



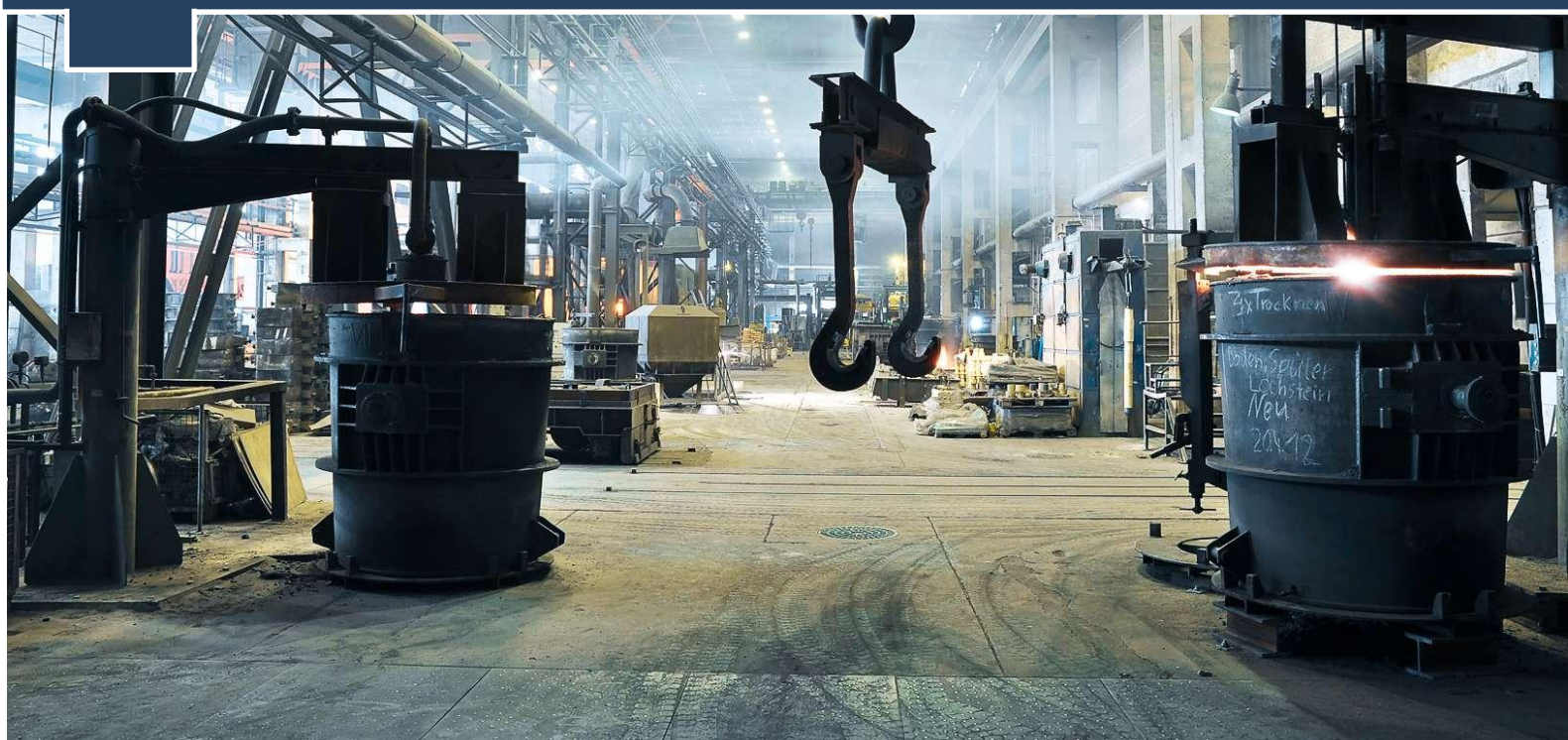
Kurdistan Regional Government
Board of Investment (BOI)



INVESTMENT SPOTLIGHT

Industrial Sector

Issue 2 – May 2013





BOI Investment Spotlight – Industrial Sector

Dear readers,

The Board of Investment (BOI) of the Kurdistan Regional Government promotes domestic and foreign investment to achieve economic growth in the Kurdistan Region. Over the last years, the Region has proven in an impressive way that it is a dynamic and safe destination and ready for more investment.

