6<sup>th</sup>, 2012 were met Mr Faiq Ibraheem – Director of Free Zones Department and Mr. Adel Adbd – Free Zones Legal Department of the Ministry of Finance (Baghdad).

About the Free Zones, the following considerations and comments were made:

- the Law governing the Free Zones is still the Law No (3) of 1998, with the related instructions to the Free Zones Board<sup>13</sup>;
- there are presently in Iraq three Free Zones (Al-Zubair, Mosul, Al-Qa'im). A fourth Free Zone is under construction in Al-Anbar Governorate, at the Jordanian border. Finally the plans for constructing a new zone in Basra Governorate, at Iranian border, have almost been completed;
- most of the procedure for land allocation has been delegated to the local zone manager in Basra, most likely through a Delegation Authorities (Decree No 5542 of 2008<sup>14</sup>). Water and electricity are also provided by the zone manager. The price of the land is diversified by zone and type of investment. There are 3 different rates for services, manufacturing and trade. No other services are officially provided by the zone management to the established firms.

#### **3.1.4 - FREE ZONES BENCHMARKING ANALYSIS: IRAQ, JORDAN AND EGYPT**

The elaboration of the benchmarking analysis has been summarized through the following Table, focusing on the topical points related to the regime of Iraqi Free Zones and on the differences with the Free Zones systems of Egypt and Jordan, that can be considered as good – or at least more advanced – practices in the Free Zones creation and management. It must be remarked that all the information about Egypt and Jordan have been gathered through the main Laws, websites and documents, since the present project did not provide for investigation missions in the Countries.

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<sup>13</sup> See above Table 13 on Free Zones Legal Framework.

<sup>14</sup> Not available. It has not been ascertained if such delegation is also in force for Al Qa'im.



TABLE 16 – BENCHMARKING FREE ZONES REGULATORY FRAMEWORK: IRAQ, JORDAN, EGYPT

BASIC ASPECTS OF FREE ZONES REGULATION AND MANAGEMENT (IRAQ, JORDAN, EGYPT)			
TOPICS	IRAQ	JORDAN	EGYPT
REGULATORY SOURCES AVAILABLE	<ul style="list-style-type: none"> <li>- Art. No. (42), Para. No. (A) of Constitution</li> <li>- Law of the General Commission of Free Zones No. (3) of 1998<sup>15</sup></li> <li>- Resolution No. (170) of 1998</li> <li>- Regulations Free Zone Instructions No. (1) of 1998</li> <li>- Instruction No. (4) of 1999</li> <li>- Instruction No. (6) of 1999</li> <li>- The 2011-2014 Strategic Plan of the General Commission for the Free Zones</li> <li>- Delegation of Authority, Decree No 5542 of 2008</li> </ul>	<ul style="list-style-type: none"> <li>- Free Zone Law Corporation No 32 for 1984</li> <li>- Fee Zones Corporation Investment Regulation No 43 for 1987</li> <li>- Regulation No 87 for 1999 on the private free zones corporation at civil airport</li> <li>- Regulation No 58 for 2003 on corporations' registration and licensing</li> </ul>	<ul style="list-style-type: none"> <li>- Law No. 8 for 1997 on investment Guarantees and Incentives ( as amended by Laws 162/2000, 13/2002, and 13/2004);</li> <li>- Presidential Decree 284/1997, establishing the General Authority for Foreign Investment and Free Zones - GAFL.</li> </ul>
TYPE OF ZONE STANDING TO THE CURRENT DEFINITIONS	<p>The 2011-2014 Strategic Plan of the General Commission for Free Zones defines the Free Zone as: <i>“part of the lands of the country and...under its sovereign which situated out of the custom region to practice several economical and investment activities in commercial, industrial and service aspects carried out systems and laws including investments incentives, taxes, customs and financial permits exempted from restrictions and procedures applying inside the country”</i></p>	<p>Art. 2 of Law No 32 for 1984 defines the Free Zone as: <i>“A part of the territories of the Kingdom demarcated and fenced by a partition, wherein goods are placed for storage and manufacturing purposes and whereby all taxes and fees payable thereon are suspended, as if these goods were outside the Kingdom”</i>.</p>	<p>Free Zones are considered ‘off-shore areas’: all the projects conducted according to the Free Zones Regulations are committed to export more than 50% of their total production. (<a href="http://www.gafinet.org">www.gafinet.org</a>)</p>

<sup>15</sup> “(...) This law operates under the Instructions for Free Zone management and the Regulation of Investors' Business No. 4/1999.” See USAID – Tijara Provincial Economic Growth Program, Investor Guide of Baghdad p. 12, November 2011, available at [tijara-iraq.com](http://tijara-iraq.com)

<p style="text-align: center;"><b>TYPE OF LEGAL OR ADMINISTRATIVE PROVISIONS REQUIRED TO ESTABLISH THE FREE ZONE</b></p>	<p>The Law No. (3) of 1998 does not provide for any norm regarding the establishment of the Free Zones.</p> <p>The Law No (3) established the creation of the three Free Zones of Khor Al-Zubair, Nineva and Al-Qa'im<sup>16</sup>.</p> <p>The fourth one is the Free Zone of Fallujah established with the Revolution's Command Council Resolution of March, 1 2001<sup>17</sup>.</p>	<p>In Jordan there are 5 Public Free Zones and 60 Private Free Zones.</p> <ul style="list-style-type: none"> <li>- Public Free Zones are established (and canceled) by the Free Zone Corporation;</li> <li>- Private Free Zones are established under the approval of the Council of Ministers and are often limited to one specific company or project.</li> </ul>	<p>Free Zones (both public and private) may be established by the Council of Ministers upon proposal of the GAFI under Article 29 of Law No (8) of 1997. Private Zones are in most cases limited to a specific project.<sup>18</sup></p>
<p style="text-align: center;"><b>NATURE OF THE ZONE</b></p>	<p>The nature of the Free Zone is public; however, the Law No. (3) of 1998 does not specify the nature of the Free Zone established and the eventual different regimes applicable.</p>	<p>Jordan's Free Zones are both Private and Public: the Public ones are administrated by the Free Zone Corporation, whilst the Private ones are administrated by private companies under the Free Zone Corporation's supervision.</p>	<ul style="list-style-type: none"> <li>- Public Free Zone are established in a specific location by the Government's Investment Authority (there are currently 11 public Free Zones)</li> <li>- Private Free Zone are established for a specific project or a company and subject to the GAFI approval.</li> </ul>
<p style="text-align: center;"><b>ZONE GOVERNANCE AND REGULATORY POWER</b></p>	<p>The General Commission for the Free Zones establishes policies and strategies for Free Zones creation and management. The Commission is administered by a Board of Directors, which is composed of the General Manager, two expert members appointed by the Ministry of Finance and a Secretary member of the Board officials. The only regulatory body of the Free Zone is the Board Directors who is responsible for the regulation and the issuance of general plans and policies for the development of the Free Zones. The Board operates under Law No. (3) of 1998 and the Instruction No. (4) of 1999, and its activities are subject to inspection and checking by the Divan financial Control.</p>	<p>The Public and Private Free Zones are managed by the Free Zone Corporation through the Board of Directors, which is the regulatory body and has the following functions: preparation of plans and programs for the development of the Zones, elaboration of draft of laws; approval of the general budget of the Corporation; establishing the services fees payable dues in the Free Zone.</p>	<p>GAFI sets the policies and the conditions for establishing the companies in the Free Zones (both public and private).</p> <p>General Authority for Investment and free zone (GAFI) acts also as the official regulator: it is the governmental body responsible for project's approval, setting of the policies in the Free Zones, granting licenses and regulations for allocation of the land and buildings.</p> <p>Licenses for operations in each zone are granted through a Chairman of the Board of the Zone. Decree.</p>

<sup>16</sup> To be more precise, the first attempts to establish Free Zones started at the beginning of the XX century under the Custom House Law No. (8) of the 1969. The idea has set again in 1997 under the Custom House Law when was established the Khor Al-Zubair Free Zone. The Law No.(3) of 1998 then, with the aim to support this idea, provided for an 'administrative body' (the General Board) for the free zones. See Republic of Iraq – Ministry of Finance, *The Iraqi Free Zones: A completed project to attract the investments*, available at [www.iraqifreezones.com](http://www.iraqifreezones.com), last visit June 2012.

<sup>17</sup> Although the creation of the Fallujah Free Zone has been defined with the Revolution's Command Council Resolution of March, 1 2001 however, up to now, does not appear any refer to the actual establishment of it.

<sup>18</sup> Whereas the establishment refer to a Free Zone covering an entire city, the creation of the zone must be decided by Law.

