

* Iraqi Economy

* Current Challenges and Future Overview

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Main Challenges of Iraqi Economy

1-The problem of Transition to the Market Economy ,Most government projects stop or a relative run of design capacity, such as tires, glass, paper, sugar, batteries and other plants and try to sell them to the private sector

2- The problem of absence of realistic plans and setting priorities as comprehensive plan

3-The Security and Instability Conditions

Main Challenges of Iraqi Economy

4-The Problem of Imbalance of the Iraqi Economy Structure:

- Between different Sectors (operation and investment Allocation Gap, Industry and other sector, Public and private sector)
- The limited & Shortage of Foreign Investment, foreigners' investment and other business activity in Iraq was valued at more than \$39 billion, South Korea ranked No. 1, with about \$12 billion in Iraq, there are around (1500) Korean work in (80) Korean Company in Many projects in Iraq until November 2014, USA, chines , Turkish and Iranian are the biggest in that issues
- The disparity between the high rate of population growth problem by (2.9%) compared with GDP growth rate reached about humiliation (2.7%), which means there is no opportunity for economic progress
- Limited development sources (depend on oil by 90%)

Main Challenges of Iraqi Economy

5-problem of Foreign Debt, Iraqi Debt after Iraqi Wars with Iran and Kuwait consider very big amount, it between (\$127 – 148) billion, Iraqi Government succeed to right off about (80%) within Paris Club agreement including Japan, and the Arabic debt(Kuwait) still consider one of problem for Iraqi Government

6-Problem of Unemployment beside around (4) million Official whom work in Governmental Sector which need around(50%) from the budget as operation cost

7-The absence of Iraq's credit rating in the international financial institutions