Acknowledging the enormous impact that industrialization can have on its development, the BOI of the Kurdistan Regional Government (KRG) has declared the industrial sector a priority for facilitating and promoting private-sector investment in the Kurdistan Region. Since 2006, the BOI has already licensed 100 industrial investment projects contributing significantly to the Region's economic development, especially in the sub-industries of cement, steel and pharmaceuticals production.

To support these efforts, we launched a new series of publications called INVESTMENT SPOTLIGHT in November 2012. Each of these publications focuses on one special area. While the first issue was dedicated to the agricultural sector, the present second issue takes a more detailed look at the industrial sector.

Private-sector industrial investment offers significant opportunities to boost the economic development of the Kurdistan Region in a sustainable way that can diversify its economy beyond the oil and gas sector and provide effective solutions to employment challenges for young generations of qualified graduates. Furthermore, it contributes to reducing the Region's dependency on imports. For these reasons, the KRG is currently developing industrial zones in all Governorates to implement its industrial vision for the Kurdistan Region.

With this second issue of INVESTMENT SPOTLIGHT, we outline the chances for future investment and highlight specific upcoming investment opportunities in the industrial sector.

The entire team of the Board of Investment and the General Directorates of Investment in Erbil, Duhok and Slemani hopes that this brochure offers you an insightful reading.

Herish Muharam Muhamad
Chairman of the Board of Investment



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BOI Investment Spotlight – Industrial Sector

A. Introduction

The Kurdistan Region is currently in an important transition stage and has set out to re-position itself as a liberal free market economy. This promising progress opens up new **opportunities for the private sector** to play a greater role in the Region's industrial development.

The Kurdistan Regional Government's policy over the last years has thus been based on **a strategy of supporting and empowering the private sector** to promote further industrial investment in the Region.

Policy Goals

In line with other KRG policies, the **strategic goal** of the Ministry of Trade and Industry (MOTI) is to bring about a substantial increase in the proportion of the industrial sector regarding its contribution to the Region's GDP.



In addition, the MOTI has formulated a number of further policy goals which entail, amongst others, the **development of a region-wide and comprehensive framework for the promotion of the industrial sector** that fosters the simultaneous advancement of other sectors, as well as the creation of an **integrated legal approach to promote trade and**

industry that meet international standards and are catering to the economic needs of the Region.

Growth Potential

To foster and substantially enlarge domestic production capacities, the industrial sector – in addition to the agricultural and the tourism sector – has been **declared a priority for investments** licensed by the BOI.

Among these three priority sectors, the industrial sector has shown the most significant growth over the past five years. It **accounts for the majority of employment** created through private investment and contributes effectively to the ongoing transformation of the Kurdistan Region into a market economy.

Conducive Business Environment

Investors find highly conducive business conditions in the Kurdistan Region due to a liberal economic system coupled with a strong construction boom that continues to drive domestic demand for industrial production. As a result, **many regional markets bear significant potential for substituting imports with local supply.**





BOI Investment Spotlight – Industrial Sector

B. Investment Conditions

Incentives and Guarantees

The growing extraction of the Region's oil and gas reserves together with the lasting stability of the security situation has **given the Region's industrial development a strong boost.**

In addition, **demand for industrial products** – above all construction materials – is strong due to the ongoing boom in real estate (both residential and commercial) and infrastructure projects.



The KRG therefore drafted a **liberal investment law** in 2006 that provides incentives for investors by issuing investment licenses which grant public benefits and thus significantly contribute to establishing a pro-business environment in the Region.

The 2006 investment law allows for **public benefits to be awarded to eligible investment projects.** These benefits include the provision of land plots for subsidized lease, the exemption from corporate taxes (for 10 years) and customs duties (for 5 years) as well as guarantees for investors, such as the full repatriation of profits.

Furthermore, the MOTI provides small-size loans for industrial projects as an additional public subsidy; this funding is only accessible through the MOTI directly and not through the BOI.

Streamlined Process

The **investment licensing process at the BOI** has been redesigned in order to increase its efficiency and transparency, the quality of investments and the efficient use of public benefits.

This process works along the following six steps and will be implemented in all Governorates of the Kurdistan Region with Erbil as a pilot:

1. Submission of Investment Application
2. Eligibility Assessment
3. Land Allocation & Detailed Planning
4. Licensing Assessment
5. Construction
6. Operation



Further details regarding the licensing process and the benefits granted to eligible investment projects are available online in the "download" section of the BOI's website

www.kurdistaninvestment.org

in a compilation of useful information the BOI has prepared for investors in multiple languages.



