

AMERICAN CONTRACTOR

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The American Contractor Newsletter
of Iraq information and variety of news
of interest to you all

Iraq Dates

December 8, 2009 Iraq Parliament back in session

December 7-9 2009 Iraq Petroleum Conference London U.K.

December 11-12, 2009 2nd Round Oil Auctions (possibly could be delayed with no confidence vote)

December 20, 2009 Iraq Japan Investment Conference

December 31, 2009 Iraq Development Fund for Iraq (DFI) expires, (will be extended)

January 16, 18, 21, 2009 Iraq National Elections

1 March 2010, Iraq National Elections (Maybe)

June 2010, U.N. Tarsov Mandate Extended

October 2010, National Census (was rescheduled from Oct 2009)

Conserve Electricity in Iraq

Just recently the Ministry of Electricity (MoE) is calling for Iraqi citizens to conserve electricity in order to maintain the current output levels.

Electricity Minister Media Director, Aziz Sultan, said " "Winter shall witness a load on the power grid causing a deterioration in the provided service and a decrease in the number of hours in which electricity is being provided."

AC Comment: I thought I would share this information as I was amused by the MoE suggesting to the Iraq People to limit there usage of government run electricity. **It is easy to limit the usage of government electricity when you don't have none.**

Most of the Iraqi people went out on the Iraqi economy in the last several years and personally bought there own generators.

It is one of the main reasons fuel shortages were occurring in Iraq due to the demand of diesel fuel for the generators and the Iraqi government could not keep up with the demand.

The Iraqi Parliament is celebrating the holiday of Eid Al Adha and will be in session 8 December.

The Iraqi Parliament is possibly looking at a no confidence vote for the Minister of Electricity Kareem Wahid Al-Hasan when they reconvene. ☺

All Former Fedayeen will be expelled from the MOI

On Monday, the Ministry of Interior (MOI) issued an order to terminate all former Fedayeen Saddam who are currently working within the MOI.

AC Comments:
The actual number has not been published and you'll know what happens next. These out of work government workers go on and join anti-government militia's, criminal gangs and insurgent groups.

The Iraq Parliament

Several weeks ago I had written about the benefits of being a duly elected Iraq Parliament Member and just recently the Iraq Parliament have given themselves additional benefits such as Diplomatic Passports for them and there family members.

The Iraq Parliament members have also made an agreement to not pay back the \$60k that all Parliament Members receive when they first enter Parliament to help pay for Armored Vehicles, bonuses, and land.

The newspaper quoted Baha Al Aragi, the Chairman of the Parliament Legal Committee, saying to the French Press Agency (AFP), "One month and a half ago, Parliament Members voted behind closed doors on legislation that gives them the right to receive bonuses equal to 80% of their salary for the next 10 years, diplomatic passports for themselves and their families, and 600 square meters of land in the location of their choosing – similar to Ministers."

The Iraqi Parliament received a monthly salary of 25K usd per month while the average Iraqi makes \$500 per month.

The Parliament members also have the right to have 30 body guards and the salary paid by the Iraqi government. Most as you can imagine the body guards are the Parliament Members family members being paid by the Iraqi government. ☺

Private Banks Flourish Amid Iraq's Chaos

Privately-owned banks are flourishing in Iraq as lower violence and increasing savviness among Iraqi bankers fuel a lending boom, US officials and Iraqi banking executives say.

Iraq's tiny banking sector is dominated by two of seven state-owned banks which alone control 86 percent of assets, but private banks are expanding rapidly around the country and targeting growth areas like lending to family-run firms.

Credit from private banks to the economy jumped 80 percent in the past year and looks set for double-digit growth in the future, said a US aid official, who declined to be named.

"It's growth that's coming off a very small base," he said at a Baghdad banking conference

where private banks touted their expertise on items like car loans and letters of credit. "But the expectation is that the private sector will show sizeable growth -- maybe not 80 percent again -- but certainly people expect to see strong double-digit growth."

Violence triggered by the 2003 US-led invasion has fallen sharply over the past 18 months and Iraqis are hoping that plans to boost oil output will reverse decades of economic decline.

The Iraqi market is starting to interest Western banks, though high security costs and lingering violence have deterred them from taking concrete steps like opening an office here, the official said. But the Iraqi central bank's willingness to issue new licences means the market is open to them, he said.

Britain's HSBC already has a presence in Iraq through a stake in Dar es Salaam bank, and Bahraini, Turkish, Iranian and Lebanese banks have set up shop here. Others in the Middle East and Asia are eyeing opportunities in Iraq, Boston Consulting Group said earlier this year. A look at Iraqi banks like the Ashur International Bank for Investment shows why.

While many Western banks are still hurting from the financial crisis, Ashur is prospering -- it expects profit to rise 50 percent to \$15 million this year and plans to open three new branches to add to the four it already has.