<p style="text-align: center;"><b>INDIVIDUAL FREE ZONES MANAGEMENT</b></p>	<p>The Free Zones Board of Directors manages the different Free Zones and establishes the conditions for investing in the Zones, including licensing. The body is chaired by the General Manager, who administers the Board and has the function of execute and implement the policies set by the Board.</p> <p>Further, as stated in art.4 (11) of the Law No (3), some of the authority of the Board of Directors have been delegated to the Free Zones General Manager.</p>	<p>The Free Zone Corporation is administered by a Board chaired by a General Director.</p> <p>The General Director executes the corporation's policies and manages the corporation.</p>	<p>Each public free zone has a Board of Directors that manages all the operations and activities that are licensed by the GAFI.</p> <p>The Chairman of the Board is appointed by the GAFI and is the 'manager' who executes and implements all the Board's decisions.</p> <p>The Private free zones, they are managed by the running companies.</p>
<p style="text-align: center;"><b>ACTIVITIES/SECTORS ADMITTED/EXCLUDED IN THE ZONE</b></p>	<p>Investments in the free zones are permitted for industrial, commercial and service project, for the following activities<sup>19</sup>:</p> <ul style="list-style-type: none"> <li>- Industrial activities (including production, sales, assembly, manufacturing and repacking);</li> <li>- Warehousing for re-export and trade;</li> <li>- Transportation services</li> <li>- Banking, Insurance and re-insurance;</li> <li>- Professional support services for all the above industrial activities<sup>20</sup>.</li> </ul> <p>The Regulations Free Zone Instructions No. (1) of 1998 does not mention the economic sectors included, but provides for a list of all the goods prohibited (which must not enter in the free zone): anesthetics (excluded for medicine purposes), toxicants, fire arms, ammunitions, explosions, metal coins, books, radiant substances and inflammable materials.</p>	<p>In the Free Zones may be established enterprises and manufacturing activities satisfying one or more of the following conditions (art. 13(b) of Law No 32):</p> <ul style="list-style-type: none"> <li>- Industries that are new and not existed locally and which depend on advanced modern technological processes</li> <li>- Industries for which primary materials, are locally available or which use locally manufactured parts and also industries complementing domestic ones.</li> <li>- Industries which raise the level of labor skills and contribute to its technical advancement</li> <li>- Industries, which meet consumer, needs and assist in reducing dependence on imports from outside the Kingdom.</li> </ul>	<p>The activities allowed in the Free Zone are:</p> <ul style="list-style-type: none"> <li>- Mixing</li> <li>- Blending</li> <li>- Repacking</li> <li>- Manufacturing</li> <li>- Assembling</li> <li>- Processing</li> <li>- Repair operations</li> </ul> <p>Under the approval of the GAFI all the activities covered by Investment Law No. 8 may be implemented in a Free Zone.</p> <p>As for the restricted activities, the Law No 114 for 2008 (art 10) states that companies working in the field of fertilizer, iron and steel production, petrol production and transport of natural gas cannot be granted a private free zone status.</p>

<sup>19</sup> MENA-OECD INVESTMENT PROGRAMME, Designing Economic Zones for effective investment promotion in Iraq, Workshop on Iraqi Economic Zones Strategy – Alexander Böhmer (Head of Unit MENA-OECD Investment Program) and Antonio Fanelli (Deputy Head of Division Private Sector Development Division, OECD), available at [www.oecd.org](http://www.oecd.org).

<sup>20</sup> NIC (National Investment Commission) INVESTOR GUIDE, Free Zones in Iraq, available at [www.investpromo.gov.iq](http://www.investpromo.gov.iq)

<p style="text-align: center;"><b>EXEMPTIONS AND INCENTIVES GRANTED IN THE FREE ZONES</b></p>	<ul style="list-style-type: none"> <li>- According to the Resolution No. (170) of 1998 all the investment project, capitals, annual revenue and benefits from the Free Zone are exempted from taxes and fees.</li> <li>- All export and import activities (except for what exported in the local market) are exempted from local regulation of export/import.</li> <li>- Incomes of the foreign workers are exempted from income taxes and incomes from Iraqi workers are exempted as well for 50%.</li> </ul>	<ul style="list-style-type: none"> <li>- Exemption of imported goods and goods exported outside of Jordan from custom duties, taxes and fees. Exemption from customs on sales to the domestic Jordanian market up to the limit of the value of materials and local costs involved in their manufacturing.</li> <li>- No corporate income tax on profits earned on manufacturing goods for export, and on profits made from transit trade or selling goods inside the Free Zones. For the first 12 years, no income and social services tax on the salaries and allowances of non-Jordanian employees.</li> <li>- Exemption of buildings and real estate constructions from licensing fees and building and land taxes.</li> </ul>	<ul style="list-style-type: none"> <li>- Profits and dividends of projects developed in the Free Zones are exempted from all Egyptian income taxes and duties;<sup>21</sup></li> <li>- Good and materials exported abroad or imported to a Free Zone with the purpose of exercising its activities are exempted from custom tax, general sales tax and other tax and duties.<sup>22</sup></li> <li>- Goods imported from a Free Zone have the custom tax levied only on the foreign components;</li> <li>- All the contracts related to incorporation or establishment of the companies, as well mortgages and loans, are exempted from stamp duty and notarization and registration fees for 5 years from the registration in the Commercial registry.</li> </ul>
<p style="text-align: center;"><b>ADMISSION TO THE FREE ZONES</b></p>	<p>According to the Instruction No. 4 of 1999, art. 1, the procedure for granting the admission to the free zone initiates with the submission of an application and the payment of an admission fee. The license issuing is still largely discretionary, since it is not directly connected to the submission of the required documents.</p>	<p>Natural or legal person exercising the economic activity shall be registered with the Free Zone Corporation. Once one or more conditions set in the (art. 13(b) of Law No 32 are satisfied (see above), the Board of Director shall approve the exercise of the economic activity within the zone.</p>	<p>According to art. 30 of Law No. (8), a preliminary approval for the establishment of companies and projects inside the zones is issued by the competent Board of Directors; afterwards, the GAFI issues a decree of establishment and the chairman of the Board of Directors is authorized to issue the licenses.</p>
<p style="text-align: center;"><b>TYPE OF LAND-USE ARRANGEMENTS</b></p>	<p>Land lease</p>	<p>Land lease, real estates' rent and temporary occupation of lands owned by the Corporation.</p>	<p>Land lease, real estates' rent and temporary occupation of lands owned by the GAFI</p>
<p style="text-align: center;"><b>INFRASTRUCTURE AND UTILITIES</b></p>	<p>Free Zones offer the necessary facilities, services infrastructure and utilities, such as electricity, water, modern telecommunication networks, in addition to networks of internal roads and yards and storage facilities.</p>	<p>Streamlined registration and other administrative procedures are provided in the zone. Other services offered are modern power grids, telecommunications infrastructure, road networks and water supply.</p>	<ul style="list-style-type: none"> <li>- A cheaper pricing mechanism for electricity at cost of 4 cents/KW;</li> <li>- A cheaper potable water cost (20-30 cents/cubic meter);</li> <li>- A cheaper rental price (about \$ 3.50/ square meter per year for industrial projects; and \$ 7.00 for all other sectors).</li> </ul>

<sup>21</sup> The Warehouse Projects operating in the free zones are only subject to a duty fee of 1% of the value of goods entering or leaving the zone. Projects whose activities does not include exit or entering of products are subject to an annual fee of 1% of total revenue realized by the project.

<sup>22</sup> As well as for all the equipment, machines and transportation vehicles, with the exception of passenger car.

QIZ <sup>23</sup>		<p>The QIZ rules stipulate that a minimum of 35% of the exported goods' value must represent local content; of that 35 percent, a minimum 11% percent must be added in the QIZ, eight percent in Israel, and 15.3 percent in a Jordanian QIZ, Israel, or the West Bank/Gaza.</p> <p>All companies operating within a QIZ are exempt from customs tariffs and from paying income and social security taxes.</p> <p>In addition to the incentives, authorities also provide streamlined registration and other services, such as modern power grids, telecommunications infrastructure, road networks and water supply.</p> <p>There are now 11 QIZs located in Jordan, but only seven QIZs are currently operational: two of them are publicly owned (Al-Hasan Industrial Estate and Al-Hussein Ibn Abdalla II Industrial Estate), and the other (Ad-Dulayl Industrial Park, Al-Tajamouat Industrial City, Cyber City, Al-Qastal, and El-Zay Sub Zone) are owned by the private sector.</p>	<p>QIZ zones in Egypt guarantees duty-free access to U.S. market for products that satisfy the rule of origin. Manufacturers must indeed ensure that 35% of the product's value be manufactured in an Egyptian QIZ, of which a minimum of 10.5% must be Israeli inputs.</p> <p>The main elements of Egyptian QIZ advantages are: the lower costs of infrastructure and public utilities, abundance of skilled labor, lower wages, and lower transportation and shipping costs.</p>
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<sup>23</sup> The Qualified Industrial Zones (QIZ) were created based on the amendment of the US-Israel Free Trade Agreement (FTA) in 1996. It extends the preferential duty free treatment for products of Israeli origin in the US market, to include exports from geographically designated areas in Egypt and Jordan, provided that they meet specific rules of origin requirements. The QIZ areas are designated by Jordanian, Egyptian and Israeli authorities and approved by the US government. It must identify territory, not necessarily contiguous, in Jordan and Israel or Egypt and Israel. Each country must designate its respective zone as "an enclave where merchandise may enter without payment of duty or excise taxes". Goods that are jointly produced by Israel and either Jordan or Egypt, are entitled to enter the United States, duty free and without any quota limit. The agreement requires specific rules of origin but does not require reciprocal treatment by Egypt or Jordan.

### 3.1.5 - CONSIDERATIONS AND COMMENTS

The analysis of the Iraqi Free Zones system in comparison with the Free Zones patterns of Jordan and Egypt does not reveal major differences at legal and institutional level. It is to be assumed that the more relevant differences may be found in Laws actual enforcement and in Zone management practice.

