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BINGOL UNIVERSITY

SOCIAL SCIENCES INSTITUTE

BUSINESS ADMINISTRATION DEPARTMENT

MANAGING INVESTMENT RISK IN REGIONAL DEVELOPMENT (Erbil As a Case Study)

BY STUDENT

ARDALAN YOUSIF MOHAMMED

MASTER THESIS

SUPERVISOR

Ass. Prof. Dr. Yavuz TURKAN

BINGOL – 2018

T.C.

BİNGÖL ÜNİVERSİTESİ

SOSYAL BİLİMLER ENSTİTÜSÜ

İŞLETME ANA BILIM DALI

BÖLGESAL KALKINMADA YATIRIM RİSKİNİN YÖNETİMİ (Erbilde Bir Uygulama Çalışması)

Hazirlayan

ARDALAN YOUSIF MOHAMMED

YÜKSEK LİSANS TEZİ

Danışman

YRD. DOÇ. DR. Yavuz TURKAN

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REASERCH METHODOLOGY & AN EMPPIRICAL STUDY

SCIENTIFIC ETHICS

The thesis project [**MANAGING INVESTMENT RISK IN REGIONAL DEVELOPMENT - Erbil AS A CASE STUDY]**, as soon as the results of the judicial work have been concluded, the scientific ethics and academicals rules have been met, I have acquired all the information in the project on scientific ethics and tradition.

I undertake, in this work, that I have properly or indirectly done all the work I have done in the course of preparing the project, and that the works I have used are of the kind shown on the source.

18/01/2018

ARDALAN YOUSIF MOHAMMED

Signature

THESIS ACCEPTANCE AND APPROVAL

BINGOL UNIVERSITY

SOCIAL SCIENCES INSTITUTE

This work entitled [**MANAGING INVESTMENT RISK IN REGIONAL DEVELOPMENT - Erbil AS A CASE STUDY]**, prepared by **[ARDALAN YOUSIF MOHAMMED],** was found to be successful as a result of the thesis defense examination held on the date of (18/01/2018) and accepted by our juror as the Master's Degree in the Department of Business Admiration.

Chair: Yrd. Doç. Dr. Abdullah OĞRAK Signature: ....

Supervisor: Yrd. Doç. Dr. Yavuz TURKAN Signature: ....

Member: Yrd. Doç. Dr. Erdinç KOÇ Signature: ....

CONFIRMATION

The jury determined in the (18/01/2018) have accepted this thesis. Session of the Board of Directors of the Institute of Social Sciences of Bingol University.

Director of the institute

DOÇ. DR. YaŞar BAŞ

ACKNOLEDGMENT

First, I have to thanks the God that create a talent to read and write, as God Almighty said in the KORAN (read the name of your Lord who created). After two years of work and study to obtain the master's degree, I have to thanks my god who gives me the grace to complete my study.

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Bingol university, institute of social sciences, Abstract of Master's thesis

Title of the thesis: MANAGING INVESTMENT RISK IN REGIONAL DEVELOPMENT (ERBIL AS A CASE STUDY)	
Author: ARDALAN YOUSIF MOHAMMES	
Supervisor: Ass. Prof. Dr. Yavuz Turkan	
Department: Business administration	
Sub-field:	
Date: 18/01/2018	

This research is located in the three chapters cover the theoretical framework and field study, we are described the (FDI) and reality by defining its concept, also touching for its various forms, as you will learn about the various explanatory theories him and their implications in the study, which will be followed up by a researcher plan. Also, we address the concepts of regional level and its place in the global economy and development, and then try to use some examples of previous studies in some countries and also, I try to know more important theories about (FDI).

For more inform I will try to know the risks and forms of risks. Firstly, I look for the risks, so the kinds of risks that threaten (FDI), I will try to search for FDI in Erbil city. So, I look for (Iraqi law & KRG law for (FDI). Then I use some info about the size of investments in Erbil and his ability to development.

The field study aimed to test the hypotheses developed by a researcher and in the study relied on two approaches are: (The theoretical method to study the reality of FDI in Erbil, first through the information recorded in the literature and references and comparisons with other countries, and Comparison in the differences and similarities between the legal and legislative texts, private Iraqi investment law and investment law for the Kurdistan Region and international investment laws. finally Using a questionnaire developed by between each of the owners of the investment business in the private and public sectors in Erbil.

Key words: Risk, Investment**,** Investment risk**,** Management, Foreign Direct Investment

Bingöl Üniversitesi Sosyal Bilimler Enstitüsü Yüksek Lisans Tez Özeti

Tezin Başlığı: BÖLGESAL KALKINMADA YATIRIM RİSKİNİN YÖNETİMİ (Erbilde Bir Uygulama Çalışması)

Tezin Yazarı: ARDALAN YOUSIF MOHAMMED

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Anabilim Dalı: Isletme

Bilim Dalı: -

Kabul Tarihi: 18/01/2018

Bu araştırma teorik çerçeve ve arazi çalışmasını içeren üç bölümden oluşmaktadır; çalışmada Doğrudan Yabancı Sermaye Yatırımları (DYY) kavramı, çeşitli formlara, çeşitli açıklayıcı teorilere ve bunların etkilerine değinilerek tanımlanmaktadır. Bu araştırmada bir araştırmacı planı takip edilmektedir. Ayrıca, bölgesel düzey kavramları ve küresel ekonomideki yeri ve gelişimi ele alınmakta ve daha sonra bazı ülkelerde ki örnek çalışmalardan yararlanılarak DYY hakkında önemli teoriler araştırılmaktadır.