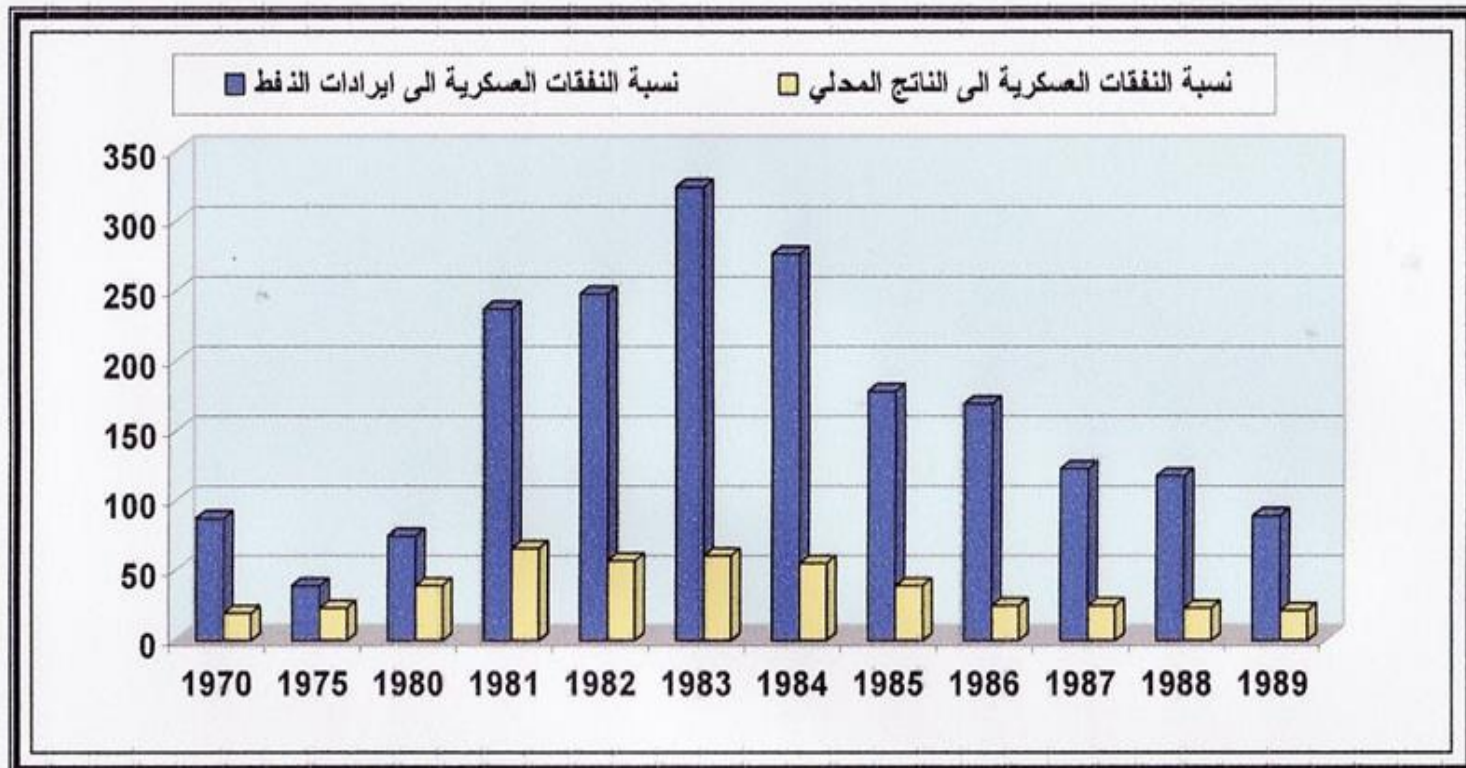
8-Problem of Inflation and Income level

9- Problem of Poverty percentage (20% - 25%) from Total family number

10-Probel of Financial & Administrative Corruption

Main Challenges of Iraqi Economy

11-Destruction caused by wars, blockades and Sanctions

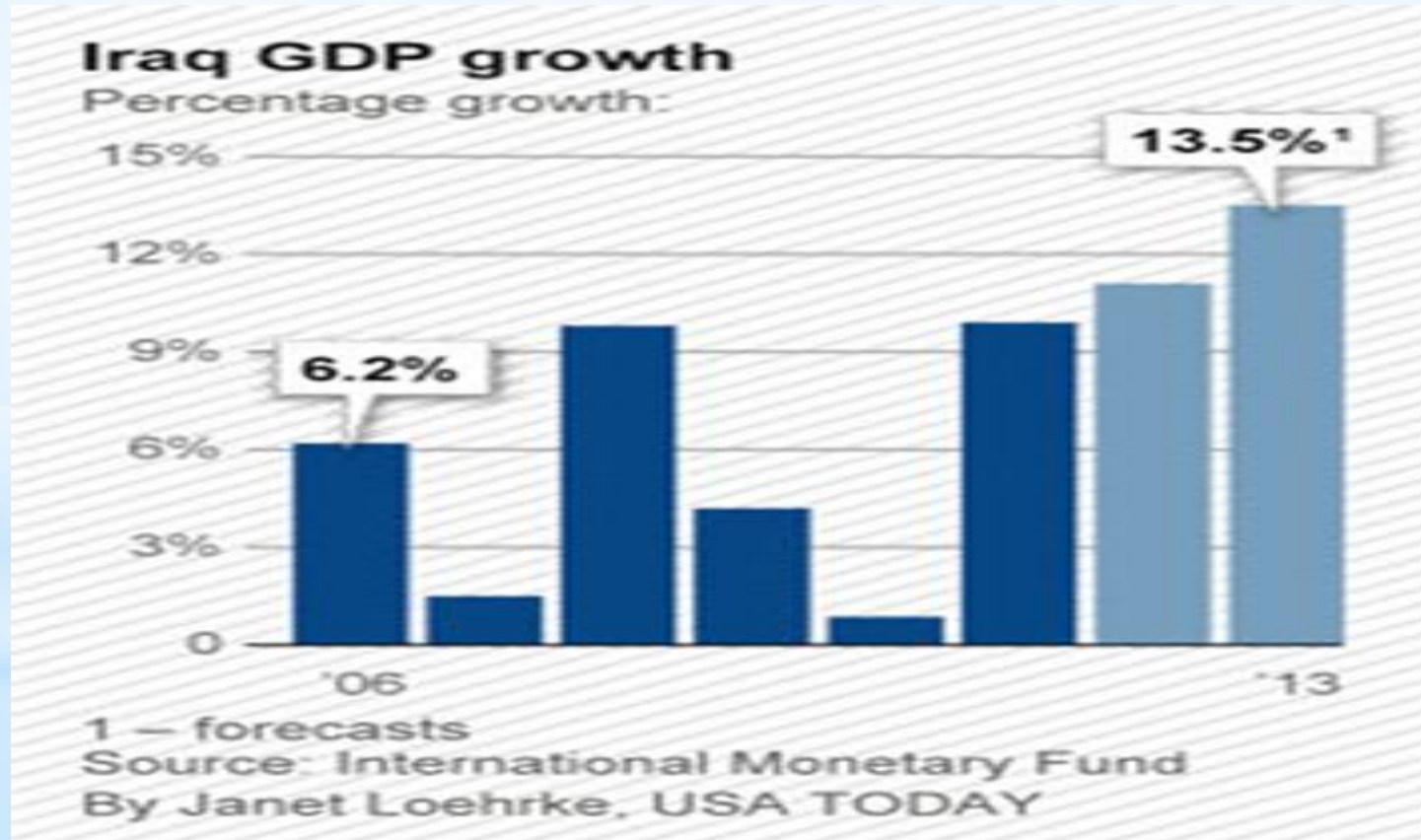


الشكل رقم (3-2) نسب النفقات العسكرية الى ايرادات النفط والناتج المحلي الاجمالي

Iraqi Military Expenditures percentage to Oil revenue and GDP

Main Challenges of Iraqi Economy

12- Iraqi economy to shrink 2.7 pct in 2014



Main Challenges of Iraqi Economy

13-The Problem of Laws & Legislation

14-The **absence of Iraq's credit rating in the international financial institutions** like the World Bank, which weakens the confidence of the world the Iraqi economy

15-Problem of relation between federal government and local government and KRG

16-Problem of Financial & Administrative Corruption

Investment In Iraq

Reasons:

- Unrivalled availability of people
- Educated and talented workforce
- Competitive wages and operating costs
- No taxes or fees for first ten years
- Low rate of corporation tax
- Superb strategic location – gateway to the region
- Superb Greenfield opportunity
- Large untapped domestic market
- Wide range of investment opportunities immediately available

Housing Sector – New Construction

- Population in 2009 - 30 million (estimate)
- Average family size - 6.9 persons
- Number of occupied residential units – 2.5 million
- Annual depreciation rate (units not inhabitable) - 5%
- 25% of the population suffers from congestion
- Total residential needs for 2006 to 2015 – 3.5 million new houses
- Construction rate of 350,000 residential units per annum required

Priorities & sectors

- Oil and Gas supply, refining and support
- Construction
- Housing
- Manufacturing
- Trading, Distribution and Supply Chain
- Transportation
- Tourism
- Education
- Healthcare

NIC has identified over 300 investment opportunities including the following

The current foreign investment

- According to the country
- According to the sectors

Foreign business activity in Iraq in 2011.

Country	Amt. (in billions)	% total
South Korea	\$12	21.5%
USA	\$6.9	12.4%
UK	\$4.1	7.4%
Netherlands	\$3.8	6.9%
Turkey	\$3.7	6.6%
Germany	\$3.2	5.7%
China	\$3.1	5.6%
UAE	\$3	5.3%
Italy	\$2.8	5.1%
Iran	\$2.2	3.9%

List of Projects in Iraq (Awarded by Foreign Companies)

TTL Contract Price by Country (Million USD Equiv.)

Country	Contract Price
Korea	4,686.5
China	1,745.0
USA	1,655.7
Greece	1,500.0
France	1,360.2
Turkey	717.0
UAE	600.0
Italy	562.6
India	450.0
Japan	355.0
Iran	245.0
UK	100.3
Malaysia	54.5
Canada	50.0
Brazil	48.0
Austria	41.0
Egypt	—
Germany	—
Russia	—
Spain	—

G.TTL	14,170.7
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List of Projects in Iraq (Awarded by Foreign Companies)

No.	Country	Sector	Project	Client	Company	Location	Contract Price (Original Info)
1	Japan	Electricity	provide transmission equipment		Toyota Tsusho	Different areas	85 mil \$
2	Japan	Water	The Strategic Basra Water Project		HITACHI (JV with French OTV)	Basra	\$269,871,031
3	China	Oil & Gas	Establishing pipeline		China petroleum	Missan- Faw storages- Arab Gulf ports	650 m
4	China	Oil & Gas	Missan-Basra pipeline project		CPP	Missan-Faw	\$500 million
5	China	Oil & Gas	"West Qurna" mega oil field development		Petro-China (JV with Exxon Mobile)	Basra	Unknown
6	China	Oil & Gas	cbf2 project in Halfaya oil field		Unknown	Missan	\$500 m
7	China	Services	Sewerage project		CGC	Unknown	111 b IQD=USD 95,197,255
8	China	Oil & Gas	The second phase of the Al-Halfaya development project		PetroChina	Missan	Unknown
9	China	Electricity	Al-Zubaidya power station		Shanghai	Wasit	Unknown
10	Italy	Electricity	hydropower station and small dam		Italian Consultant (ELC)	Derabok – Dohok	160\$ m
11	Italy	---	ECP, Zubair operating commission		Techint	Basra	\$387.7 m
12	Italy	Food Industry	to establish liquid oil production		brnadeen and blster co.	----	17 billion ID
13	India	Industry	Establishing steel pipeline factory		Welspun Corp.Ltd	Basra	450\$ m
14	India	Oil & Gas	Kifil, West Kifil, and Marjan Oilfields development		OVL	Middle Euphrates region	Unknown
15	Korea	Electricity	Gas power Station		HYUNDAI	Baghdad	\$219 m
16	Korea	Electricity	3 transmission stations		Unknown	Shatra (Nasyria), Shomaly (Qadisya), Latifa (Baghdad)	\$35,300,000
17	Korea	Oil & Gas	Development of Akas gas field		Daewoo	Anbar	\$708,262,000
18	Korea	Electricity	power transmission stations		Husonic	Unknown	\$72 million
19	Korea	Ports	Breakwater project		Daewoo Korean	Faw port	\$511 m
20	Korea	Oil & Gas	Taza Gas Station		Hyundai (JV with Siemens)	Kirkuk	Unknown
21	Spain	Construction	Housing units		Unknown	Baghdad	Unknown
22	France	Transportation	Establishing 14 train stations		French Company	Different provinces	41 billion IQD
23	Brazil	Agriculture	agriculture development		AMA	Dewanya	48\$ m
24	Turkey	Industry	Iron & Steel Plan		UB Holding	Basra	\$700 m
25	Turkey	Electricity	Supplying spare part		Demrir	Mosul	\$17 m
26	Canada	Oil & Gas	explore oil in the third field		western Zagros	Kordmer fields	\$50 m
27	USA	Oil & Gas	Developing		Exxon Mobile	west qurna 1, Basra	\$1,65 B
28	USA	Constructions	Consultant services		Hill International	Iraq	\$5.7 m
29	Iran	Constructions	Establishing Cement Factory		Atharbadan Khawa	Samawa-Muthanna	\$245 m
30	Austria	Municipality	Water Flow Meters		---	---	\$41 m