Nonetheless, some interesting aspects deserve attention:

- Unlike the Jordan and Egypt Free Zone regimes, the Iraqi Laws neither contains a uniform and clear procedure for the establishment of new Free Zones, nor provides for the creation of private and individual enterprises Free Zones.
- The Free Zones' governance and management functions are still too centralized in Iraq, since the General Commission for the Free Zones concentrates all powers, from the strategic governance to individual project licensing. However, it is worth to remark that the Decree No (5542) for the year 2008 (unfortunately not available) has provided for a delegation of authorities from the General Commission of the Free Zones to the Basra Free Zone General Manager. As stated in art. 4 of the Law No (3) of 1998 the Board of Directors may indeed “ (...) *grant some of authorities to the General Manager of the Free Zone*”. Such delegation of authorities apparently focuses on the licensing process, making possible for the Zone's General Manager to support the potential investors in gathering all the documents needed for obtaining the license. Nonetheless, the final decision on the license remains with the General Commission, which means that the step forward, although significant, is still limited;
- The existing Laws do not provide for the supplying of assistance and support services to the settled investors; a One-Stop-Shop is not even mentioned, neither at central nor at individual zone level. A minimum support is provided to the investors by the Free Zone General Manager, but only referring to the licensing procedure.
- Needless to say, the Free Zones suffer from the insufficiency of the basic infrastructure and utilities as most of the Iraqi territory.

## 3.2- REGULATORY ASPECTS OF INVESTMENT AND INDUSTRIAL ZONES

### 3.2.1 – IRAQ

In Iraq there is no regulation specifically regarding investment and industrial zones. The only relevant legal provision is Article 9, (Seventh) of Law No (13) of 2006, *Investment Law*, when it reads: “*The Commission shall promote investment by working on the following: (...) Establishing secure and free investment areas with the agreement of the Council of Ministers.*” It is thus clear that the National Investment Commission is empowered to establish such zones. This also means that standing to the above provision, there is no need for adopting a specific new

Law, although – as it will be illustrated hereunder – the Iraqi Authorities seemed so far to have opted also for a regulatory solution (a regulation has been drafted by NIC).

It is worth anticipating that, on the contrary, Kurdistan Government decided to directly establish the Erbil industrial zone through a tender for a PPP pattern (the studies were funded by World Bank and realised by AECOM and the project is reported to be in the stage of finalisation of tendering documents). This means that the basic strategic issue for realising industrial zones in Iraq shall be the choice between a regulatory solution (a new *ad hoc* Law) or an administrative solution (construction and management of the zone by the national or local public Authorities or using a PPP pattern for involving private investors/developers) (see Conclusion, par. B2).

Nevertheless, it is true that all Regulations governing investment in Iraq and Kurdistan can deeply affect the formation and functioning of the investment and industrial zones. They consequently deserve attention.

Such regulations are:

- by one side, the old Law No (20) of 1998, *The Law of the Industrial Investment for both Private and Public Sectors*; and
- by the other, the new Law No (13) of 2006, *Investment Law*<sup>24</sup>, as integrated by the *Investment Statute* No (2) of 2010, governing the functioning of the National Investment Commission.
- Kurdish Regional Government (like the other Iraqi regional Authorities), availing the concurrent competences attributed to it by Article 114 of the Iraqi Constitution<sup>25</sup>, is empowered to adopt its own Laws both on industrial and Free Zones. So far, it has not been possible to verify if the Kurdish Regional Government has entered in the process for drafting such specific Laws. Nonetheless the general *Investment Law*, No (4) of 2006, Article (10), 2 (iv), sets up a special Investment Board Department named “*(iv) Department of Industrial Cities and Zones*”, so creating an administration competent for such matter. The subsequent assignment to AECOM of the preparation of a *Feasibility and Development Plan for Erbil Industrial Zone*<sup>26</sup> and – reportedly – of the related tendering documents, seems to confirm that Kurdish Government has opted for the establishment of industrial

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<sup>24</sup> Amended by Decision No (2) of 2010, *First Amendment of Investment Law No (13) of 2006*

<sup>25</sup> Art. 114 of the Iraqi Constitution states that the competencies shared between federal and regional Authorities are: “[...] to manage customs [...] to formulate development and general planning policies [...]”; further, art. 115 specifies “All powers not stipulated in the exclusive powers of the federal government belong to the authorities of the region and governorate that are not organized in a region [...]” and that “[...] priority shall be given to the law of the regions and governorates not organized in case of dispute”. Therefore, the legislative power regulation of industrial investment zone is not exclusively belonging to the federal government, but is shared with the regional government. That means that both the federal government and the Regions/Governorates enjoy the constitutional right to establish industrial/investment zones and regulate them. Further, Arts. 115 and 121 of the Constitution state that any Regional industrial zone/estate or Free Trade Zone statute will supersede and pre-empt in its entirety any Iraqi federal law.

<sup>26</sup> AECOM, *Feasibility and Development Plan for Basra Industrial Zone*, 2009-2010

zones without waiting for the adoption of a new Law (administrative solution).

Coming back now to the general Iraqi investment and industrial regulation, it has to be remarked that, whilst the Law No (13) of 2006 covers all kind of investments, the former one - No (20) of 1998 - only refers to “*industrial projects*” better identified as the ones that “... *have a main purpose to produce marketable merchandise or capital merchandise, ...*” (Article 5). Indeed, the regime for industrial zones is inspired to a vision of central State controlled economy, which appears not in line with the present policies and strategies of the Iraqi Government.

More precisely, among the other provisions, the Law of 1998:

- prescribes that only Iraqi natural persons or companies owned by Iraqi investors can obtain industrial project licenses (Article 7), unless a foreseen amendment would have come into force<sup>27</sup>;
- does not define essential concepts like developer/operator, public and private partnership, license and expropriation;
- does not provide for the inclusion of the representatives of private firms in the management body (the Industrial Development Authority - IDA);
- lacks of a ‘One-Stop-Shop’;
- does not provide for a clear regime for fiscal incentives;
- lacks of a clear and transparent land acquisition mechanism;
- omits a clear and transparent regime for expropriation and privatization inspired to the international standards;
- does not establish a reliable and impartial dispute resolution mechanism.

Unfortunately, Law of 2006 does not provide for the abrogation of the former Law of 1998, nor it defines its scope of application in respect to such Law. It is thus necessary to choose between one of the two following alternatives;

- either the Law of 1998 remained in force on the basis of the principle that *lex specialis derogat generali*; or
- the Law of 2006 substituted the Law of 1998, under the principle that *lex posterior derogat priori*.

In our understanding, the second alternative could be the more appropriate for unifying and clarifying under the same source the investment regime and the related business areas or zones. Some arguments could support this view:

- the Law of 2006 governs both domestic and foreign investments, whilst the Law of 1998 only refers to the Iraqi investors;
- the Law of 2006 refers to all types of investments except for: i) oil and gas extraction and production; ii) investment in banks and insurance company sectors (*see art. 29*);

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<sup>27</sup> See USAID-IRAQ, *Investor Guide to Baghdad*, November 2011



- the governing Authority for authorizing investments, under the Law of 2006, is the National Investment Commission, chaired by a person appointed by the Government, upon request by the Prime Minister and composed of top ranking State officials. The NIC thus appears higher ranking in respect to the Directorate General of Industrial Development (named Industrial Development Authority – IDA<sup>28</sup>) which is merely a Directorate General of the Ministry of Industry and Minerals;
- as it was the case for the Law of 1998, the Ministry of Industry and Minerals maintains the competence for regulating and supervising investments;
- finally, the tax break granted to investors under the Law of 1998 only have a duration of 5 years, whilst the one provided by the Law of 2006 extends such duration to 10 years.

Nevertheless the AECOM study and the document of 2010 by the Ministry of Industry and Minerals on *The industrial cities, building, financing and administrating them*<sup>29</sup>, may mean that the concept of industrial city could imply the establishment of a different type of business zone (named industrial cities and complexes) parallel to the investment zones regulated by Law of 2006. The information gathered so far does not allow a full clarification of such dual typology of the business zones in Iraq.

Thanks to the mission in Baghdad it has been possible to clarify the respective scope of the two Laws and to ascertain that the Law of 2006 had not substituted the former Law of 1998, neither *de facto* nor *de jure*. The interviewed stakeholders and some of the documents<sup>30</sup> collected suggest a pragmatic solution, in the sense that the Law of 2006 had simply created a second regime for investments. A potential investor may consequently willingly submit its project to the procedure of the Law of 2006, starting with the recourse to the One-Stop-Shop within the National Investment Commission in Baghdad (or to the Provincial Investment Commissions). However, the Law of 2006 (as completed by the *Investment Statute* No (2) of 2010) is estimated to govern all aspects of investments within the promotion of the economic development of the Country, including the creation of investment zones, upon the provision of Article 9, (Seventh).

Indeed, two aspects of the eventual enforcement/implementation of such Laws deserve a deeper analysis:

- first *(i)*, the type of implementing measures that could be adopted for the creation of investment zones; and
- second *(ii)*, the decision-making body and process for the creation of such zones.

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<sup>28</sup> Republic of Iraq – Industrial Development Authority, at <http://www.inddevelopment.com>

<sup>29</sup> Ministry of Industry and Minerals, Prepared by industrial cities and compounds department 2010.

<sup>30</sup> See USAID-IRAQ, *Investor Guide to Baghdad*, November 2011

(i) The possible alternatives in the implementation of Article 9, (Seventh) for the establishment of investment zones.

Standing to the available documents and stakeholders interviews (especially in Baghdad), the Ministry of Industry and Minerals, and the National Investment Commission are apparently pursuing two parallel methods:

- a regulatory solution, (in line with the approach<sup>31</sup> formulated in 2011 in cooperation with MENA-OECD) proposing an Investment Zone Concept and a *Draft Investment Zone Implementation Regulation for the Law 2006* jointly with some Provincial Investment Commissions. The regulatory approach drove to the submission to Iraqi Government of an industrial zone regulation included in the draft reforming the Law of 1998; unfortunately, this effort have failed so far because of its rejection by the Council of Shura; and
- an administrative solution through the launching of tenders for feasibility studies to establish the industrial/investment zones. This solution seems to be pursued as well if one considers the assignments to AECOM to develop feasibility studies for the establishment of industrial zones in Basra and Erbil.