Lending to small, family-run firms like restaurants and shops has proven to be particularly good business for Ashur, which has boosted loans to the segment six-fold this year. "I think the best existing projects in Iraq are opening new Iraqi banks," said Wade Al Handal, the bank's chairman. "We have had only one default from someone who didn't pay back his loan."

Getting Iraqis to bank with private rather than state-run banking companies like Rafidain and Rasheed may be a struggle.

But with up to 40 percent of the population using the banking system, Iraq already has higher banking usage than Egypt, where the figure stands at 20-25 percent, the US official said.

Still, Iraq's banking sector remains in its infancy.

The banking system has just over 40 banks with more than 800 branches, but loans by state-run banks stand at just 3.6 trillion Iraqi dinars (\$3.1 billion) while those by private banks total 1.8 trillion Iraqi dinars, central bank data show.

Much of Iraqi banking activity is limited to basic lending and deposit services. But there are signs Iraqi banks are getting more confident about lending freely and becoming savvier about focusing on profitable areas, officials say.

Lending to small and medium-sized firms by private banks with the help of a US-backed project stood at \$2.5 million a year ago, but has now jumped to \$23 million, said Joel Antal, technical director of the Iraqi Company for Financing SMEs.

"A year ago, banks viewed loans maturing in 18 months as too risky, whereas now two-year loans are commonplace," he said. "This tells us that they're getting more confident," said Antal. "What we're trying to teach them is that this is a profit sector... That's where banker's greed gets started."



IHEC No Extensions

IHEC has announced that it will not lengthen the time period for political parties to register their candidates. IHEC Member Qassim Al Aboudi said, "IHEC has decided not to extend the candidate registration period.

Yesterday was the last day for registering; today, IHEC's doors are closed to new candidates. IHEC, as part of its efforts to facilitate the election process, has decided to give the (already registered) candidates one week to provide their (qualification) documents."

Monday was originally planned to be the final deadline for candidate registration, but IHEC decided to lengthen the period until close of business on Wednesday. It is worthy to mention that IHEC began registering candidates on 10 November. ✎

1200 Housing Units Baghdad

The Governor of Baghdad, Salah Abdul Razaq, agreed to build 1200 housing units in the Abu-Ghraib area of Baghdad. The proposed site is 250,000 sq. meters. ✎

Parliament Elections

Parliament Member Abbas Al Bayati, a leader in the Rule of Law Coalition led by Prime Minister Nuri Al Maliki, said, "One individual causing the delay of the elections is unconstitutional and violates the principles of democracy. Vice President Tariq Al Hashimi's veto of the Election Law will force us to return to 'square one' and place obstacles in the path of the political process. This veto will force us to postpone the elections; that is what some groups actually wanted. This is considered to be a violation of the national will and a negation of the role of the legislative branch."

This "amended" Election Law was basically a last minute modification of the 2005 Parliament Election Law. It mainly did away with the Closed List system and increased the number of Parliament seats from 275 to 323.

Al Bayati added, "Al Hashimi's bloc was in the Parliament when the Election Law was passed. His bloc agreed with other blocs regarding this law. So, this veto means that one individual is trying to impose his will on the rest (of the people); and, that is unacceptable."

It is worthy to mention that Vice President Tariq Al Hashimi officially vetoed the amended Election Law that Parliament passed on 8 November. ✎

The Investment Law

The Iraqi Parliament on 24 Nov, passed the amendment to the National Investment Law and the law has been sent to the Presidency Council to be approved and on to be published in Official Gazette.

The Investment Law was passed last month 13 October during the 10th session of the Iraq Parliament and since then before the Presidency Council would approve it some of the language needed to be changed. The Iraq Parliament reviewed the changes and passed the Investment law.

We have a copy of the new Investment law and will be analyzing and commenting. On 25 November the announcement of Thomson Reuters and Trade Bank of Iraq (TBI) was no coincidence it was timed with the passing of the new Investment Law to reach out and assure the global financial community that the State owned Bank TBI is moving in the right direction to upgrade there financial platform and that there doing everything they can to protect the future funds of investors inside Iraq.

As I've mentioned in the past newsletters 2009 is the year for Iraq in Investment Conferences. The next major Investment Conference is with Japan's business community on 20 December. The Investment Conferences are not over after this year as next year there will be more announcements.

The Investment Law No. 13 of 2006 was the law the Iraqi Parliament voted on and the law has eight different articles and I will mention a few of them.

The first two articles of text mention that there is no changes to the Investment Law. The third article First paragraph mentions the National Investment Commission (NIC) will have a corporate style structure and will set up offices through out the provinces and different areas of Iraq and each office will have a representative of the Chairman of the NIC.