BOI Investment Spotlight – Industrial Sector

C. Licensed Investment Projects

1. General Overview

In line with the policy goals outlined above, the amount of **industrial investment in the Kurdistan Region has significantly increased** over the last years. Thus, BOI-sponsored investment projects considerably contribute to the **industrial development** of the Kurdistan Region and strengthen local capacity in producing industrial goods.

To date, the BOI has **licensed 100 investment projects in the industrial sector** which account for approximately 20% of all licensed projects across all sectors and Governorates since 2006.

These projects amount to a **total investment value of approximately USD 3.8 bn** or nearly 15% of the total licensed investment volume. On average, USD 37.8 m have been invested per licensed industrial project.

The **Governorate of Slemani has attracted most of the BOI-licensed investment** over the last years with a total investment volume of approximately USD 2.3 bn. The largest individual investments of the Kurdistan Region are realized here with an average capital of more than USD 83 m per project.

Governorate	No. of Projects	Planned investment [bn USD]
Slemani	28	2.3
Duhok	30	0.2
Erbil	42	1.3
Total	100	3.8

Table 1: Number and total sum of planned investment

Most industrial investors that have received a BOI license are **Iraqi nationals (87%)**. They account for more than 97% of the total investment volume.

Investor origin	No. of Projects
National	87
Foreign / Joint Venture	13
Total	100

Table 2: Number of BOI-licensed investment projects by investor origin

More than 12.7 m sqm of land across the Kurdistan Region have been allocated to all licensed industrial projects. In this regard, the Governorate of Slemani has shown the greatest efficiency in land use: It attracted the largest volume of industrial investments per sqm.

Governorate	Land Size in m sqm
Slemani	3.2
Duhok	5.0
Erbil	4.4
Total	12.7

Table 3: Total size of allocated land



BOI Investment Spotlight – Industrial Sector

Regarding the state of implementation of all licensed industrial projects across the Kurdistan Region, at least **51% are already in operation** and 28% are still under construction.

Implementation Stage	No. of Projects
In Operation	51
Under Construction	28
Awaiting Construction	21
Total	100

Table 4: Number of BOI-licensed investment projects by implementation stage

To date, industrial projects in operation have already created at least 4,880 jobs that pay an average salary of more than 630 USD per month. Once all licensed projects start operations, **more than 9,910 jobs will have been created** with – according to currently available data – a **total monthly salary of more than USD 8.3 m.**

Regarding the number of licensed projects, the **3 strongest industries** within the sector¹ account for 64 projects. They represent more than USD 3 bn of investment volume.

These projects include:

- The manufacture of **basic metals** (18 projects, USD 1.6 bn of investment), mostly basic iron and steel products
- The manufacture of **other non-metallic mineral products** (19 projects, USD 1.2 bn of investment), mostly including all kinds of construction materials
- The manufacture of **food products and beverages** (27 projects, USD 0.2 bn of investment)

Industry	No. of Projects	Sum of planned investment [m USD]
Food Products and Beverages	27	200
Paper and Paper Products	1	1.3
Chemicals and Chemical Products	10	200
Rubber and Plastic Products	12	100
Other non-Metallic Mineral Products	20	1,200
Basic Metals	18	1,600
Furniture	1	6.0
Leather and related products	1	3.0
Other industries	10	400
Total	100	3,800

Table 5: Number and total sum of planned investment

¹ The term industry describes a specific group of companies or businesses that are highly similar in their activities while a sector refers to a larger segment of the economy. Following this logic, we use the descending categories Sector/Industry/Sub-industry (European Industrial Activity Classification NACE 2008).



BOI Investment Spotlight – Industrial Sector

2. Success Stories

Erbil Steel Company

After the construction of its factory started in 2006, Erbil Steel Company (ESC) officially took up its steel production in December 2007.



Taking into account its **annual production capacity of 240,000 tons of steel** along with its employment capacity, Erbil Steel Company currently is the largest heavy industry investment project in the Kurdistan Region.

ESC uses scrap iron from all kinds of metallic waste to **produce crude steel and subsequently roll steel bars. Raw materials are exclusively procured from Iraq** and thoroughly checked for radiation and toxic substances. The steel bars are shipped to customers all over Iraq via truck in bundles of 2 tons each.