Of course since the matter is quickly evolving, the project team strongly tried to gather wider and clearer information during the mission in Baghdad. Unfortunately the frequent questions put to the stakeholders and top decision makers concerning the Draft Laws (or Regulations) regarding industrial and investment zones were never answered<sup>32</sup>, neither the reasons for rejecting or stopping the procedures for adopting such new Regulations were clarified.

(ii) The decision-making body and process for the creation of Investment Zones

The Law of 2006 and the Statute of 2010 clearly concentrate the power for the formulation of strategies and the establishment of the investment zones under the National Investment Commission, in a way to preserve the centralization of the decision-making under the Iraqi Government, in spite of the local nature of investment zones. Such centralisation has been universally criticised by the stakeholders interviewed in Basra and in Baghdad, and it will certainly remain a major constraint, unless the eventual new Law will provide a sound level of de-centralisation of functions and competences or the attribution to the Provincial Investment Commissions and local Authorities of the management of tender procedures for the creation of the zones.

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<sup>31</sup> See *NIC Adopts Investment Zones Concept (18.04.2011)*, available at [www.investpromo.gov.iq](http://www.investpromo.gov.iq). The first Investment Zone in pipeline should be Hatein zone (in Babil Province) followed by Baghdad, Basra, Nineveh, Anbar and Furat Awsat (Najaf and Kerbala)

<sup>32</sup> Unfortunately, the Concept, the *Draft Investment Zone Implementation Regulation for the Law 2006* and the Draft 1998 Law reform were never been made available to the project team.

### 3.2.2 – BENCHMARKING INDUSTRIAL/INVESTMENT ZONES

Lacking any form of policy or regulation on industrial/investment zones in Iraq<sup>33</sup>, a comparative benchmark analysis of Iraqi's framework with Egypt and Jordan has not been possible. Many were the Iraqi initiatives aimed at either creating new industrial/investment zones legislative frameworks or amend the existing ones, but without success.

Nevertheless, even lacking an Iraqi specific Law, an 'overview' of the main Jordan and Egypt investment/industrial zones models has been provided in the present report. The information resulting from the Jordan and Egypt benchmark analysis can contribute to identify the best practices and to design a potential roadmap for creating industrial zones in Iraq. However, it has to be remarked that all information on Jordanian and Egyptian patterns come from official websites and documents<sup>34</sup>, since the present project did not allow missions in such Countries.

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<sup>33</sup> It is worthy of note to remind that the only legal provision referring to investment/industrial zones in Iraq is provided by Art. 9, (Seventh) of Law No (13) of 2006, Investment Law, when it reads *"The Commission shall promote investment by working on the following: (...) Establishing secure and free investment areas with the agreement of the Council of Ministers."*

<sup>34</sup> See references

TABLE 17 - BENCHMARKING INVESTMENT AND INDUSTRIAL ZONES LEGAL FRAMEWORK: JORDAN

JORDAN		
LEGAL SOURCES: MAIN LAWS AND REGULATIONS		
AQABA SPECIAL ECONOMIC ZONE	INDUSTRIAL ESTATES	DEVELOPMENT ZONES
<ul style="list-style-type: none"> <li>- The Aqaba Special Economic Zone Law No (32) for the year 2000, establishing and regulating the Aqaba zone, its Authority's functions and responsibilities;</li> <li>- Regulation No (6) for the year 2001, regulating the development and the management of Aqaba Special Economic Zones;</li> <li>- Regulation No (11) for the year 2001, regulating the improvement of the investments in the Aqaba Special Economic Zone;</li> <li>- Financial Regulation for the Aqaba Special Economic Zone No (82) for the year 2000;</li> <li>- Regulation No (13) for the year 2001 on registration and licensing of enterprises within Aqaba Special Economic Zone;</li> <li>- Regulation No (77) for the year 2001 for the sale and lease of lands in Aqaba Special Economic Zone.</li> </ul>	<p>The Jordan Industrial Estates Corporation (JIEC) Law No (59) for the year 1985 red with the Law No (74) for the year 200335 and amended by the Law No (33) for the year 2007;</p> <p>Law of Regulating cities, villages and buildings No (79) for the year 1966 and Municipalities Law No (29) for the year 1955, which prohibits the establishment of any industrial activity within pedestrian city limits.</p>	<ul style="list-style-type: none"> <li>- Law No (2) for the year 2008 for the establishment of the Development areas</li> </ul>
TYPOLOGY AND FEATURES OF THE ZONES		
AQABA SPECIAL ECONOMIC ZONE	INDUSTRIAL ESTATES	DEVELOPMENT ZONES
<p>The Aqaba Special Economic Zone (ASEZ) was established with the Law No 32 of 2000 (with its amendments): it was created with the aim of promote economic activities, remove investment obstacles and streamline the procedures for investors.</p> <p>ASEZ offers several advantages, inter alia the</p>	<p>The Industrial Estate is defined in the preamble of the Law No 59 of 1985 (and its amendments) as <i>"Area of land situated outside or inside the boundaries of municipality and designated as an Industrial Zone under the provisions of the 'Planning of cities, village and building law' in force and allocated for the accommodation of industries and</i></p>	<p>Jordan has 6 Development Zones, established in 2008 with the intent to attract foreign investments in the less developed regions<sup>36</sup>. The six zones are: King Hussein Business Park which is a mixed-use city district covering all the business that prefers to locate to the capital and take advantage of the MENA Region; King Hussein Bin Talai Development</p>

<sup>35</sup> The original Law, Industrial cities Institutions Law No (59) for the year 1985, stated that industrial establishment must to be held in the industrial cities.

<sup>36</sup> At the end of 2011 there were 60 running projects over the zones, with a total capital investment of JD 517.2 m (\$ 726.8m).

<p>strategic location (between Egypt, Saudi Arabia and Israel); the low cost for doing business and a wide network of services and facilities for the investors (utilities, highly-skilled labor, telecommunications, etc.). The zone also provides for special incentives, such as a 5% income tax on the net profits; exemption from annual land and building taxes on utilized property; exemption from taxes on distributed dividends and profits; no social services tax; no sale tax on most goods and services consumed within the zone; 100% foreign ownership; 10% land transfer tax. ASEZ offers also a duty free area.</p>	<p><i>related required services (...)</i>”.</p> <p>There are 12 Industrial Estates in Jordan: 6 public (Abdullah II Ibn Al-Hussein Industrial Estate; Al-Hassan Industrial Estate; Al-Hussein Bin Abdullah II Industrial Estate; Aqaba International Industrial Estate – located in the Aqaba Special Economic Zone -; Ma’an Industrial Estates; Al-Muwaqar Industrial estate) and 6 private (among which Al Mushatta; CyberCity and Hallabat Industrial Park). Industrial Estates offer cost-effective land and factory buildings, a lower cost of utilities (such as power and water), a network of roads and infrastructure and an effective One-Stop-Shop service.</p> <p>The Projects within the Industrial Estates are granted two-year exemption of income and social services tax; total exemption from building and land tax; exemption or reduction on most municipality fees. The Industrial Estates also offer custom centre, vocational training facilities, labor office and duty free areas.</p>	<p>in Mafraq, covering logistic and light industry; the Irbid Development Area, covering IT, health care, research and development; the Ma’an Development Area, composed of 4 clusters (industrial park, residential, skill development centre and the land of Hajj Oasis); the Dead Sea Development Zone encompassing 40 square kilometers of coastal land and which was established in 2010-2011 to improve tourism and set new urban design jointly with sustainable development standards; the Jabal Ajloun Development Area that was established to empower the living conditions of the area, through a plan of residential housing, shopping areas and amenities.</p> <p>Under the Development Area Law the following incentives are provided: 5% rate on income tax on all income from activities within the area; no sale tax on goods sold into the area; no import duties on all machines, equipment and materials used for the establishment of the enterprise in the area. No social services tax and dividend tax on the income from the activities within the area or outside the Kingdom.</p>
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<b>GOVERNANCE AND MANAGEMENT</b>		
<b>AQABA SPECIAL ECONOMIC ZONE</b>	<b>INDUSTRIAL ESTATES</b>	<b>DEVELOPMENT ZONES</b>
<p>The ASEZ’s Authority enjoy juridical personality and financial and administrative autonomy and such Body promotes the development of the zone, regulates public utilities and services, supervises the economic activities and issues certificates and licenses. It thus functions as One-Stop-Shop.</p> <p>The Authority’s management body is the Board of Commissioners, which is composed of 6 experts-specialized members of Jordan’s nationality and performs the following functions: allocation of investment areas and determination of land use;</p>	<p>The Industrial Estates are managed by the Industrial Estates Corporation, a semi-governmental corporation established with a public and private ownership and which enjoys financial and administrative autonomy. According to the provision of Art. 7 of the Law No (59) of 1985, the Corporation has the power to own, rent and buy the land necessary for the industrial estates; undertakes all the construction works for the estates’ establishment and services and admit the licensed industries in the zone.</p>	<p>Within the Development Areas, the Development Zone Commission is an independent governmental entity (enjoying financial and administrative autonomy) managed by a Chief Commissioner that creates, regulates, and monitors Development Zones; registers the new companies and issues their licenses. According to the Law No 2 for the year 2008, the Commission has also the power to create efficient One-Stop-Shops and define clear land ownership policies.</p> <p>The Board of Commissioners is the body that</p>