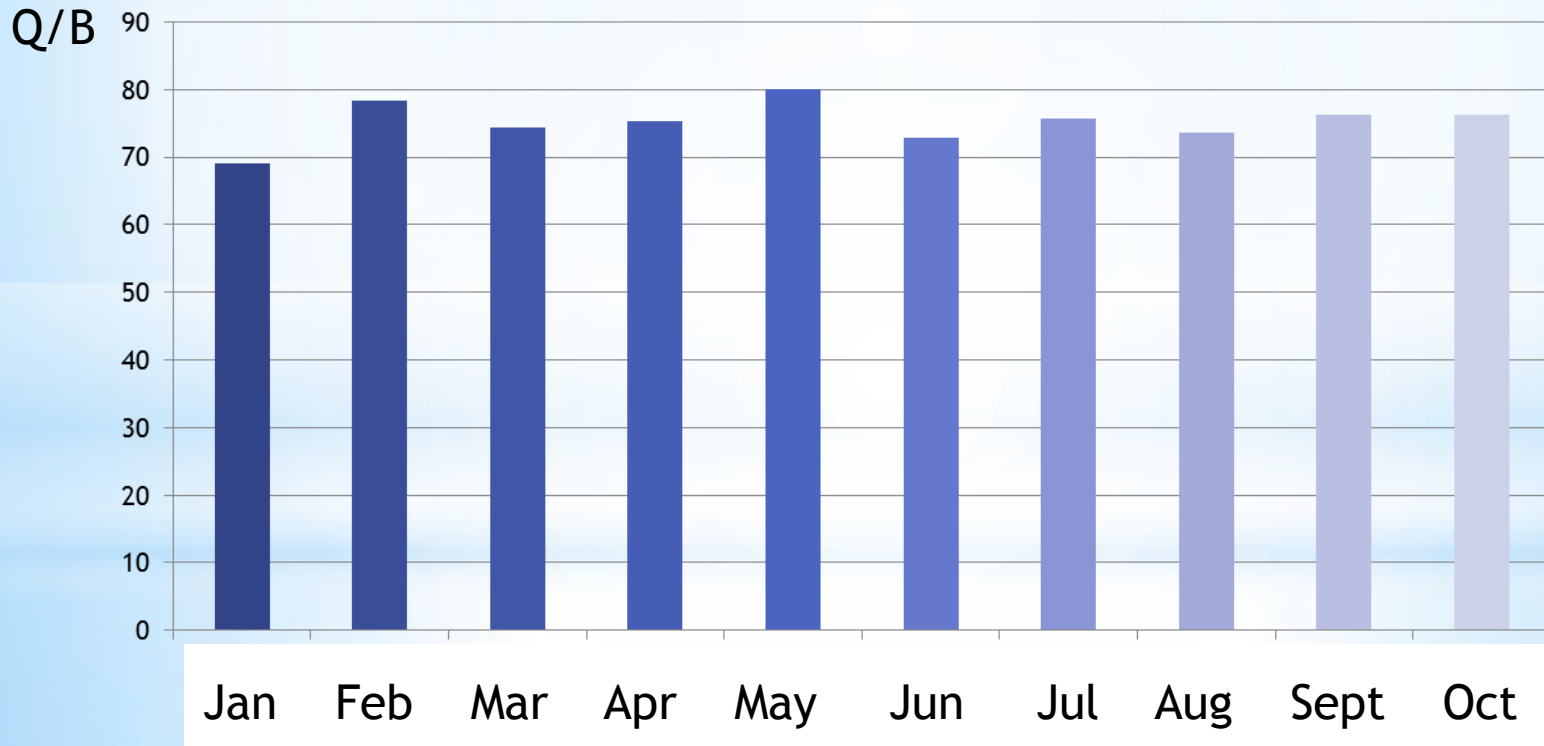
List of Projects in Iraq (Awarded by Foreign Companies)

No.	Country	Sector	Project	Client	Company	Location	Contract Price (Original Info)
31	Greece	Oil & Gas	to establish and operate power station		Mitca	----	\$1.5 b
32	Malaysia	Constructions	build 318 housing units		Nayzir	Babil	63.5 billion IQD
33	Malaysia	Tourism	Tourist compound as a part of Al-Minnawya Island project		Faros	Babel	Unknown
34	Germany	Transportation	2000 M bridge to connect Adhamia in Rusafa to Kadhmia in Kharkh		Dorish	Baghdad	Unknown
35	Germany	Oil & Gas	Taza Gas Station		Siemens (JV with Hyundai)	Kirkuk	Unknown
36	UAE	Oil & Gas	Atroosh oilfield development		Taqi	Kurdistan	\$600 m
37	Russia	Oil & Gas	Badra field development		Gazprom	Wasit	Unknown
38	Egypt	Construction	rehabilitate Muthanna cement factory		ASEC	Al-Muthana	Unknown
39	UK	Constructions	develop road		Mohel	Baghdad-Karbala	\$279 thousands
40	UK	Oil & Gas	oil export docks		BP	Khor Al-Zubair port	Unknown
41	UK	Oil & Gas	Kirkuk oilfield development		BP	Kirkuk	\$100 m
42	Korea	Electricity	Mosul Power Plant	Ministry of Electricity	Samsung E&C	Mosul	-
43	Korea	Electricity	Yusufiyah Power Plant	Ministry of Electricity	Hyundai E&C	Yusufiyah	-
44	France	Electricity	Gas-fired Power Plant	Ministry of Electricity	Alstom	Southern Iraq	Euro 400 m
45	France	Electricity	Gas-fired Power Plant	Ministry of Electricity	Alstom	Mansuriyya	\$ half a billion
46	Korea	Oil & Gas	Zubail Oil Field GOSP	Eni	Samsung E&C	Basra	\$840 m
47	USA	Transportation	operate and rehabilitate the pier of Al Maqal port no. 13	Ports company commission	NAWAH	Basra	unknown
48	France	Oil & Gas	Ar Ratawi NGL Project - FEED	Basra Gas Company	Technip (in JV with HuanQiu E&C)	North Rumaila in Basra	unknown
49	China	Oil & Gas	Ar Ratawi NGL Project - FEED	Basra Gas Company	Technip (in JV with HuanQiu E&C)	North Rumaila in Basra	unknown
50	Indonesia	Oil & Gas	Ar Ratawi NGL Project - FEED	Basra Gas Company	Chiyoda Indonesia (in JV with Saipem)	North Rumaila in Basra	unknown
51	Italy	Oil & Gas	Ar Ratawi NGL Project - FEED	Basra Gas Company	Saipem (in JV with Chiyoda Indonesia)	North Rumaila in Basra	unknown
52	France	Power	provide power generation equipment for the Al-Anbar power plant	Ministry of Electricity	Alstom	Anbar	225 million euros
53	Korea	Engineering & Construction	Zubail Oil Field GOSP	Eni	Daewoo	Basra	\$589 million
54	Italy	Oil & Gas	Basra Gas LNG Project - FEED	Basra Gas Company	Saipem	Basra	Unknown
55	Korea	Engineering & Construction Co.	build a natural gas separation plant - (DGS)	Basra Gas Company	Daewoo	Basra	545.8 million dollars
56	China	oil & gas	establish an oil terminal to store oil	Ministry of oil		Al-Nasriya	\$607 m.
57	Jordan	Industry	build a cement plant	Muthanna Investment commission	Sarraf Jordanian industrial	Muthanna	
58	Japan	Water	The Strategic Basra Water Project third phase	MMPW	HITACHI (JV with French OTV)	Basra	
59	USA	oil	will drill 30 oil wells in the field	oil ministry	Halliburton oil services	Basra	278.5 million dollars