The company uses its own diesel-fuelled 32-MW power station to heat its furnaces and operate machinery such as rolling mills. Room for improvement becomes apparent in the Fume Extraction Systems, which should be fully used to reduce the considerable pollution.

ESC's products are used in various applications, such as in the construction sector to reinforce concrete. The company holds a **market share of about 20% in Iraq**. Currently, the demand for its steel products is very strong. As a result, ESC operates its factory 24 hours per day (2 shifts of 12 hours each) on 7 days a week with one day per month for maintenance.

Erbil Steel Company	
Investor	Erbil Steel Company
Nationality	Iraqi
Governorate	Erbil
Land allocated	120,000 sqm
Implementation status	In operation
Actual investment	USD 100 m
Products	Crude steel/ steel bars
Capacity	240,000 tons of steel per year
Jobs created	850
Total salaries	USD 700,000 per month

Table 6: Overview Erbil Steel Company

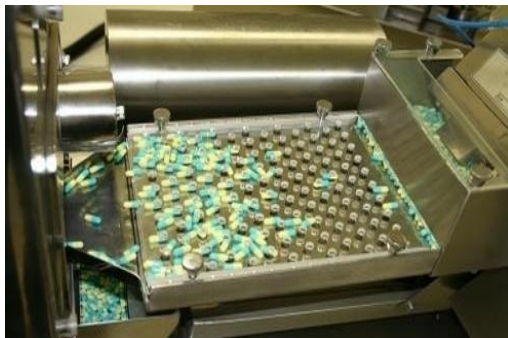


BOI Investment Spotlight – Industrial Sector

Awamedica Plant for Producing Medicine

Awamedica is the first pharmaceutical company in the history of Kurdistan. It **produces a variety of generic drugs**, including, for instance, Paracetamol variations.

The company's goal is to supply Kurdish middle- to low-income households with affordable, high-quality drugs.



Awamedica ensures the quality of drugs by monitoring its compliance with the US FDA's Current Good Manufacturing Practice (CGMP) regulations as well as with the WHO's production standards.

The company is also a **licensed manufacturer of pharmaceuticals in Europe**. It sells its generic drugs in the entire Kurdistan Region and in certain Iraqi cities (such as Mosul, Kirkuk and Baghdad).

Production usually takes places on 6 days a week in one to two 8-hour shifts per day. Drugs are distributed via the relevant Ministries and General Directorates of Health as well as through private pharmacies, clinics and hospitals.

Technology and machinery as well as know-how are sourced from Europe (especially Germany, the UK and Sweden) as well as from India. The factory has its own water recycling system and two standby 1,000-KW diesel generators to offset eventual power cuts.

In addition, the company **cooperates with several local universities** to educate biochemists, microbiologists and pharmacists.

Awamedica Plant for Producing Medicine

Investor	Awamedica Company
Nationality	Iraqi
Governorate	Erbil
Land allocated	14,604 sqm
Implementation status	In operation
Actual investment	USD 45 m
Products	Drugs and medicine
Capacity	1.7 bn tablets, 200 m capsules, 9 m bottles of liquids, 7 m bottles of dry syrup, 8 m bottles of ointments and creams per year
Jobs created	150
Total salaries	USD 140,000 per month

Table 7: Overview Awamedica Plant for Producing Medicine



BOI Investment Spotlight – Industrial Sector

Pepsi Cola Production Project

The factory located in Erbil is an **official bottler of Pepsi International** and licensed to fabricate and market Pepsi products in Northern Iraq.

The background of the establishment of the factory was a bid that resulted in the successful modernization and re-use of the production site of a formerly state-owned enterprise. There, **two fully automatized bottling lines for soft drink cans and bottles were installed**. Operations commenced in March 2009.



To fulfill the current level of demand the company runs one to two 8-hour shifts per day on six days per week.



The company owns 90 trucks to distribute its products. It has power generating capacities of 3 MW and drilled five water wells - two of which are usable for producing soft drinks.

70% of its sales go to wholesalers, 30% of output is sold to retail customers like restaurants, super markets or hotels.

Machinery was mainly imported from and set up by the German company KHS, while raw materials are procured from neighboring countries, e.g. Saudi Arabia, Jordan and Turkey.