<p>expropriation of land/properties necessary for the development of the zone; regulation of the activities of enterprises and investors; cancellation of the permit granted to the enterprise in case of breach of the Regulation No (11) for the year 2001, art. 23.</p> <p>According to the Regulation No (6) for the year 2001, the Board may also assign development and management functions to a 'developing entity'<sup>37</sup> (private firm or PPP).</p> <p>In 2004 the Government of Jordan have established the Aqaba Development Corporation (ADC), a private shareholder company as an 'executive body' managed by a Chief Executive Officer, with the mandate to implement the development plan of ASEZ and keep separate the Regulatory Authority from the managing one, and so guaranteeing a better efficiency of the zone and a broader participation of the private sector.</p>	<p>The Industrial Estate Corporation is managed by the Chief Executive Officer, who leads its staff and gives implementation to the policies adopted by the Board of Directors.</p> <p>The Board of Directors is the body that supervises the Corporation, and performs the following functions: issuance of the general policies and plans to be implemented by the Corporation; approval of the industries licensed by the Ministry of Industry and Trade; determination of services charge and rental rates for land and buildings within the estates; establishment of new industrial estates within the Kingdom (under the approval of the Council of Ministers).</p> <p>The Board is composed of: the Chief Executive Officer; the Chief Executive Officer (CEO) of the Jordanian Authority for Enterprise Development; the CEO of the Jordan Investment Board; the CEO of the Jordanian Enterprise Development Cooperation; the General Manager of the Free Zone Corporation; the representative of the Ministry of Industry and Trade; the representative of the Housing Bank for Trade and Finance and of the Industrial Development Bank; the representatives of Amman Chamber of Industry and the Social Security Corporation; and four members from the private sector.</p> <p>As regarding to the private zones it is difficult to understand, standing to the documents, which are the powers of the Industrial Estate Corporation in respect to them.</p>	<p>supervises the Commission and performs the following functions: approval on the investment-related matters and issuance of general plans and policies for the development of the zones.</p> <p>The Development Zone is managed by a Master Developer (who is an entity that can be publicly owned, privately owned or a Public-Private-Partnership) and who signs a development agreement with the Development Zone Commission: the developer is responsible of the development of the land, for the marketing-promotion plans and for entering into agreements with the investors.</p>
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<sup>37</sup> Defined in the Regulation No (6) as a “[...] financial and technically qualified entity for developing and managing the zone [...]”

<b>PRIVATE SECTOR PARTICIPATION</b>		
<b>AQABA SPECIAL ECONOMIC ZONE</b>	<b>INDUSTRIAL ESTATES</b>	<b>DEVELOPMENT ZONES</b>
Since ASEZA Development Corporation (ADC) is a private shareholding company, participated by the Government and by the private investors (on a 50%-50% basis), the ADC is the body which guarantees a strong private sector participation.	Within the Industrial Estates Board, private sector participation is assured through the presence of 4 members in the Board of Directors; according to the Law No (59) for the year 1985 two of them shall be investors settled within the zone, and shall not be from any corporation wholly or partially owned by the Government.	The Law No (8) for the year 2000 empowers the private sector, through the Master Developers, to eventually manage and develop the Development Zone.
<b>ONE-STOP-SHOPS</b>		
<b>AQABA SPECIAL ECONOMIC ZONE</b>	<b>INDUSTRIAL ESTATES</b>	<b>DEVELOPMENT ZONES</b>
ASEZ Authority provides for an Investor Services Directorate, that is responsible for registering enterprises, issuing health and public safety certificates, and release the other operation permits necessary to conduct activities within ASEZ. Investors can establish new legal Jordanian entities through the representative of the Ministry of Industry and Trade at the ASEZA Investor One-Stop-Shop, where all necessary forms for requesting land, work, visa and residence permits for foreign labor are also available. Moreover, ASEZA enables on-line Enterprise Registration and Permits System (ERPS) that connects ASEZA with all relevant Government bodies and allows investors to acquire their licenses and permits. Once the responsible officers find that the investors' applications are complete, they grant the final permits and/or licenses within two weeks.	Each Industrial Estate provides for a One-Stop-Shop named 'Investor Service Bureau' offering the following services: Receipt of the new investment requests; follow-up of the formalities of sale/purchase/lease of industrial land and factory buildings; construction licensing; construction work permits; general maintenance; electricity services; professional and industry services; telecommunications and internet connection; window for the submission of complaints/comments and follow-up to the ad hoc Department.	The Law No (2) for the year 2008 created a One-Stop-Shop within the Development Zones Commission (DFZC). The body offers streamlined and expedite investments procedures, among which: licensing, registration of enterprises and obtainment of permits; labor licenses, including visas, residence permits and employment related procedures and approvals; fees, taxes and customs collection; assistance for all the necessary procedures.

TABLE 18 – BENCHMARKING INVESTMENT AND INDUSTRIAL ZONES LEGAL FRAMEWORK: EGYPT

EGYPT	
<b>LEGAL SOURCES: MAIN LAWS AND REGULATIONS</b>	
<b>SPECIAL ECONOMIC ZONES</b>	<b>INVESTMENT ZONES</b>
<ul style="list-style-type: none"> <li>- Law No 83 for the year 2002, establishing Special Economic Zones and stating that each zone shall be independent and self-governing by its own Authority.</li> <li>- Presidential Decree No (35) for the year 2003, creating the Special Economic Zone in North West the Suez Gulf.</li> </ul>	<p>Law No 19 for the year 2007, authorizing the creation of investment zones, which require the Prime Minister approval.</p>
<b>TYOLOGY AND FEATURES OF THE ZONES</b>	
<b>SPECIAL ECONOMIC ZONES</b>	<b>INVESTMENT ZONES</b>
<p>Special Economic Zones (SEZs) are for industrial, services and agricultural activities to be located outside the existing urban areas. Within these zones, each zone Authority provides for custom integrated administration, dispute settlement and One-Stop-Shop service.</p> <p>SEZs enjoy incentives and facilities in order to increase local and foreign export oriented investments: they may import raw materials, capital equipment and intermediate goods duty free.</p> <p>Projects within the SEZs benefit of a more flexible labor code (i.e. employees' contracts within the zone may be terminated easier than under the Egyptian Labor Law); are subject to a 5% flat rate on personal income tax, a 5% labor tax rate, a 10% corporate profit tax rate and enjoy the exemption from sales and indirect taxes.</p>	<p>Investment Zones enjoy the same benefits as Free Zones in terms of facilitation of license-issuance, easy-dealing with other Agencies, but are not granted the incentives and tax or custom exemptions of the Free Zones and the Government does not provide for any infrastructure or utility service.</p> <p>The Investment Zones provide for an integrated custom service and a One-Stop-Shop and its activities are not limited to industrial activity, but include other activities (such as education and scientific research; SMEs; commercial services; and tourism). However, the zones host sectoral business groupings, and thus contribute to guarantee competitive costs for operation and marketing.</p>
<b>GOVERNANCE AND MANAGEMENT</b>	
<b>SPECIAL ECONOMIC ZONES</b>	<b>INVESTMENT ZONES</b>
<p>SEZs are self-governed and managed by an independent Authority (i.e., in the Suez Economic Zone, it is the General Authority for Economic Zone North-West Gulf of Suez - the 'SEZ Zone Authority').</p> <p>The Authority is established by Presidential Decree and the head of Authority is appointed by the President as well.</p> <p>The Authority is supervised by a Board, which manages each SEZ. Each Board</p>	<p>The Investment Zone is run by a Board of Directors, which is composed of a representative of GAFI; a representative of the developer in charge of the zone's development; one or more investors settled in the zone; a representative of the Ministry of Finance; a representative of the governorate in which the zone is located; and the bodies concerned with the licensed activities. The Board of Directors is competent for promoting zone development, establishing the rules</p>



<p>is composed of 17 members: 9 from the Ministries; 1 representing the Governorate and 7 members from the private sector (legal and financial experts, investors, etc.).</p> <p>The Board issues all the licenses and sets the customs and tax regulations (upon approval of the Ministry of Finance) and issues import and export rules.</p> <p>The SEZs are regulated by GAFI (General Authority For Investment), which is also responsible for projects' approval. GAFI further regulates and governs incentives and assists investors in finding land for their projects and has the responsibility to interact with other Ministries on behalf of the investors.</p>	<p>governing investments in the zones, as well as the labor and environmental standards.</p> <p>The Investment Zone is managed by an Executive Officer, who receives the applications for the establishment of projects within the zone and submits them to the Board. The Executive Officer also performs the following functions and tasks: issuance of all licenses for projects, upon Board's approval; implementation of the Board's resolutions; certification of the compliance with the rules within the zone.</p> <p>The Developer of the Investment Zone (or Investor) may be either a private company or a Governmental Authority and is empowered to establish the zone, realize infrastructure and provide all the services in the zone.</p>
<b>PRIVATE SECTOR PARTICIPATION</b>	
<b>SPECIAL ECONOMIC ZONES</b>	<b>INVESTMENT ZONES</b>
<p>The private sector participation is assured by 7 expert-members in the Boards of Directors. The Board has the responsibility of managing the incorporation, as well as the provision of all services to investors and to encourage and promote investments in the zone.</p>	<p>The Private Sector participation is assured both through the membership of investors in the Board of Directors (in both the public and private zones) and through the existence of the 'Developer' (in the private zones). Indeed the Egypt's Investment Zones regime allows private sector to establish, manage, use and promote such zones and thus the central Government will not be responsible for providing utilities and other infrastructure services.</p>
<b>ONE-STOP-SHOPS</b>	
<b>SPECIAL ECONOMIC ZONES</b>	<b>INVESTMENT ZONES</b>
<p>Beside the GAFI, which administers a One-Stop-Shop at national and local level, each zone offers a One-Stop-Shop providing for custom and tax management; dispute resolution center; foreign labor permits; activities licensing and companies incorporation.</p>	<p>Investment zones are the most recent typology of zone established in Egypt and they enjoy a well-developed range of facilities and administrative services: the One-Stop-Shop integrated in each zone (and affiliated with the GAFI) guarantees to the investors streamlined procedures and fast track license issuance.</p>

### 3.2.3 – CONSIDERATIONS AND COMMENTS

The short overview of the Jordanian and Egyptian investment and industrial zones regimes provides an interesting snapshot of the present patterns of such zones in two countries whose institutional and administrative culture can be deemed as similar to Iraqi tradition.