Daha fazla bilgi için riskler ve risklerin oluşum şekilleri ifade edilmiştir. Öncelikle, riskler araştırılmış, Erbil şehrinde Doğrundan Yabancı Sermaye Yatırımlarını (DYY) etkileyen risk türleri incelenmiştir. Daha sonra Erbil'de ki yatırımların boyutu ve gelişim kabiliyeti hakkında bazı verilerden yararlanılmıştır.

Uygulama çalışmasında geliştirilen hipotezler test edilmiş ve çalışmada şu iki yaklaşım ele alınmıştır: Erbil'de DYY'nin gerçekliğini incelemek için önce literatürde yer alan bilgiler ve referanslar, diğer ülkelerle kıyaslamalar, yasalar ve yasama metinleri, özel Irak Yatırım Kanunu ve Kürdistan Bölgesi için yatırım kanunu ve uluslararası yatırım kanunları arasındaki farklılık ve benzerliklerin karşılaştırılması teorik olarak araştırılmıştır. Son olarak Erbil'de yer alan özel ve kamu sektörlerindeki yatırımcılara yönelik anket soruları yöneltilmiştir.

Sayfa Sayısı: Yatırım, Yatırım riski, Yönetim, Doğrudan Yabancı Yatırım

SHORTCUT WORDS

AER	Association of European Regions
BBS	Bangladesh Bureau of Statistics
BOI	Bored of Investment
CNDP	Comprehensive National Development Plan
FDI	Foreign Direct Investment
GFACC	General Federation of Arab Chambers of Commerce
Hectare	(10000) Secure Meters
HLPF	High-level Political Forum
IIA	International Investment Agreements
IRMSK	Instate of Risk Management of South Africa
ISIS	Islamic State Organization in Iraq and Syria
KRG	Kurdistan Regional Government
KRGI	Kurdistan Regional Government of Iraq
OECD	Organization for Economic Cooperation and Development
PITAS	Preferential Trade and Investment Agreements
RTA	Regional Trade Agreement
UN	United Nation
UNCTAD	United Nations Conference on Trade and Development

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INTRODUCTION

Investment is a paramount economic activity, and the FDI in the sense of inclusiveness is a direct movement of foreign capital for investment from abroad and is considered one of the main factors of economic development in most of the country & helps expand the investor base, also solving the problem of unemployment by creating new jobs. Presenting state-of-the-art technology and identifying modern methods used in management and marketing communications are other investment tasks, all of which lead to higher national skills and more skilled experience.

Host countries should recognize the importance of FDI and strive to attract it by creating the appropriate environment and environment that promotes foreign investment and incentives for foreign investors. Unemployment, low per capita income, poverty and poor infrastructure in developing countries are among the obstacles that make this country the most problematic, as well as the lack of productive investments that create added value and employ talent that can change from other aspects to these problems.

That developing countries that suffer from scarcity of capital or lack of scientific and technological progress are essential to the adoption and withdrawal of policies and procedures in their economies in accordance with the priorities of the system for economic development. In this paper, we need to understand what benefits or hurts the country by investing and also all the risks facing developing countries from foreign investment. Then we have to understand how to reform the government or how to take a set of policies and reforms by governments to reduce the risks facing them.

There is a group of regional and countries that seek to develop in all private and general sectors, so they have a range of reforms in their economies and reforms in the government and administrative system towards more transparency and more fragmentation of the routines, has examples of these governments in research and also specializes in a larger field of research To understand the conditions or the investment climate in Iraq and Kurdistan, also the quality and how to work (economic, policy, transparency, administrative, etc.) by the government and the departments of investment towards foreign investment.

CHAPTER ONE

FDI IN GENERAL AND REGIONAL LEVEL

1.1. FDI IN GENERAL

1.1.1. The definition of FDI

You should know what investment is, and for this purpose we have to put together a set of acceptable definitions of investment. After investment definitions we should also know definitions of FDI. The term "investment" means the use of assets in the establishment of new projects or existing enterprises that generate an additional return or interest thereon. Another definition of investment is that it is a financial link that aims to achieve long-term gains in the future (Zahia, 2007, p. 6).

Investment is any sacrifice now worth (known), hoping to get value in the future, usually the size or quality is unknown (Ghajar & others, 2007, p. 5). After the definitions we mentioned for investment, now we take some definitions about foreign direct investment, FDI is defined as a company or enterprise undertaking projects outside the country of origin to exert some influence on the operations of those projects (Ghazali, 2004, p. 4).