The company competes with Coca Cola and several B-Brands as well as with Pepsi bottlers from Jordan or Kuwait who sell their products on the Iraqi market.

Pepsi Cola Production Project

Investor	Alhayat Company for Producing Mineral Water
Nationality	Iraqi
Governorate	Erbil
Land allocated	n.a.
Implementation status	In operation
Actual investment	USD 50 m
Products	Pepsi Cola Soft Drinks
Capacity	10 m cases per year
Jobs created	250
Total salaries	USD 250,000 per month

Table 8: Overview Pepsi Cola Production Project



BOI Investment Spotlight – Industrial Sector

MASS Cement Factory

With an **annual capacity of about 6 m tons** this large cement plant belongs to the largest investment projects in the Kurdistan Region.

Built in Bazian district, 35 km west of Slemani, MASS Cement Factory is **perfectly situated near raw material quarries** indispensable for cement production, such as limestone, gypsum and clay.

Besides AlShamal Cement Factory in Abtara (Sudan), this project is the second cement factory owned by the Mass Group Holding (MGH) and the only one of several projects in the fields of electrical energy, cement, steel and fertilizer production carried out by MGH in the Kurdistan Region.



The plant **consists of three production lines** of which two are



already in operation, the third one still being in the construction phase (planned start of operations in March 2013). Whereas the construction work itself, which started in 2007, was performed by a Chinese company, the basic systems and process equipment were provided by German and French enterprises.

MASS Cement factory does not only contribute to the creation of employment and is a **key to substituting cement imports**, but also takes into account environmental impacts through pollution control limiting the emission of cement dust and poisonous gas during the production process.

MASS Cement Factory

Investor	Mass Group Holding
Nationality	Iraqi
Governorate	Slemani
Land allocated	1 m sqm
Implementation status	In operation (all but line three)
Actual investment	USD 610 m
Products	Cement
Capacity	6 m tons of cement per year
Jobs created	500 (750 planned)
Total salaries	n.a.

Table 9: Overview Mass Cement Factory



BOI Investment Spotlight – Industrial Sector

AVA Factory

The construction of AVA Factory started in summer 2007 and it went operational already one year later as the first factory of its type in the Region. Its **investment volume of about USD 10 m** was realized on a plot of land of 42,500 sqm provided by the Government.

The factory is located in Duhok Governorate and **produces light weight volcanic blocks for construction purposes**. Those products are multifunctional as they are not only heat insulating but also noise absorbing and vibration resistant.



Ava Factory has a production capacity of **more than 44,000 blocks a day**



which are available in more than 20 different kinds of blocks according to specific needs and requirements like special weather conditions or earthquake-proof security standards. Additionally, production is environment-friendly as no harmful chemicals are involved. To ensure production standards, AVA Factory has been certified with an ISO 9001:2000 quality certificate.

AVA Factory **serves the needs of the currently booming construction sector** in the Kurdistan Region by producing required materials locally and thereby reducing dependency on imports. Beyond that, its innovative products raise the quality level available on the regional market.

AVA Factory	
Investor	Skvan Miro Gaoshin
Nationality	Iraqi
Governorate	Duhok
Land allocated	42,500 sqm
Implementation status	In operation
Actual investment	USD 10 m
Products	Volcanic blocks
Capacity	44,000 block per day
Jobs created	28
Total salaries	USD 28,000 per month

Table 10: Overview AVA Factory



BOI Investment Spotlight – Industrial Sector



D. Investment Opportunities

1. General opportunities

To increase the overall contribution of the industrial sector to the Region's GDP, the MOTI has analyzed the **Region's current needs** for local industrial manufacturing. Following the categorization of the internationally recognized and widely used European Industrial Activity Classification (NACE 2008), the BOI has licensed investment in nine different industries:

- I. Food products and beverages
- II. Paper and paper products
- III. Chemicals and chemical products
- IV. Rubber and plastic products
- V. Other non-metallic mineral products
- VI. Basic metals
- VII. Furniture
- VIII. Leather and related products
- IX. Other industries

The following sections outline concrete investment opportunities and offer an overview that **compares the Region's needs with current output in each of the industries** listed above.

Investment opportunities are classified as low, medium and high by looking at the degree to which the Region's need has been reached through domestic production output. If the respective figure is **greater than 80%** we classify **investment opportunities** as **low**, as **medium** if it is **between 50% and 80%** and as **high** if it is **below 50%**.