More precisely, such analysis enlighten some relevant aspects that can be considered good benchmarks for drawing the Iraqi path to industrial/investment zones establishment.

- All types of zones, both in Jordan and in Egypt, are governed by a specific Law or Regulation;
- Although under different names, the typology of the different zones appears homogeneous, since in both countries there are zones that are more publicly structured and regulated (in Jordan the Industrial Estates and in Egypt the Special Economic Zones) and other zones whose regime and organization is more flexible, in order to attribute more power and responsibilities to the private investors (in Jordan Development Zone and in Egypt Investment Zone);
- Although to a different level and extent, the private sector is always represented;
- Indeed, in both Countries the types of the different zones are more diversified and totally private zones are envisaged;
- The zones governance in both Countries is structured through a regulatory authority, empowered with adoption of general policies, basic strategies and with the granting investment licenses and a management entity (a body or an individual) responsible for administering each individual zone;
- The Laws in force both in Egypt and Jordan specifically provide for the establishment of One-Stop-Shops at central and zone level, aimed at supporting potential investors in licensing procedures and facilitating their relations with the different competent administrations;
- Almost all the zones in Egypt and Jordan are equipped to supply a range of services – although different types of services – to the established investor.

### 3.3 - IDENTIFICATION OF THE MOST RELEVANT CONSTRAINTS FOR IMPROVING FREE ZONES OR ESTABLISH INDUSTRIAL/INVESTMENT ZONE IN IRAQ

From the above study of the legal and institutional environment it is possible to identify the most relevant constraints in the establishment of industrial/investment zones and the improvement of the Free Zones in Iraq.

*TABLE 19 - BENCHMARKING RESULTS*

<b>BASIC GENERAL COSTRAINTS</b>	
<ul style="list-style-type: none"> <li>- Persisting concentration of industrial development functions with the Government;</li> <li>- Poor involvement of a still weak and inadequately supported private sector in decision-making;</li> <li>- Lack of a real One-Stop-Shop for the potential investors;</li> <li>- Lack of a mechanism of Dispute Settlement mirroring the International standards;</li> <li>- Lack of the basic business and market regulations (custom, consumers protection, product quality standards, competition, etc.);</li> <li>- Lack of a normative framework for PPP operations (BOT, BOO, etc.) inspired to the International standards.</li> </ul>	
<b>FREE ZONES</b>	<b>INVESTMENT AND INDUSTRIAL ZONES</b>
<ul style="list-style-type: none"> <li>- Lack of defined procedure for the establishment of the Free Zones (especially referring to the distinction between public and private Free Zones and the adjudication proceeding for the second ones);</li> <li>- Discretionary nature of the licenses;</li> <li>- Lack of a true regulatory and impartial body and concentration of the regulatory and management functions under the General Board;</li> <li>- Exclusion of the private sector in the management and development of the zones;</li> <li>- Lack of a true and effective One-Stop-Shop;</li> <li>- No participation of private sector in the zone governance.</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of a specific Law or Regulation regarding industrial/investment zones;</li> <li>- Co-existence of the Law of 1998 on Industrial Project and of 2006 on Investments;</li> <li>- Important difficulties for the adoption of a new Law;</li> <li>- Persistent centralization of functions and competences for the creation of industrial/investment zones under the Central Government;</li> <li>- Cumbersome land allocation/ownership procedures.</li> </ul>

## PART IV

### CONCLUSIONS

#### A - FIRMS AGGREGATIONS AND GROUPINGS IN THE IRAQI TARGET ZONES

Both the interviews to stakeholders and to the firms widely confirmed what many would consider obvious: there are no true, regulated and structured industrial/investment zones in Iraq. Only the Free Zones, being offshore areas, are necessarily regulated and structured. Nevertheless, also the Free Zones infrastructure and utilities are poor and other support services are lacking. In sum, this means that industrial zones or estates, intended as well defined land parcels, where firms can settle and benefit of centralized security and support services, are unknown in Iraq. When firms established in some areas usually surrounding the main cities, it was because the local Government or the Municipalities wanted to keep the productive activities off the urban areas. The very basic infrastructure provided to the firms in such areas - in addition to a lower land price - were the actual reasons that caused the firms aggregations or groupings that were targeted as 'industrial/investment areas' to be surveyed within this project.

This being the present situation, some of the most relevant features of firms groupings or aggregations have been identified, and they seem to provide useful inputs for drawing a reliable and viable roadmap for establishing structural industrial/investment zones in the Country.

1. The very poor or insufficient quality of the basic infrastructure and utilities in all the zones certainly constitutes the most relevant bottleneck for the functioning and growing of enterprises, and for the consolidation of clusters and effective free and industrial/investment zones.
2. Although firms interviews were random, they allow to confirm by one side that the more strongly represented sectors in the different surveyed areas are mechanics, building materials, textile, manufacturing and agro-industry but, by the other side - and more interestingly - that there is a natural sectoral concentration in various areas - i.e. mechanics in Al-Hamdani (Basra), Al-Qa'im (Al-Anbar), Al-Jamila (Baghdad) and in Al-Zubair (Basra); printing in Al-Sadoun (Baghdad); food processing in Al-

Sinaat and Al-Takhzeen; building materials in Al-Qorna (Basra) and Northern Industrial Area (Erbil); textile in Al-Khadimya and Al-Rasheed (Baghdad). This could mean that there is a potential for the birth of clusters upon the condition that the awareness of the businesses to belong to a cluster would be supported through the creation/repair of the essential infrastructure and if one or more intermediary institutions will play the role of catalyst and facilitate the materialization of cooperation opportunities among the firms.

3. Obviously the progressive transformation of trade and service firms into manufacturing units is subject to the setting up of import levies aimed to protect local producers from the present free – or better wild – competition of foreign imports. This will happen when the new Custom Law will finally enter into force. Of course, considering the ongoing accession process of Iraq to the World Trade Organization (WTO), such forms of protection should conform to the exception provided for in WTO system. In 2004, Iraq has indeed been granted observer status to the WTO: since then, a working party was established with the aim to examine the application and Iraq, as a part of the accession process, committed itself to modify the trade regime and the business environment. However, the Country still presents several trade barriers which restrict investments and trade (especially for foreigners) and since 2004 Iraq accession process has stopped.
4. The majority of the firms interviewed are old and experienced enough to be considered well established and so probably having a potential to grow and develop, especially if adequate funding could be made available and business and partnership opportunities with domestic and foreign investors could be offered to them.
5. Albeit limited, manufacturing presently consists of small-scale productions with poor technology and equipment and very low value added. However - especially in developing and transition Countries - trade and small manufacturing could represent a first phase, leading to larger processing units, especially through subcontracting, joint ventures and other partnerships patterns with experienced partners from neighboring and industrial Countries.
6. Moreover, thanks to the upgrading of the questionnaire submitted to the firms, more relevant information has been singled out about the registration of firms, their membership of a Business Association and their main supply market. Although the majority of the firms is registered (265 out of 446), due to the variety of the institutions indicated for the registration, it has been impossible to standardize the answers. The same problem has been addressed for the identification of membership of Business Association: even if about 2/3 of the interviewed firms in Erbil, Baghdad and Al-Anbar is not member of a Business Association (236 out of 344 firms), the remaining 107 firms are members of a great variety of

Associations. Finally, it has to be remarked that the majority of the firms only works for the domestic market, and only very few firms in the Erbil Governorate (3 out of 118) begun to expand to foreign market.

## **B - THE LACK OF BUSINESS SERVICE INSTITUTIONS AS INDUSTRIAL/INVESTMENT ZONES CATALYSTS**

1. **THE LACK OF INTERMEDIARY INSTITUTIONS AND BUSINESS SERVICES** The lack of effective enterprise service providers very clearly resulted from all the interviews, both to stakeholders and to firms. The Business Association (Federation) and the Businessmen Union showed a good potential for gathering firms, but their action is limited to advocacy towards local Authorities and to some promotional initiatives and is benefiting only the limited number of their member firms. A sufficient range of effective services - information, training and assistance - for instance referring to accounting, finance, IT or legal aspects - is still lacking or merely based on personal relations. The Chambers of Commerce are in practice limiting their function to the registration of the firms and the SBDCs appear presently only as individual projects/initiatives for raising and stimulating start-ups. The experience in developing and transition Countries and in Countries with large number of SMEs proved that the existence of intermediary Institutions (active at the same time as service providers and catalysts of the interests and potential of the different firms) revealed an essential feature for the emergence of clusters and the consolidation of interactive enterprise groups. In the present situation, where the surveyed industrial/investment zones do not avail a formal management, it would be very relevant to understand if the best and more viable solution would be the empowering of the existing intermediary Institutions to become zone catalysts and animators, instead of creating new bureaucratic management entities, that would risk to become an additional bottleneck for a smooth and business oriented zones development.
2. **THE LACK OF BUSINESS FINANCE** The weakness - or better the lack - of financial sector in the Country is very well known, and it has been confirmed by the interviews with some of the stakeholders. The Ministry of Finance openly lamented the stopping in 2007 of the special facility it managed for funding industrial enterprises. In Countries like Italy, notoriously the clusters homeland, the firms clusters also represent a dimension of local banks policy and an important parameter for tailoring their financial and assistance services.