The current and future Iraqi power & energy

-Iraqi Oil Exports

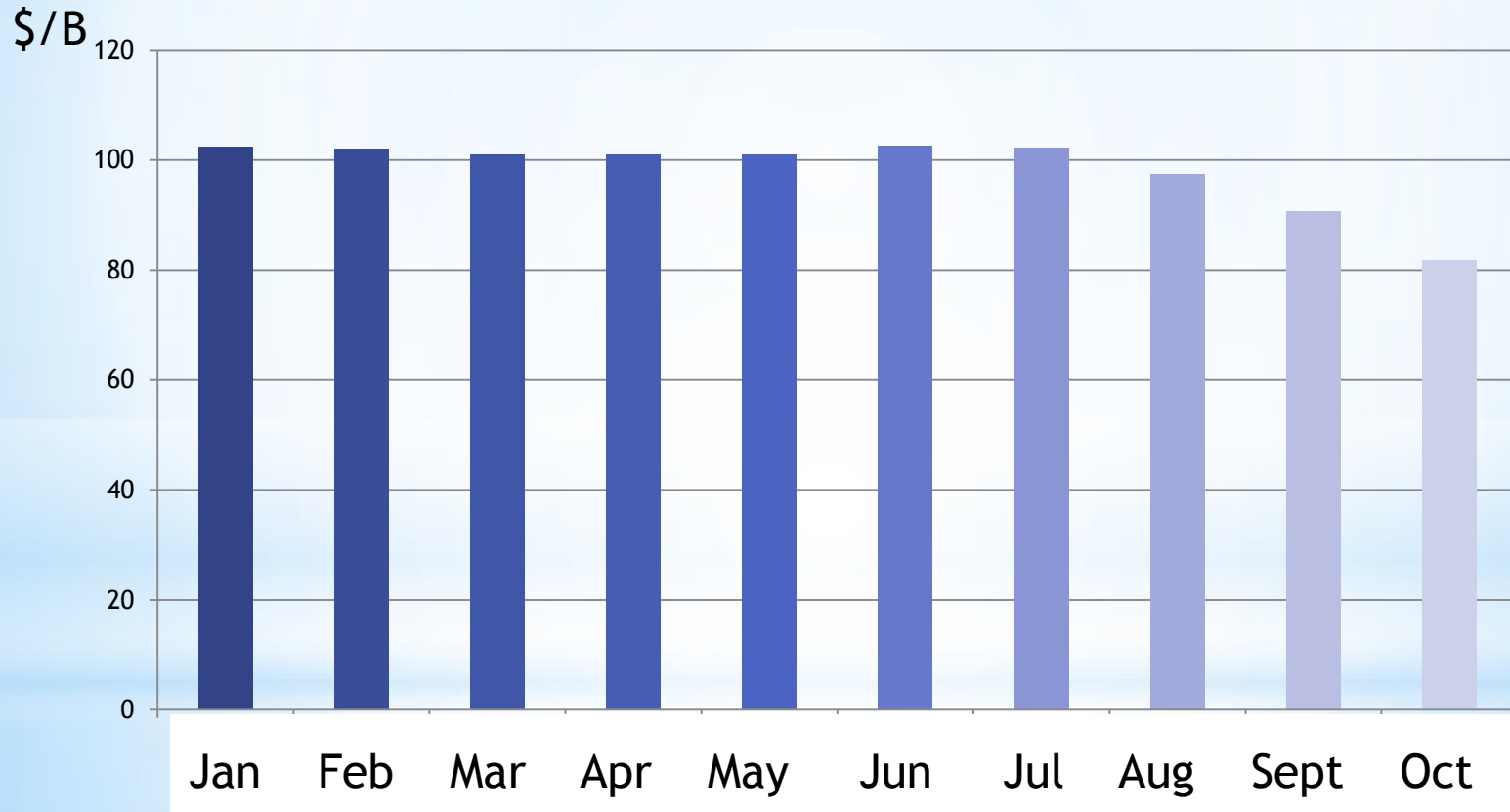
The final statistical issued by the Iraqi Oil Marketing Company (SOMO) announced that the export amounted of (76.5) million barrels in October 2014, original plan was (4)million barrels compared the current production of (3.2)million with out KRG Production and Kirkuk