The NIC representative will have oversight in granting investment licenses, to perform investment planning, and to promote investment.

The NIC offices will have staff to oversee that all laws in granting those licenses are in compliance. The third article second paragraph lists the requirement of the NIC representative and has to be approved by the Prime Minister and the appointment is for 5 years. Members

of the Investment commission must have 7 years of specialized experience, a university degree that is related directly to the commission area of expertise, no felony convictions and have not declared Bankruptcy. They are very good standards to have who is going to be directly dealing with the reconstruction of Iraq and will be the face of the Iraqi Government in carrying out a very important endeavor.

Article Four, first paragraph, talks about how Iraq and foreign investors shall enjoy all privileges, incentives, and guarantees and are subject to the provisions stipulated in this law. The second paragraph mentions that Iraqi and foreign investors have the right to own land and real estate properties owned by the state for a fee, and this exclusive for housing projects. Iraq and foreign investors can not speculate at all on the land they just bought it must be used for the purposes intended in the agreement with NIC. If you fail to carry out your obligations in regards to the land ownership the NIC will revoke your license to own such land.

Iraq and foreign investors must commit to building houses and sell, rent or lease them to Iraqi citizens and you can also use some of the land for your business as required. Like if you need office space and a guest house with a large pool.

Article five mentions about trading in stocks and bonds listed on the Iraqi Stock Exchange (ISX) and acquiring membership in private and mixed corporations; and this shall not be prohibited because the list of assets of the aforementioned corporations include real estate properties.

You can also be denied an Investment license and you can appeal the decision within 15 days.

The law also applies to existing projects so if you have an ongoing project you have to have a NIC license.

The Ministries of Finance and other government entities shall provide land and real estate properties that can be established as an investment project shall provide the information to the NIC office. The NIC office will give these investment opportunities to Iraq and foreign investors.

There is more information and text written in the just recent passed Iraq investment law which is a good read be sure and get your copy. ☺

Iraq Forms Chapter VII Committee

The Iraq Council of Ministers formed a committee to follow up on negotiations with the United Nations (UN) on removing Iraq from its obligations from Chapter VII in the compensation with Kuwait. The committee is formed with the Foreign Minister as the lead along with Finance, Justice, Defense, Human Rights, Oil, and Transport ministries.

AC Comment: If you have been following this the main issues are Kuwait property, the water ways of allowing Iraq access to the sea, Kuwait missing persons, the 5% in compensation that Iraq pays each month that would like it to be reduced to 1% or nothing, and the large reparations amount of 26 billion dollars. You ever wonder why Iraq hardly ever mentions in the media about the Kingdom of Saudi Arabia who it owes 25 billion dollars too. ☺

Major Financing on the Horizon in Iraq

The year of 2010 will be the year of reconstruction as PM Nuri Al-Malki wanted 2009 to be it as it could not happen for lack of funding from world governments and private enterprise due largely to no up to date Investment laws and security problems. Bankers from around the world have been traveling to Iraq looking for opportunities.

In a recent article published in Trade Arabia online this is what the Chairman for the State Run bank Trade Bank of Iraq said this week. "In the last three months I am seeing quite a lot of interest. There are banks coming to Iraq, visiting as well as looking for opportunities. Swiss banks have been here, US banks" Uzri told Reuters in an interview.

Western Banks are coming to Iraq and we already know Citi bank and JP Morgan have long been inside Iraq since almost from the beginning. I am sure some announcements will be made early next year with more licensing from the Central Bank of Iraq. ☺

[Read the TradeArabia Article.](#)

New Trade Bank of Iraq Fund

After all the Investment Conferences have been taking place this year the Trade Bank of Iraq is setting up a fund for investors that would like to participate in Iraq's reconstruction effort. An investor can participate in the rebuilding of Iraq without having to make a direct investment. This is all coinciding with the Trade Bank of Iraq and the Thomson Reuters announcement this week and the Iraq National Investment law being passed. An article published in the UAE online 'The National' says that 2.5 million housing units are needed inside Iraq. ☺

[Read the article here.](#)

RV Update

There will be no RV in November and December 2009. The American Contractor's analysis is accurate and anyone saying an RV is close is just plain false.

There will be other announcements in the financial sector in regards to Iraq early next year however, the main focus is the Iraq National elections.

All the ground work is being positioned to facilitate the much needed investments that should be coming into the country for the reconstruction projects. Most investors are still on the sidelines waiting to see the outcome of the national elections.

The question on everyone's mind is who will control the country after U.S. Forces start there on schedule withdrawal. The withdrawal is not dependent on the Iraq elections it will commence on schedule as reported.

Iraq's national elections will be held the actual date is unknown.

Thank you for reading and be sure and join the mailing list as the blog in the future will be going away. ☺

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