3. **THE INSUFFICIENT INVOLVEMENT OF PRIVATE SECTOR IN INDUSTRIAL POLICY DECISION-MAKING** In the decision-making process for the establishment of the new industrial/investment zones, the role and the participation of all players is universally recognized as of utmost importance. Nonetheless the private sector, the entrepreneurs, still strongly lament their very limited involvement in decision-making, and especially in industrial policy matters. This is also because the private sector leverage *vis a vis* the Government and the Ministries is weak, due to the fact that oil revenues, that presently represent more than 90% of Iraqi GNP, are managed by the Government. An increased and more effective awareness of such involvement - especially at Governmental level - reveals thus essential. Nevertheless the interviews in Basra and Baghdad also strongly confirmed that the capacity of private sector organizations and business associations to represent and support the local business community (their outreach) is not yet significant enough to make them independent, strong and authoritative counterparts *vis a vis* the Central Government. This means that private sector participation in decision-making is weak also because their advocacy role is weak as well.
4. **DECISION-MAKING ABOUT INDUSTRIAL POLICY AND THE CREATION OF INDUSTRIAL ZONE IS STILL CENTRALIZED** Local Authorities (Governorates and Municipalities) are calling for acquiring a more important role and function in the creation of industrial/investment zones (the Provincial Investment Commissions are in practice only de-centralized offices of the NIC). And this is certainly an important constraint, although many stakeholders remarked that very often local governmental Authorities lack the skilled human resources necessary for planning and realizing such infrastructure.

## **C - THE PLANNING OF NEW ZONES**

Iraqi Institutions and other stakeholders provided information (although often inconsistent) about the plans for establishing structured industrial/investment zones. Unfortunately the Ministry of Industry and Minerals remarked that the funding earmarked by the Government was not sufficient. Moreover, standing to many stakeholders views, the establishment of new industrial zones is still jeopardized because of the lack of a clear and consistent regulatory framework. By one side there is no Law specifically governing the industrial/investment zones and by the other the co-existence of the Law No (20) of 1998 and of the Law No (13) of 2006 does not certainly contribute to provide the competent public administrations a clear and effective legislative framework for the establishment of industrial/investment zones in the Country. Legal and institutional aspects thus appear as a relevant constraint and, as it will be shown hereunder, finding the right solution could not be an easy task.

## D - REGULATORY ASPECTS

Thanks to the study of the sources and the existing documents, as well as to the interviews of the institutions and other stakeholders it has been possible to address the basic and the most relevant legal aspects.

- the Free Zone Law seems to need reform and improvement, especially regarding governance (centralized and publicly controlled) and the creation of an effective One-Stop-Shop. A step forward towards simplification of the licensing procedure has been made through the Decree No (5542) of 2008 providing a delegation of Authorities to the Zone Management, but the licensing still remains largely discretionary and thus unpredictable for the applicants;
- the co-existence of the Law No (20) of 1998 on Industrial Projects and of Law No (13) of 2006 on Investments, generates overlapping and confusion: although the investment matter is more widely and consistently governed by the recent Law of 2006, the older one is still in force and the new provisions for industrial/investment zones were very significantly included in a draft 1998 Law reform (although rejected for the reasons commented above). A clear definition of the scope of each source should thus be of major importance, since the establishment of a consistent and uniform regime for all investments in Iraq represents an essential prerequisite also for the creation of industrial zones;
- the land allocation to potentially investors is still representing a relevant constraint for the creation of all types of zones (Free, industrial, investment), due to the difficulty to manage land subject to different ownership regimes (State, Municipalities and private owners);
- as a matter of fact, the persistent centralization of functions and competences for the creation of investment zones under the Central Government (the NIC) is still representing one of the major constraints and slowdown in the process of creation of such zones. If an effective decentralization in the zones establishment and management could take place, the setting up of a regulatory Authority should be the only essential role to be performed at governmental level;
- the adoption of a specific regulation for investment zones would surely facilitate the establishment process, however the Iraqi Government has no obligation to adopt a new Law (regulatory solution), since it could very well opt for the issuing of 'Instructions' by the NIC, containing the basic principles and norms governing industrial/investment zones as well as a standard Statute, as it is very rightly suggested by AECOM. Such intermediate solution could ensure a good level of flexibility, since the realization of the individual zones could then be done by the central Government, or mandated to the regional Authorities as any individual case



may suggest. Nevertheless, there is also a third solution (the administrative solution) consisting in the setting up of the zones directly through individual tenders, preferably if launched and managed at local level, under the supervision of Provincial Investment Commissions (this is the solution adopted by the Kurdish Regional Government).

# CONSIDERATIONS AND RECOMMENDATIONS

## A - FREE ZONES

### CONSIDERATIONS

The present Law governing Free Zones in Iraq is certainly outdated, being the result of an old State-controlled economy system. The analysis of the current patterns used in other Countries, especially Egypt and Jordan, shows that it would be important to diversify the models through the provision of private and individual project Free Zones and the creation of an effective and efficient One-Stop-Shop. More precisely, the Iraqi Free Zones are presently merely conceived as regulated off-shore areas, but not as conducive industrial environments aimed at supporting and assisting the individual firms in their development process, to the benefit of the economy of the Country.

### OBJECTIVES OF THE ACTIONS PROPOSED

Improving the Iraqi Free Zone pattern in order to make it a driving force of the Iraqi economy.

### RECOMMENDED MEASURES

The above objective could be reached through the following methods:

a) Improving legal environment:

- Providing for the establishment of private Free Zones under the regulatory authority of the General Commission for the Free Zones.
- Creating a Board of Directors for each zone, composed of the most relevant stakeholders at central and local level (Ministry of Finance, Local Governorate, Businessmen Union, Chamber of Commerce, etc.) and including the representatives of the private sector elected by the investors.
- Empowering the Board of Directors of each zone to grant the licenses.
- Establishing an effective One-Stop-Shop in each Free Zone under the direction of the General Manager.

- Establishing a clear and uniform procedure for the creation of new public and private Free Zones.
- b) About infrastructure and utilities, the Government should allocate adequate funding for constructing or repairing the Free Zones infrastructure and ensure access to, and supply of, utilities (water, electricity and sewerage).
- c) A wide and effective range of services should be made available to the investors through the establishment in each zone of a centralized service centre offering accounting, legal, finance, IT, and promotional assistance.

## **B - INDUSTRIAL/INVESTMENT ZONES**

Basing on the survey and on the above conclusions can be envisaged two parallel lines of action to be recommended to the Iraqi Government:

- a) by one side, the turning of the existing firm groupings and aggregations into business cluster zones; and
- b) by the other, the creation of structured industrial/investment zones.

### **B.1 - THE TURNING OF THE EXISTING FIRMS GROUPINGS AND AGGREGATIONS INTO BUSINESS CLUSTERS ZONES**

#### **CONSIDERATIONS**

The industrial areas survey allowed to understand that although formal and structured industrial zones are not existing in Iraq, different firms grouped in territorial areas around the main cities, due to Municipal regulations and urban management needs.

It has also been possible to verify that among those occasional aggregations of firms were born a number of sectoral 'clusters', populated of enterprises operating in the same production/value chain (for instance mechanics and car repairing, services, food stuff production and trade, manufacturing and trade of building materials, ect.). Such embryonic clusters were most probably formed because of the need to offer to the customers a wide range of homogenous products and services in the same geographical location, in order to facilitate their access to the market. Of course, such business groupings are neither structured nor managed.

The 'emergence process' of business cluster is important also because it will support the development of the firms and contribute to make intermediary Institutions responsible for acting as 'managers' of the clusters.

### OBJECTIVES OF THE ACTIONS PROPOSED

The objective of this line of action could consequently be the turning of a selected number of such factual groupings into managed business areas that we could name 'Business Clusters Zones'.

### RECOMMENDED MEASURES

The progressive transformation of the present firm groupings into Business Clusters Zones could be launched through a pilot phase organized as follows:

- a) creation of a Project Steering Committee in each Governorate, composed of the representatives of the Ministry of Industry and Minerals, the local Governorate, the Provincial Investment Commission, the Businessmen Union, the Chamber of Commerce, the Small Business Development Center (and eventually the other stakeholders relevant in the different regional environments). Such Committee shall be aimed to ensure and promote the participation of the different stakeholders and coordinate their respective functions;
- b) each Steering Committee shall select one industrial group (a spontaneously formed cluster) for each Governorate (priority should be given to Baghdad, Basra, Erbil, Al-Anbar) upon the proposal of local Authorities;
- c) setting up of a Project Experts Working Group appointed by the Steering Committee and supported by the NIC's Experts Task Force or an external consultant, entrusted with the preparation of a project for the establishment of a pilot Business Cluster Zone in the Province;
- d) the Steering Committee shall submit to the Governorate a project proposal, identifying the responsibilities and methods for establishing and managing the Business Cluster Zone and the intermediary institution - or an *ad hoc* body - that will provide the necessary services to the firms established in the zone (this could be the way to involve local intermediary Institutions, like the Chamber of Commerce or the Business Federation) as well as the project budget;
- e) once finalized, the Business Clusters Zones Projects will be submitted to Iraqi Government or NIC for funding or co-funding.