The current and future Iraqi power & energy

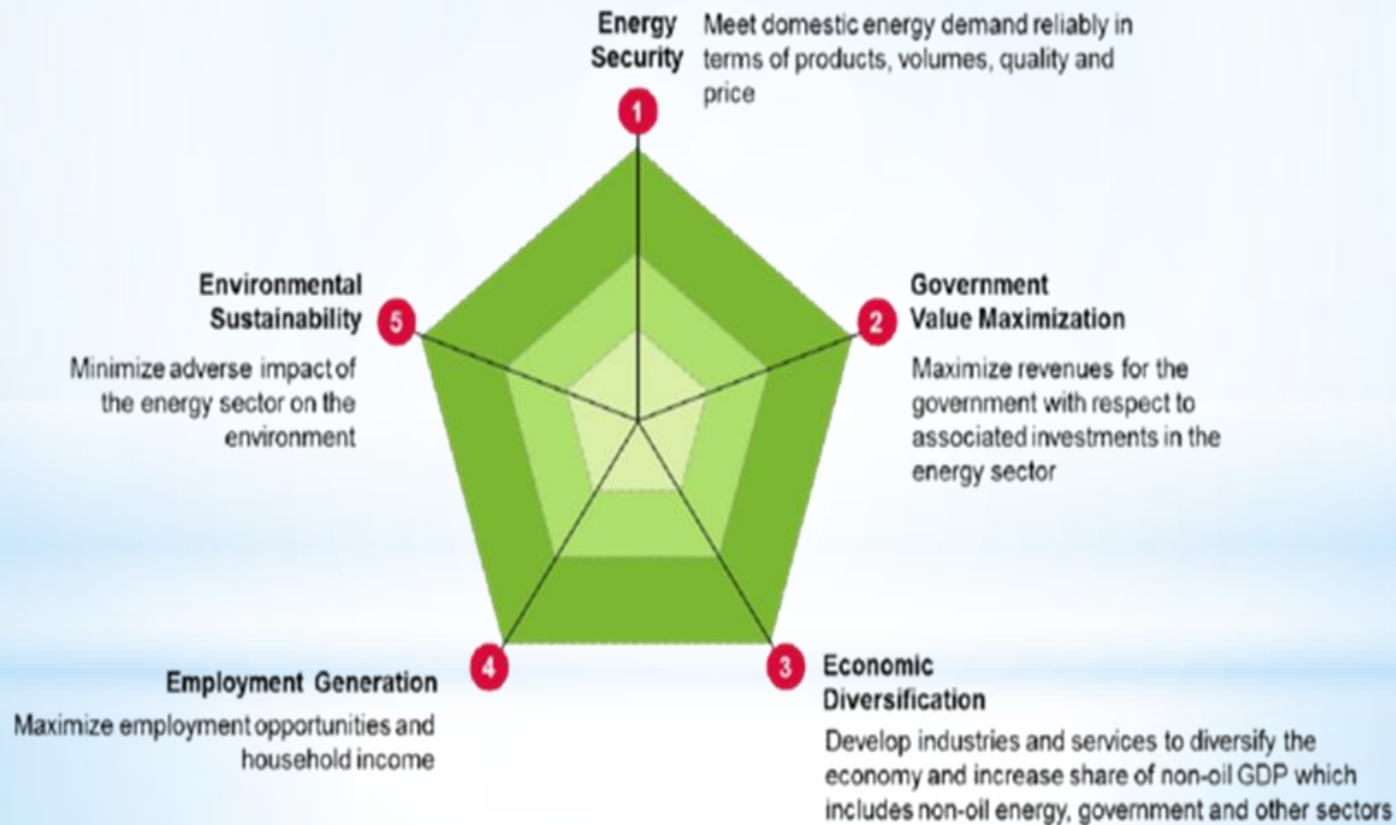
-Iraqi Oil Price

Iraqi Oil Price decrees from (\$100) on May 2014 to (\$80) in November



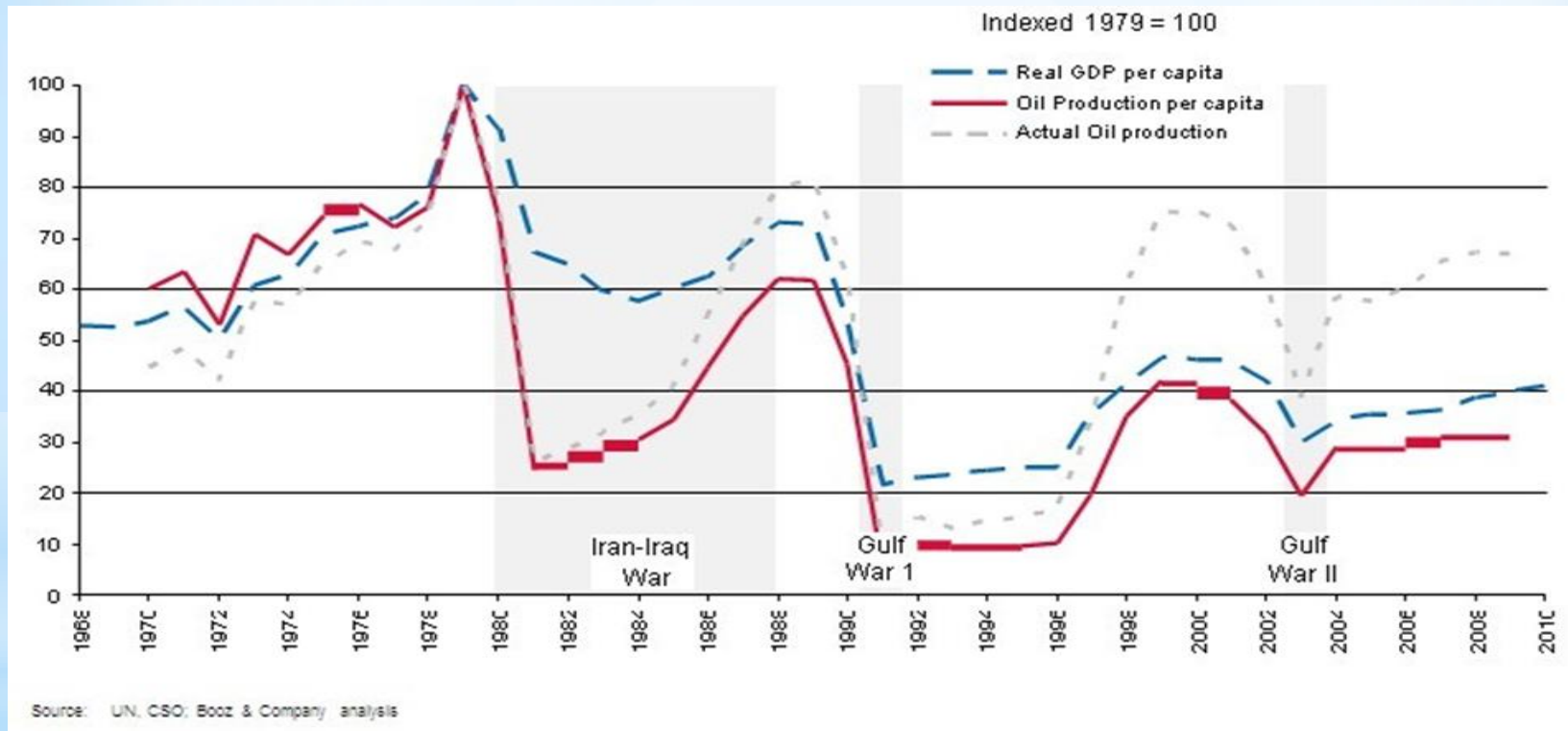
Iraq's Integrated National Energy Strategy (INES)

- Exhibit ES - 1: INES Strategy Evaluation Dimensions



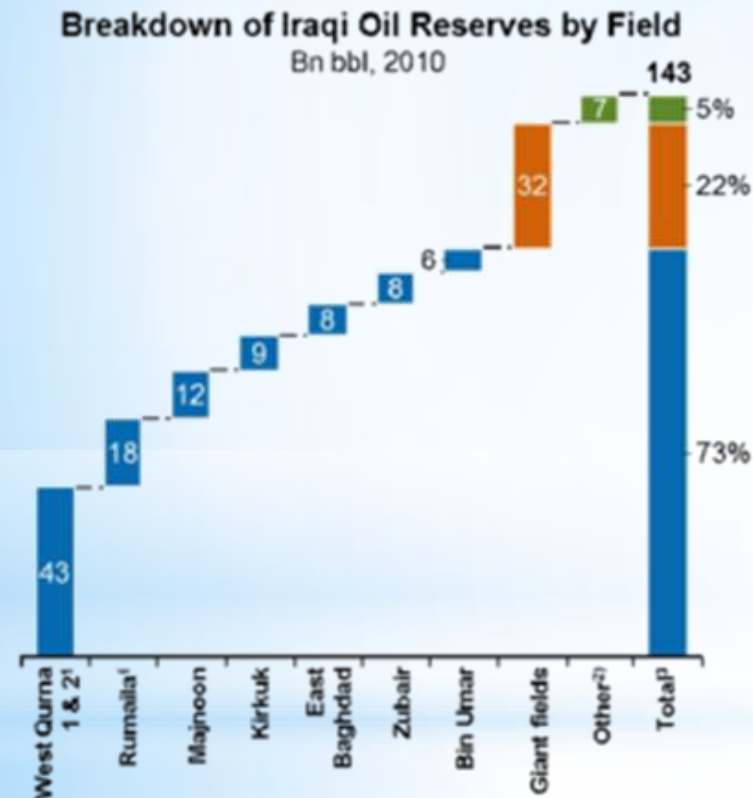
Iraq's Integrated National Energy Strategy (INES)

- Exhibit ES - 2: Linkage between Iraqi Oil Production and Prosperity



Iraq's Integrated National Energy Strategy (INES)

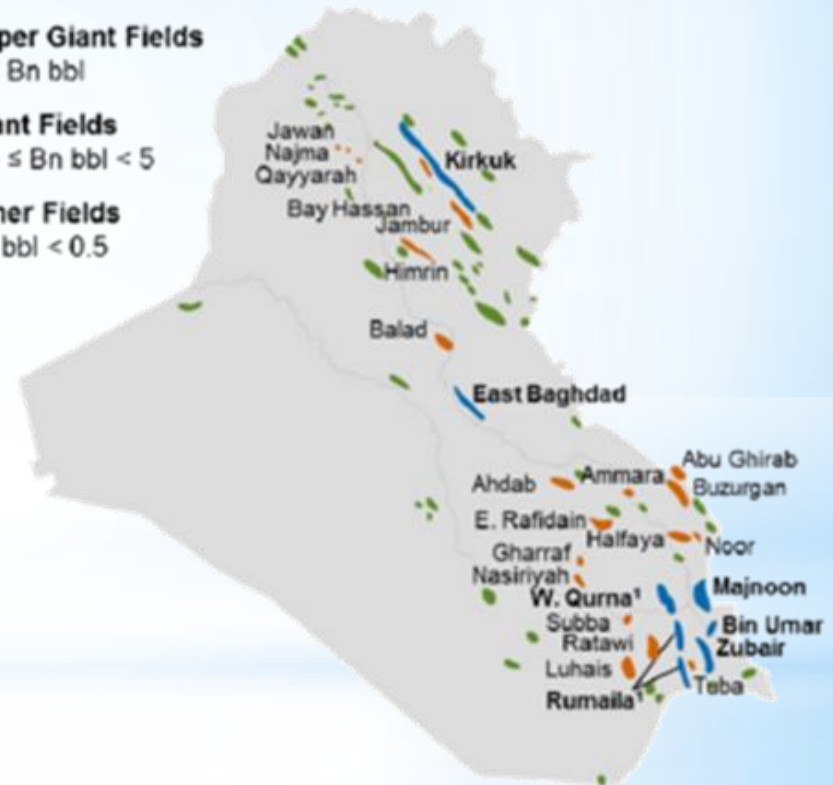
-Exhibit ES - 3: Iraq's Oil Reserves



- 1) W Qurna includes both W Qurna 1 and 2, Rumaila includes both Rumaila North and South
 2) 'Other' comprises 51 small fields
 3) Excludes IFRK
 Source: Iraq Ministry of Oil, Energy Compass (October 2010); Booz & Company analysis