We apply this categorization to all tables in the following sections.



BOI Investment Spotlight – Industrial Sector

I. Food products and beverages

The manufacturing of food products and beverages is of particularly critical importance for the economic development of the Kurdistan Region – mostly due to its positioning at the interface between the industrial and the agriculture sector.

To date, the food and beverages industry **has seen the highest number of BOI-sponsored investment projects** amounting to 27 projects. They pile up to a total planned investment sum of nearly USD 240 m. However, production capacities of these projects already in operation only partially contribute to reaching the Region's needs as defined by the MOTI.

Given the Region's strong needs for milk and dairy products, investment opportunities for **industrial projects in the area of dairy production** are particularly high. So far the BOI has licensed two industrial dairy factories – one of which is already operational and produces yoghurt at an annual capacity of about 5,400 tons. Nevertheless, this factory can satisfy only 2.5% of the Region's need for dairy products.

For the product categories of **dried foods, potato chips, nuts, salt, pickles, spices, pastry, biscuits, corn chips and canned food**, no projects have been licensed by the BOI so far. For all of these categories, the MOTI has assessed overall insufficient production capacities for the Kurdistan Region – thus, investment opportunities are promising for these kinds of products.

Food products and beverages	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
Flour	tons	682,000	689,000	LOW
Dried foods	tons	112,000	29,500	HIGH
Potato chips	tons	13,500	10,100	MEDIUM
Nuts etc.	tons	40,200	24,000	MEDIUM
Dairy products	tons	217,500	56,000	HIGH
Ice cream	tons	7,500	5,050	MEDIUM
Salt	tons	80,000	3,700	HIGH
Soft drinks	m liters	844	618	MEDIUM
Mineral water	m liters	496	537	LOW
Pickles	tons	9,630	6,250	MEDIUM
Fruit juice	tons	252,000,000	43,000,000	HIGH
Sesame juice	tons	16,300	1,500	HIGH
Spices	tons	22,400	1,900	HIGH
Pastry	tons	71,300	34,900	HIGH
Biscuits	tons	40,600	2,800	HIGH
Corn chips	tons	4,070	1,900	HIGH
Canned food	tons	20,050	2,700	HIGH

Table 11: Food products and beverages



BOI Investment Spotlight – Industrial Sector

II. Paper and paper products

The current **production output of key paper products lags behind the Region's need**. With one licensed project for the production of tissue paper, only some 28% of the Region's needs in this industry are met.

Hence, projects to produce further paper products such as **carton, advertising paper, printing paper, print newspapers and announcements, print books, print catalogs and calendars** bear promising investment opportunities since there are so far no licensed projects in these sub-industries.

Paper and paper products	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
Tissue paper	tons	10,900	3,900	HIGH
Cartoon	tons	12,300	4,400	HIGH
Advertising paper	tons	1,640	900	MEDIUM
Printing	pieces	147,500	58,800	HIGH
Print Newspapers & Announcements	tons	29,500	20,600	MEDIUM
Print books	tons	8,800	2,500	HIGH
Print catalogs and calendars	tons	6,500	1,490	HIGH

Table 12: Paper and paper products

III. Chemicals and chemical products

A further key area of industrial development is the manufacturing of chemicals and chemical products which the MOTI has selected as a **distinct area for building up domestic Kurdish production capacities**. It comprises the production of diverse products ranging from industrial gases over medicine to soap and detergents.



To date, the BOI has licensed **ten projects in the chemical industry** – with a planned total investment volume of more than USD 230 m including four projects located in the Governorate of Erbil, three in Duhok and three in Slemani.

The production capacities of the two projects currently in operation can **only partially contribute to meeting the Region's need** defined by the MOTI.

Thus, there are still **significant opportunities for investment in further production facilities** – particularly for soap, detergents and industrial gases.



BOI Investment Spotlight – Industrial Sector

Chemicals and chemical products	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
Filter fat	m liters	70.6	48.5	MEDIUM
Pure asphalt	tons	153,000	170,000	LOW
Industrial gases	bottles	208,000	133,600	MEDIUM
Tar	sqm	85,000	93,000	LOW
Pharmaceuticals	tons	2,370	3,000	LOW
Soap	tons	8,700	1,300	HIGH
Detergents	tons	31,400	10,700	HIGH

Table 13: Chemicals and chemical products

Overall domestic production currently satisfies a little less than two thirds of the need for **industrial gases** in the Kurdistan Region. Only one project for producing oxygen and bottling it has been licensed by the BOI so far. Given the importance of industrial gases for many applications in industrial manufacturing and the health sector, further investment is needed in this sub-industry.