## B.2 - THE CREATION OF NEW STRUCTURED INDUSTRIAL/INVESTMENT ZONES

### CONSIDERATIONS

The results of the survey allowed drawing out a snapshot of the state-of-the-art for the creation of structured/formal industrial/investment zones in Iraq. The Government seemed to have moved so far along two parallel ways: the first, that has been defined the regulatory solution, consisting in the adoption of an *ad hoc* regulatory source for establishing industrial/investment zones and the second, that has been named administrative solution, aimed at establishing such zones through directly tendering their realization, eventually on a PPP pattern. However it has been possible to ascertain that neither solution was successful so far: a draft regulatory framework was rejected by the Council of Shura and the direct realization is reported as only at the stage of the feasibility studies elaborated by AECOM. More precisely, whistle in Basra the interviewed stakeholders only referred to the feasibility study prepared by AECOM, in Erbil the Head of Planning Office Council Ministers, Ranj A. Sahebqran, stated that also the tender documents were in course of drafting.

The problems and constraints that are jeopardizing the decision making process for the establishment of the zones are basically:

- a) The reaching of a balance of powers among the different Ministries and other public Authorities (including the local ones) that should - or assume they should - be involved in the decision making or management of the zones.
- b) The level of decentralization of functions and powers to local Governments and the role they should - or they would be willing to - play in the establishment and management of the zones.
- c) The role of the private sector representatives, both at central and local level.
- d) The assurance of an adequate level of security.
- e) The allocation of sufficient public funding from the central Government budget.
- f) The provision of adequate infrastructure and utilities.
- g) The choice between the regulatory and the administrative solution.
- h) The definition of the types of zones to be established (public, private or PPPs).
- i) The adoption and enforcement of the basic business regulations (first the Custom Law to protect domestic productions, but also a consumer protection, product quality standards and competition protection regulations).

Addressing the above constraints and finding a successful solution revealed a hard task so far. Nonetheless, the experience made in Arab Countries and also in the so called 'Administrative Law Countries', like France and Italy, could help at least to single out the more relevant mistakes that should be avoided:

- a) Creating new administrative bodies, especially if they include many Ministries or public Administrations, is always difficult and, in most of the cases, such bodies will neither avail autonomous powers, nor they will smoothly function as coordinators of the member structures. The ineffectiveness of the NIC and the PICs strongly confirms this assumption.
- b) The adoption of an entirely new regulatory frameworks (like Laws and Regulations) in most of the cases reveals as a slow and cumbersome process. Moreover, also the adoption of fashionable and updated regulations, mirroring the most advanced Countries' ones, often leads to complex normative sources that are hard to enforce by the Countries Public Administrations and can hence remain often unenforced for long time.
- c) When in a Federal State it is matter of Central/Local Government concurring competences (as it is the case for industrial/investment zones in Iraq), the Central Government and Authorities have to limit their function to establish the basic strategies and normative principles and they should leave the executive regulations, the management and the operational competences to local Authorities and Administrations (Of course the management of the zones could be entrusted to private developers through PPP patterns as illustrate hereunder. But a balance of powers is often difficult to be reached. A successful model is provided by the relations between the European Union and the Member States through the co-financing of projects and initiatives by Federal and Local Authorities. Such approach revealed a very effective for organizing and promoting an actual cooperation between the central and the local level.

## OBJECTIVES OF THE ACTIONS PROPOSED

Launching a pilot phase for testing the method for the creation of industrial/investment zones in Iraq through an intermediate regulatory/administrative pattern.

## RECOMMENDED MEASURES

The method suggested is aimed at addressing most of the above mentioned constraints, or at least mitigating them. The envisaged pilot phase could be organized as follows:

- a) Basing on the provision on Article 9, (Seventh) of Law No (13) of 2006, the NIC could adopt 'Instructions' for providing the basic principles and rules governing the establishment and the structure of investment zones, as well as their standard statute. It shall be matter of defining only the basic features and criteria, in order to guarantee a good extent of flexibility, such to allow the establishment of zones featured on the potential and the needs of the different provincial business environment.
- b) The NIC issues a call for proposals to the Iraqi Governorates for the submission of investment zone projects. Such calls for proposals shall specify the maximum percentage of co-funding offered.
- c) The project proposals shall be drafted by the PICs on the basis of feasibility studies including: the definition of the zone pattern (public, private or PPP); the evidence of the availability of the land in the proposed investment zone territory and of the capacity of the local Authorities to allocate land plots to applicant investors; the existence or future availability of the infrastructure and utilities; the total project cost and the amount of the contribution requested to the Iraqi Government.
- d) The NIC shall appoint a Consultative Evaluation Commission chaired by a Representative of the NIC and composed of independent Iraqi and foreign experts and of private sector representatives, elected by the Iraqi Business Federation. The Commission shall issue an opinion on each project to be submitted to the NIC - acting as Contracting Authority - for final approval.
- e) In order to ensure the professional qualifications and skills for the preparation of the project proposals and the feasibility studies, the NIC shall establish a specialized Expert Task Force to be mobilized upon request of the local Authorities and the PICs.

## ANNEX 1

### QUESTIONNAIRE 1 - FIRMS QUESTIONNAIRE BASRA PILOT PHASE

Date:

Editor:

Name of interviewed person:

Position:

Zone Name:

#### QUESTIONNAIRE FOR FIRMS OPERATING AT THIS TIME WITHIN THE ZONE

##### 1. Basic information

Company name								
Address					Town		Code	
Tel.			Fax			Mob.		
Email			Website					
Contact person					Position in the company			
Languages spoken in the company								
Year of starting activity				Origin of the enterprise				
Building surface				Machinery		Old <input type="checkbox"/> New <input type="checkbox"/> Average used <input type="checkbox"/>		
Banks Funding (Yes or No)								

##### 2. Type of business

- Manufacturing  Trade  Service

##### 3. Sector of business

- Agriculture  Agro-industry  Automotive  
 Building materials  Chemical & Pharmaceutical  
 Construction  Food Processing  Health  
 ITC  Logistic  Mechanics  
 Petrochemicals & Oil  Services & Financial services  
 Textile  Other:

##### 4. Registration (yes/no)

- YES  NO

##### 5. Number of employees

##### 6. Main market

- Domestic  Export

##### V. Reasons for operating in the zone:

- Cheaper land  
 Cheaper facilities  
 Cheaper utility (electricity, water, road transport, warehousing) costs  
 Better utility services  
 Better/cheaper worker housing  
 Ease of obtaining business licenses and permits  
 Easier customs and import/export procedures  
 Better security  
 Easier and less bureaucratic burdens  
 Improved access to credit  
 Other reasons :

##### Λ. Services offered by the zone management or any associations or unions working to support your sector.

- No service provided at all  
 Facilitating business registration and permits  
 Improving infrastructure services for business  
 Incubating new businesses  
 Provision of business support services (if yes, specify what kind(s) of services and who provides such services)

- Improved access to fund

- Others \_\_\_\_\_

##### 9. What are main three services that you would like it to be provided for your business?



## ANNEX 2

### QUESTIONNAIRE 2 - FIRMS QUESTIONNAIRE ERBIL, BAGHDAD AND AL-ANBAR

Date:

Editor:

Name of interviewed person:

Position:

Zone Name:

#### QUESTIONNAIRE FOR FIRMS OPERATING AT THIS TIME WITHIN THE ZONE

##### 1. Basic information

Company name										
Address					Town			Code		
Tel.				Fax				Mob.		
Email					Website					
Contact person					Position in the company					
Languages spoken in the company										
Year of starting activity					Origin of the enterprise					
Building surface					Machinery		Old <input type="checkbox"/> New <input type="checkbox"/> Average used <input type="checkbox"/>			
Banks Funding (Yes or No)										

##### 2. Type of business

Manufacturing  Trade  Service

##### 3. Sector of business

Agriculture  Agro-industry  Automotive  
 Building materials  Chemical & Pharmaceutical  
 Construction  Food Processing  Health  
 ITC  Logistic  Mechanics  
 Petrochemicals & Oil  Services & Financial services  
 Textile  Other:

##### 4. Is your company registered with the Iraqi government?

No  Yes (If yes, specify):

###### 4.1 What kind registration?

Ministry of Trade  
 Ministry of Agriculture  
 Other governmental Agency (specify): \_\_\_\_\_

4.2 If your company is not registered, explain why \_\_\_\_\_

##### 5. Are you member of a Business Association (i.e. Chamber of Commerce, Industry Federation, etc.)?

No  Yes (If yes, specify):

5.1 What are the benefits of belonging to such association? \_\_\_\_\_

##### 6. Number of employees \_\_\_\_\_

##### 7. Main market

Domestic  Export

###### 7.1 Do you sell products or supply services to large firms (SOEs) in your zone?

No  Yes (If yes, specify):

###### 7.2 Do you manufacture products or components (subcontracting) for a large firms (SOEs) in your zone?

No  Yes (If yes, specify):

###### 7.3 Supplies

Where do you buy the raw materials, or products you manufacture or re-sell?

Domestic producers  
 Foreign producers  
 Domestic traders  
 Foreign traders

**Λ. Reasons for operating in the zone:**

- Cheaper land
- Cheaper facilities
- Cheaper utility (electricity, water, road transport, warehousing) costs
- Better utility services
- Better/cheaper worker housing
- Ease of obtaining business licenses and permits
- Easier customs and import/export procedures
- Better security
- The establishment in the zone is required by Municipal regulation/authority
- Easier and less bureaucratic burdens
- Improved access to credit
- Other reasons

**¶. Services offered by the zone management or any associations or unions working to support your sector.**

- No services provided at all
- Facilitating business registration and permits
- Improving infrastructure services for business
- Incubating new businesses
- Provision of business support services (*if yes, specify what kind(s) of services and who provides such services*)
- Improved access to fund
- Others

**•. What are the three most important requirements that you would like to be provided to your business?**

- Infrastructure
- Roads, ports, airports
- Utilities (water, electricity, sewerage)
- Communication
- Other services (legal assistance, marketing, promotion, etc.)

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