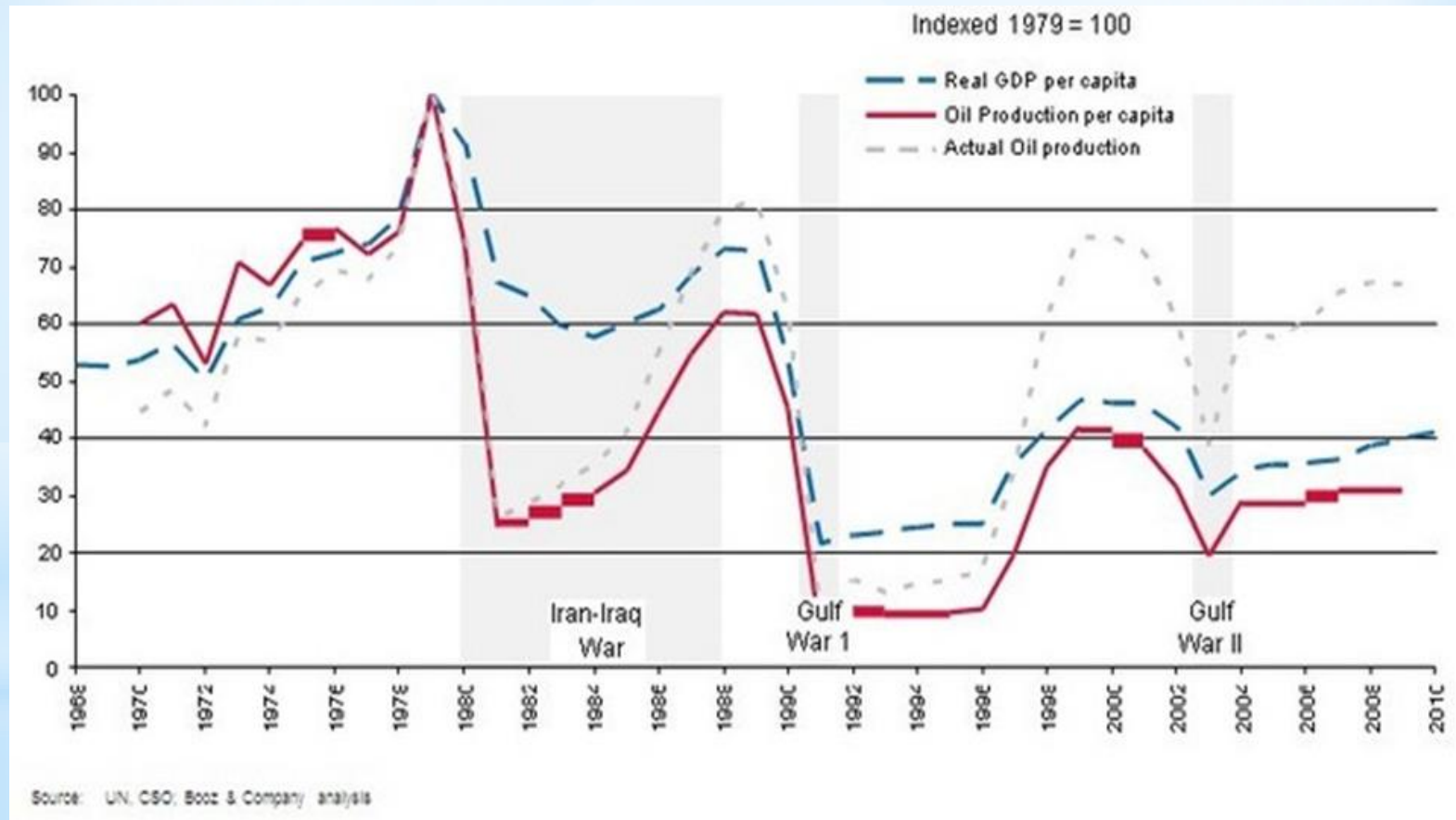
Discovered Oil Fields in Iraq

- Super Giant Fields**
5 ≤ Bn bbl
- Giant Fields**
0.5 ≤ Bn bbl < 5
- Other Fields**
Bn bbl < 0.5



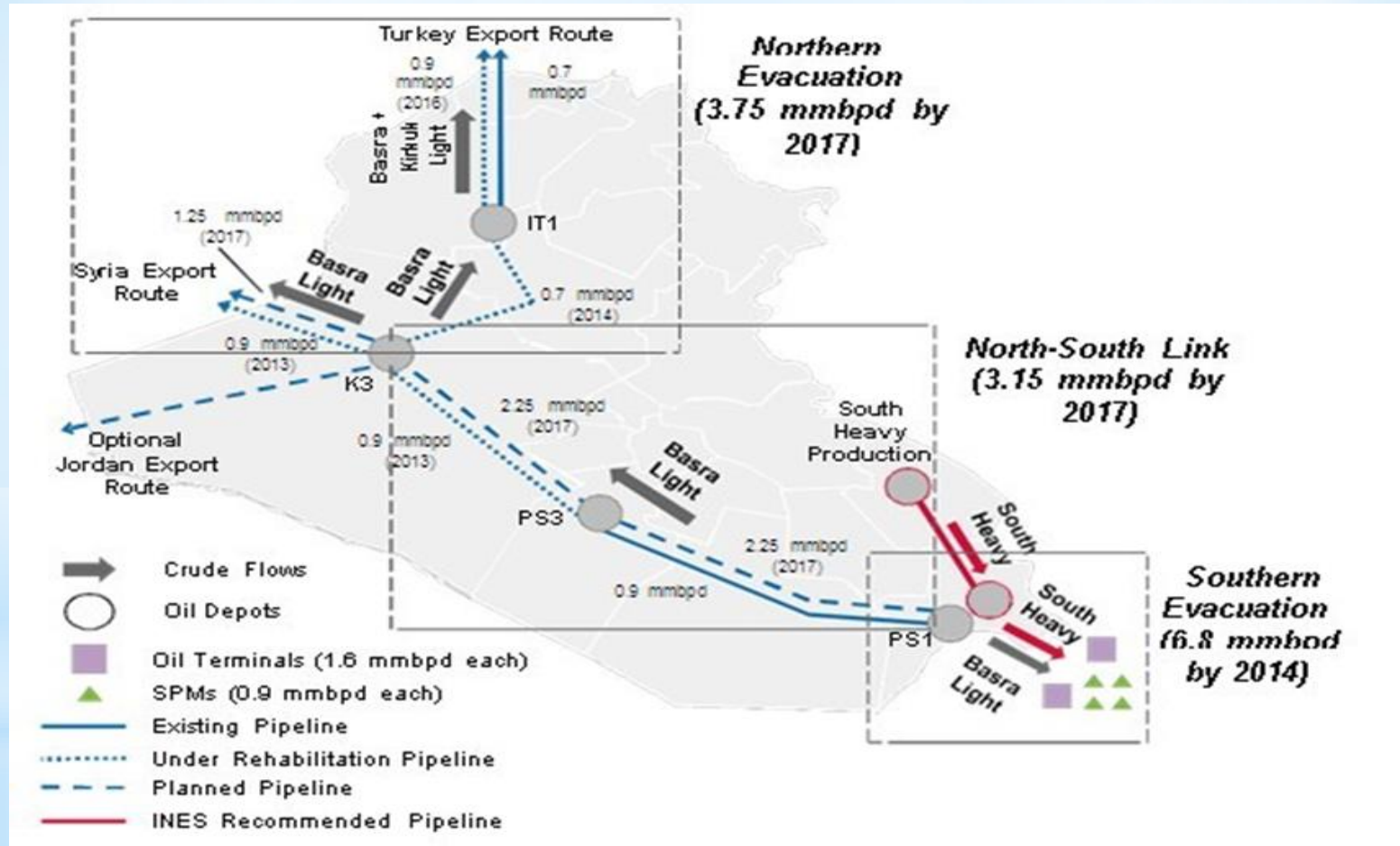
Iraq's Integrated National Energy Strategy (INES)