Likewise, more investment in the production of **detergents and soap** is needed since only a third of the Region's needs can currently be met by domestic production.

In addition, no BOI-sponsored projects have been licensed to build up production capacities for products such as **filter fat, pure asphalt or tar** – all of which require more investment to fully meet the Region's needs.



IV. Rubber and plastic products

With respect to the manufacturing of rubber and plastic products, the latter has been **at the center of the MOTI's strategic goals of industrial policy**.

So far, twelve projects have been licensed by the BOI in this industry – with a planned total investment of nearly USD 70 m. The existing production capacities of six **operational projects concentrate on**

the production of PVC and other plastic pipes.

Nevertheless, production capacities in five out of eight product categories are far from satisfying the Region's needs. **Investment potential is particularly high in the manufacturing of plastic baskets and boxes as well as plastic plates**, where production output meets less than 20% of the Region's need.



BOI Investment Spotlight – Industrial Sector

Given that total domestic production can only satisfy some 2% of the Region's need, the promotion and facilitation of investment in **PVC plastic pipe production** has been declared a key priority and bears immense investment opportunities.

In 2011, **domestic production of plastic bags only satisfied 2% of the need** in the Kurdistan Region. Given the lack of current production capacities, this is another area of interest for potential investors.



Rubber and plastic products	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
Bags	tons	13,490	250	HIGH
Doors and windows PVC	sqm	775,000	831,000	LOW
Plastic tubes and pipes (PVC)	meters	35,300,000	761,000	HIGH
Other plastic tubes and pipes	meters	56,000	19,000	HIGH
Baskets and plastic boxes	tons	8,000	770	HIGH
Plastic bottles	m bottles	439.5	452.6	LOW
Plastic plates	sqm	22,750	4,100	HIGH
Sponge	sqm	50,500	52,000	LOW

Table 14: Rubber and plastic products

V. Other non-metallic mineral products

The industry of so-called "other non-metallic mineral products" mainly refers to all kinds of non-metallic construction materials.

Here, **industrial development has been particularly strong** in the Kurdistan Region – mainly due to the ongoing construction boom.

Domestic **production capacities largely exceed the Region's needs** and many construction materials that are manufactured in the Kurdistan Region are marketed in all of Iraq and beyond.

Alabaster and marble stones comprise one of the few product categories in which present domestic output falls short of the Region's need since the majority of marble used in the Kurdistan Region is imported.



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At the moment, there is only one BOI-licensed project in this sub-industry which **contributes by about 12.5% to meeting the Region's need** defined by the MOTI. Therefore, investment opportunities lie particularly in the potential to tap the Region's marble reserves in order to meet the Region's own demand and substitute imports.

Moreover, no BOI-sponsored projects have been licensed in the sub-

industries of **cut & crashed stone, sand, curbstone, ceramic and mosaic tiles, concrete pipes, roof tiles and gypsum.**

Particular investment opportunities lie in the **manufacture of roof tiles** as overall domestic output amounted to less than 20% of the Region's need.

Other non-metallic mineral products	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
Cut & Crashed Stones	tons	633,000	468,000	MEDIUM
Sand	sqm	676,000	691,200	LOW
Automatic brick	m pieces	80.5	99.0	LOW
Concrete blocks	m pieces	181.0	175.0	LOW
Curbstone	sqm	60,000	73,000	LOW
Ceramic and mosaic tiles	sqm	4,540,000	1,935,000	HIGH
Concrete pipes	tons	4,600	5,850	LOW
Ready-mix concrete	sqm	644,000	1,080,000	LOW
Marble stones	sqm	1,285,000	136,000	HIGH
Ready-mix asphalt	tons	550,000	1,120,000	LOW
Roof tiles	sqm	682,000	110,000	HIGH
Gypsum	tons	544,000	590,000	LOW
Cement	tons	2,700,000	5,500,500	LOW

Table 15: Other non-metallic mineral products



BOI Investment Spotlight – Industrial Sector

VI. Basic metals



Many of the currently manufactured basic metals are supplied to the construction industry. Therefore, **non-construction materials produced of basic metals tend to feature weaker domestic production capacities** and bear the greatest investment opportunities in this industry.