-Exhibit ES - 4: Alternative Oil Production Profiles



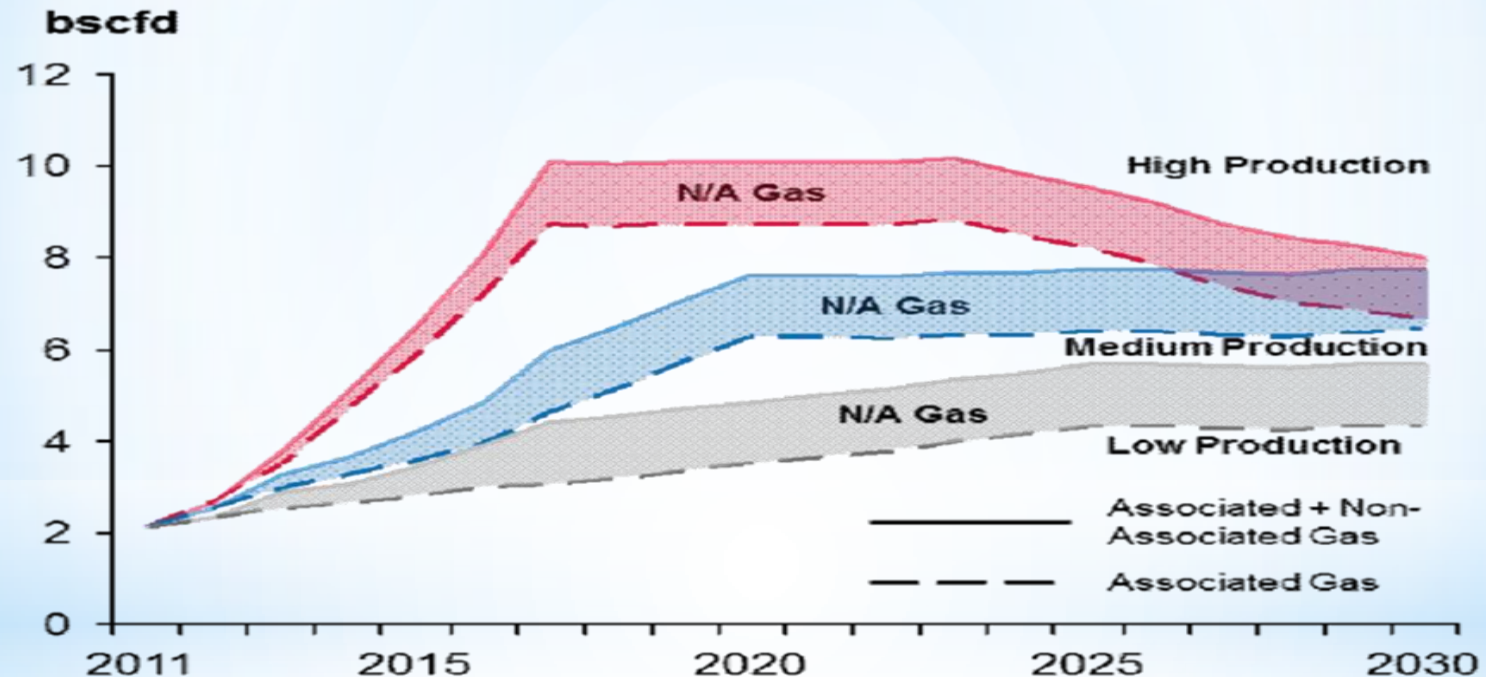
Iraq's Integrated National Energy Strategy (INES)

-Exhibit ES - 5: Crude Oil Evacuation Infrastructure



Iraq's Integrated National Energy Strategy (INES)

-Exhibit ES - 6: Alternative gas Production Profiles

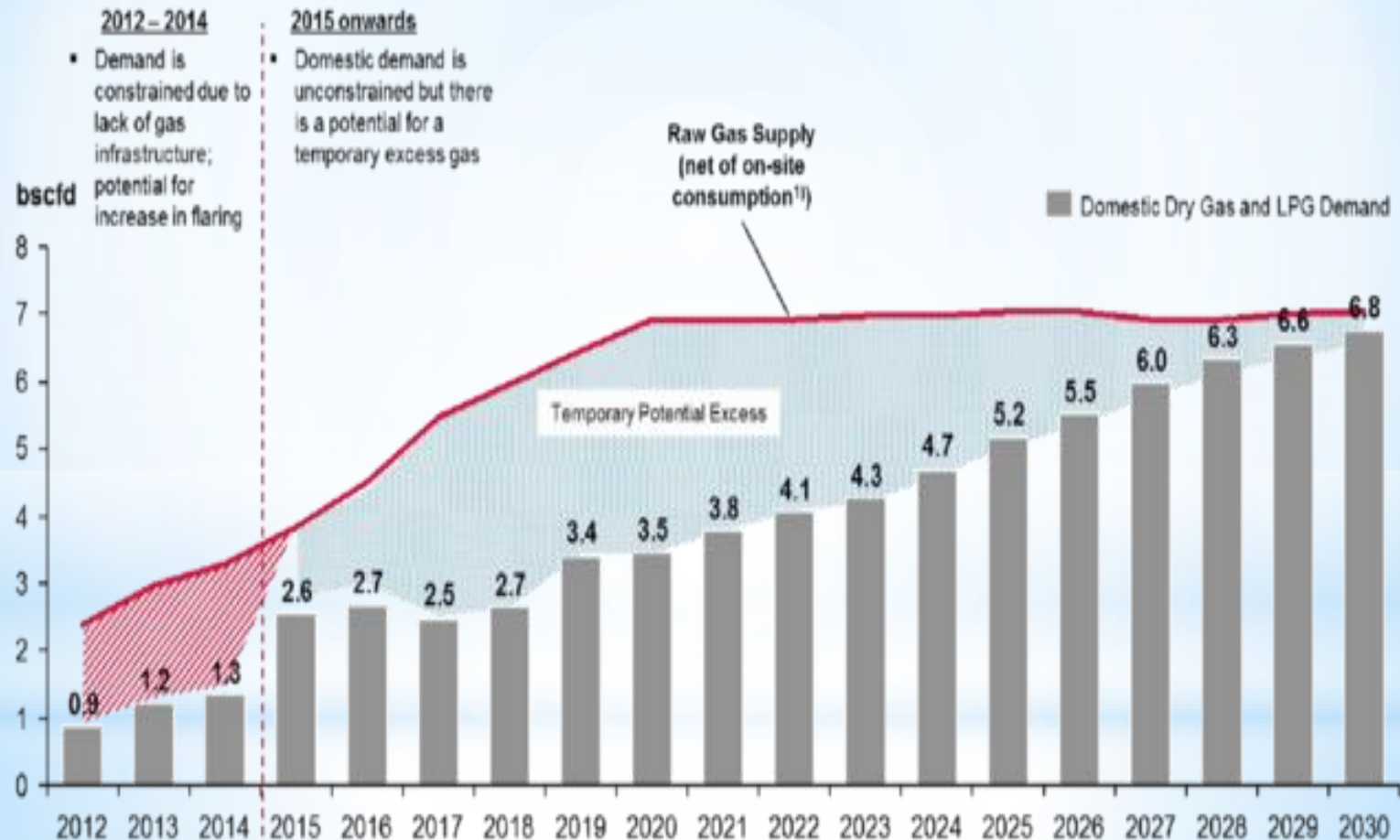


Notes : Gas production includes Rounds 1, 2 and 3, self operated fields, and KRG fields
Figures correspond to raw gas produced in fields
Non-associated gas production is assumed to be the same in the high, medium and low production scenarios

Source: MoO data, Booz & Company analysis

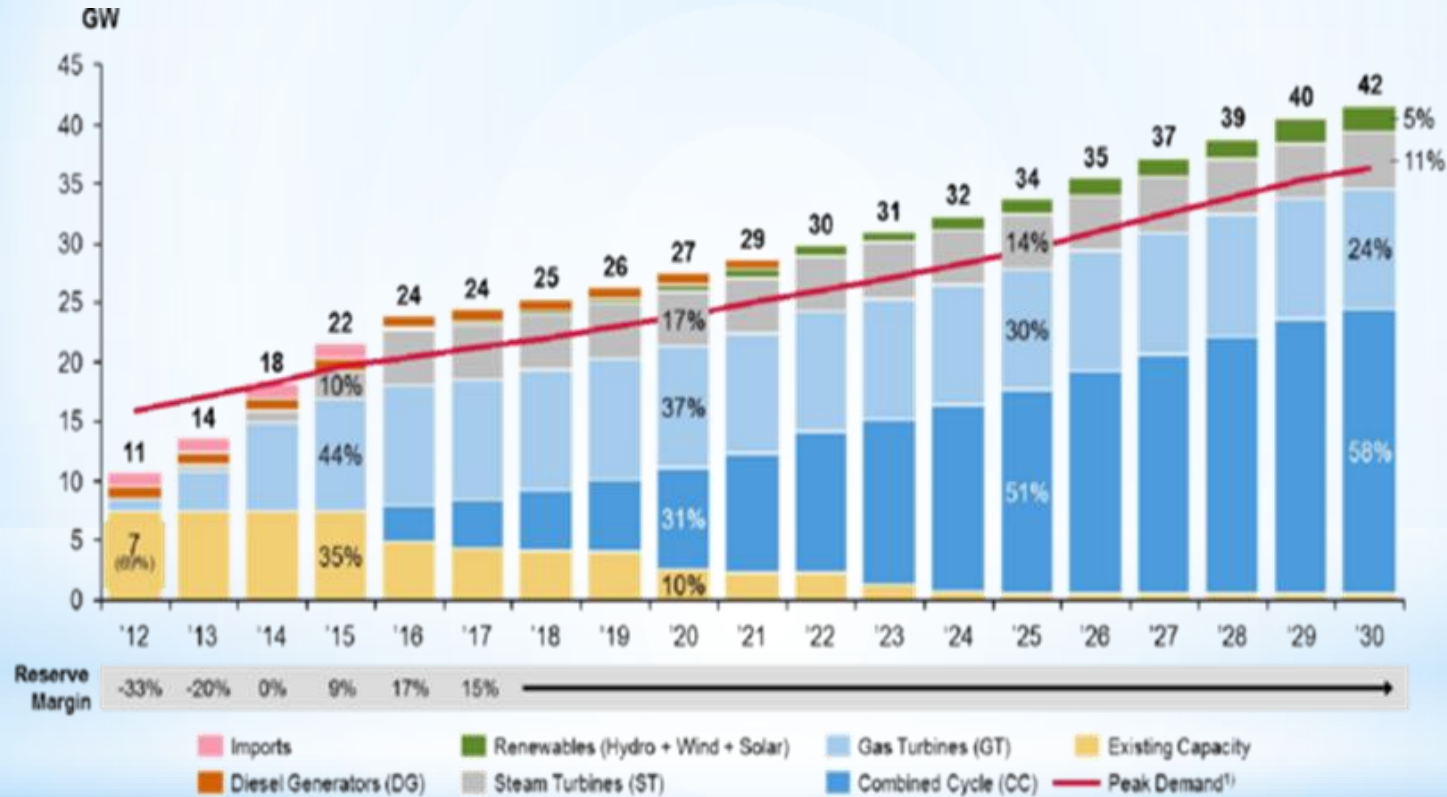
Iraq's Integrated National Energy Strategy (INES)

Exhibit ES - 7: Potential Export of Surplus Gas



Iraq's Integrated National Energy Strategy (INES)

Exhibit ES - 8: Planned Expansion of Iraq's Generation Capacity



Note: Figures represent Iraq excluding Kurdistan
 Peak demand is demand at customer level including Transmission & Distribution technical losses
 Source: McE Short-term Electricity Master Plan, Booz & Company analysis

Iraq's Integrated National Energy Strategy (INES)

- INES Investment Requirements and Results
- Institutional Reform
- Medium to Long term
- Capability development
- Institutional design
- Private sector involvement

General Framework of the Government Program 2014 - 2018

- 1 - Introduction
- 2 - Bases for preparing the governmental program:
 - a - The Constitution of the Republic of Iraq.
 - b - Document of political agreement among political blocs participating in the national unity government of 2014.
 - c - The five - year development plan and national strategies.
- 3 - Chances and challenges.
- 4 - The Government's program for the final term of term.

General Framework of the Government Program 2014 - 2018

5 - Governmental program 2015 - 2018:

- a - The emergency plan to address displacement problem.
- b - Adjustment of national development plan and national strategies.
- c - Formulation of detailed targets (sector - related & location - related).
- d - Strategic priorities for the proposed governmental program 2015 - 2018:

First: Working to achieve Iraq's security, stability and protection of its facilities.

Second: Upgrade Iraqi citizens' living standard and services provision.

Third: Increasing production of oil and gas to improve financial sustainability

Fourth: Regulate the federal - local relations.

e - Governmental reform:

First: Adopt a wide - scale plan for institutional reform.

Second: Expedite the implementation of administrative reform program.

Third: Perform the economic and financial reform.

Fourth: Combat corruption.

General Framework of the Government Program 2014 - 2018

5 - Governmental program 2015 - 2018:

f - Encourage transition to private sector:

First: Rehabilitate the state - owned industries, and gradually converting to private sector.

Second: Provide infrastructures (electricity, transportation and communication).

Third: Secure an enabling environment to upgrade the private sector:

- Commerce, Finance and currency exchange.
- Laws and other legislations.

6 - Meeting requirements of human development:

a - Education

b - Health

c - Environment sustainability

d - Improve efficiency of social security services

e - Promote the role of women in the society

f - Working on activating the role of civil society organizations

General Framework of the Government Program 2014 - 2018

- 7 - Formulate programs of monitoring , governmental performance evaluation and roles integration:
 - a - Regulation of performance follow - up (Council of Ministers Secretariat)
 - b - Regulation of Board of Supreme Audit
 - c - Central follow - up of projects (Ministry of Planning)
 - d - Regulation on follow - up of offices of public inspectors
- 8 - Prospects of pan - Arab, regional and international cooperation
 - a - Develop relations with other countries
 - b - Promote constructive cooperation ties with United Nations, Arab and other international organizations

General Framework of the Government Program 2014 - 2018

- 9 - Mechanisms for coordinating functions between the Government and other authorities:
 - a - Between the Federal Government and the Council of Representatives
 - b - Between the Federal Government and Presidency of the Republic
 - c - Between the Federal Government and the judicial authority
 - d - Between the Federal Government and Kurdistan Regional Government
 - e - Between the Federal Government and local governments in governorates that are not related to a region

Conclusion

- Ensure outstanding performance of all ministries and other offices in order to achieve what was mentioned in the program
- Affirm commitment to keep on the exceptional efforts

Strategic Priorities in the Work Plan of Ministries for the Period 2014 - 2018

Main Foundations for Strategic Priorities of the Proposed Governmental Program:

First: A secure and stable Iraq

Second: Upgrade living standard and services provision for citizens

Third: Encouraging transition to private sector

Fourth: Increasing production of oil and gas to improve financial sustainability

Fifth: Conducting administrative and financial reform in governmental institutions

Sixth: Regulate federal - local relations