So far, 18 investment projects have been licensed by the BOI with a total planned investment amount of nearly USD 1.6 bn. The operational projects

employ more than 2,240 staff. **Thus, this industry currently is the strongest contributor to job creation in the industrial sector** as far as BOI-sponsored projects are concerned.

Regarding production capacities, BOI projects make significant contributions in specific product categories of basic metals industry and shape the current industrial portfolio of the Kurdistan Region.

Especially regarding the **production of electric wires, steel doors and windows, steel structures, water and fuel tanks as well as iron barrels and boxes**, no projects have been licensed so far and current domestic production falls short of the Region's needs.

Basic metals	Unit	The Region's need (2011)	Production output (2011)	Level of needed investment
B.R.C.	tons	10,800	15,000	LOW
Galvanized Iron	tons	20,550	11,000	MEDIUM
Aluminium Doors and Windows	tons	31,800	38,000	LOW
Steel reinforcements	tons	241,500	96,000	HIGH
Iron pipes	tons	44,900	23,000	MEDIUM
Electric wires	tons	20,800	11,000	MEDIUM
Steel doors and windows	tons	91,000	104,700	LOW
Steel structures	tons	7,000	4,200	MEDIUM
Water and fuel tanks	tons	16,100	16,900	LOW
Iron barrels and boxes	tons	2,080	780	HIGH

Table 16: Basic metals



BOI Investment Spotlight – Industrial Sector



VII. Furniture

With regard to manufacturing furniture, the MOTI has surveyed a total production output of some 7,300 sets of furniture for the year 2011. Since the Region's need amounted to approximately 36,800 sets, **domestic production could supply only one fifth of the Region's need** for furniture.

Further investment in furniture production capacities is urgently needed and currently faces a market that is dominated by imported products coming mostly from Turkey.

VIII. Leather and related products

While the 2011 need of the Kurdistan Region amounted to approximately 600,000 sqm of leather, only some 165,000 sqm could be provided through domestic production. Thus, **only 28% of the Region's need can be satisfied through local production at the moment.**

Especially products requiring more sophisticated production techniques bear promising investment opportunities since most of these products are currently imported from other countries due to lacking domestic industrial capacities.

IX. Other Industries

Several other projects have been licensed in the manufacturing of **machinery and equipment** (three projects, USD 10.5 m of planned investment) and in the manufacturing of **electrical machinery and apparatus** (four projects, USD 364.5 m of planned investment).

Further investment in a wide range of industries, especially in **high-tech manufacturing**, is likely to entail know-how transfer with positive effects on the skills and qualifications of the Region's labor force as well as further overall diversification of its industrial base.



BOI Investment Spotlight – Industrial Sector

2. Concrete opportunities

The quick **establishment of so-called “Industrial Zones”** in the Kurdistan Region was declared **a top priority** by the Kurdish Regional Government.

Due to the planned **simultaneous provision of land and necessary infrastructure for industrial production**, the establishment of these zones offers probably the greatest potential to sustainably grow the Region's industrial base.

As a result, recent **parliamentary legislation has called for the implementation of industrial zones across the Kurdistan Region** in Erbil, Slemani, Duhok and Garman.

For this, a committee has been set up involving the MOTI, the Governorates and the BOI in order to determine the administration and the setting up of the industrial zones.

Currently, the **development of a special legal and regulatory framework** that lays out the details of implementing such industrial zones is being finalized.

The main rationale behind the development of these zones is that they are opening up **great opportunities for industrial investments** since they offer investors the possibility to benefit from land plots reserved for industrial investments and respective infrastructure facilities.

Therefore, the BOI and the MOTI are currently putting a **greater focus on industrial investment facilitation in these industrial zones**.

Consequently, the BOI and the MOTI seek to promote **zone-specific investment opportunities** with the goal of attracting further Iraqi and foreign industrial investors.





E. Outlook

In the next issue of INVESTMENT SPOTLIGHT, we will focus on the **Tourism Sector**. It will include the current status of existing investment projects, outline the specific chances and perspectives of this sector and point out attractive investment opportunities.





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