The term investment is an economic activity arising from the national savings base, whether it is owned by individuals, institutions (public or private institutions) in developing countries. Investment increases production capacity (Munati, 2013, p. 360). FDI is defined as a cross-border investment in which a resident in one economy (the direct investor) acquires a lasting interest in an enterprise in another economy (the direct investment enterprise) (Working Group, 2003, p. 41). According to the IMF and OECD definitions, direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). (Duce & Banco, 2003, P. 2-3)

Foreign direct investment (FDI) is defined as: “a firm’s ownership, in part or in whole, of an operation in another country”. “Foreign Direct Investment (FDI) is the process whereby residents of one country (the source country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country)". (Stavroula, 2012, P. 6)

Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates (T Corporation; 2007, p. 245). FDI may take many forms, such as direct acquisition of a foreign firm, constructing a facility, or investing in a joint venture or making a strategic alliance with one of the local firms with an input of technology, licensing of intellectual property (Tutorials point, 2016, p. 1).

FDI includes all funds that spent in order to finance the establishment of a new institution or expansion of the existing institution, where the foreign investor monitors the management, and the funds spent to finance the total or partial purchase of an existing enterprise, and the long-term loans between the same group companies. Flows of FDI comprise capital provided by a foreign direct investor to an enterprise, or capital received from an investing enterprise by a foreign direct investor, FDI has three components: equity capital, reinvested earnings and intra-company loans. (T Corporation, 2007, p. 246)

The last Definition that I select is the Definition of the United Nations Conference on Trade and Development (UNCTAD): defines FDI as an investment involving a long-term relationship that reflects permanent interests and managerial control between a company in the country of origin, Investor Company) and a company or production unit in another country (the recipient country of investment). (Louayel, 2015, p. 126).

1.1.2. THE IMPORTANCE OF FDI

1.1.2.1. Why FDI is Important?

FDI is an important source of externally derived finance that offers countries with limited amounts of capital get finance beyond national borders from wealthier countries. According to the World Bank, FDI is one of the critical elements in developing the private sector in lower-income economies and thereby, in reducing poverty (tutorials point, 2007, p. 4). The importance of foreign investment can be summarized in the following points:

- Foreign investment is a source of compensation for the deficit in domestic savings and an increase in GDP growth rates. One of the main objectives of attracting foreign capital is the establishment of productive projects in all industrial, agricultural and service fields, which aim at producing goods and services with competitive advantage for export and qualify for admission to international markets.
- Investment is the main engine of the export process, this helps to have a strong export sector, which attracts more investment flows translated into an increase in exports of goods and services, which attract new investments and so this will address the deficit in the balance of payments and increase the proceeds of foreign exchange.

Foreign investment comes with modern technology and new managerial and marketing expertise. Modern technology helps develop product and reduce production costs and it is increases employment opportunities.

1.1.2.2. FDI and types

In the beginning we look for investment types. Investment types are divided to: (Based on investment, Investment for time based on time or based on time or duration, in terms of risk and investment risk based on the amount) (Jalalian, & Ahmdpvr, 2008, p. 4). But FDI types are different from investment Types, FDI is divided into types and forms, but there is a kind of agreement on the types of them, in this regard generally and strategically comes in three types, as follows: **(**Tutorials point, 2016, p. 2-4)

- ✓ Horizontal: In this case of FDI, the company does all the same activities abroad as at home. For example, Toyota assembles motor cars in Japan and the UK.
- ✓ Vertical: In case of vertical FDI, the different types of activities are carried out abroad and FDI brings the company nearer to a market (for example, Toyota buying a car distributorship in America)
- ✓ Conglomerate: In this type of investment, the investment is made to acquire an unrelated business abroad. It is the most surprising form of FDI, as it requires

overcoming two barriers simultaneously: first entering a foreign country and second working in a new industry.

(FDI) may be wholly or partly owned by the foreign company and it foreign takes the following forms: (Kortel & Ben Orab, 2002, p. 5)

- ✓ Joint investment: KOLDE knows it in one process involved two parties or two from two different countries participate on a permanent basis. Participation here is not limited to share in capital so there have another set of important factors which affect this process such as management, experience, patents and trademarks & Etc.
- ✓ Investments wholly owned by the foreign investor: The foreign companies are preferred this type of foreign investment, because it is establishment of multinational companies to establish branches of production or marketing in the host country.

1.1.2.3. Specific factors and the basic requirements to attract FDI

The benefits brought by FDI to host countries do not come automatically to these countries but they must work to provide the requirements of foreign direct investment to benefit from it. (Saskia ks wilhelms) made a study on attracting FDI between 1978 and 1995 in 67 countries, in the analysis of the determinants was found that factors at the sector or enterprise level are less important than the country-specific elements: (Kortel & Ben Orab, 2002, p. 6-8.)

1. Government settlement: reduces the instability (economic, political, legal and administrative) in the country and this leads to increased FDI, and also reduce the degree of risk. The government's adjustment is measured by variables (economic openness, integrity, legal and administrative transparency).
2. Market Adaptation: FDI Flows increase by Well-functioning markets. Market adaptation is measured by the following variables:

- ✓ Total market adaptation
- ✓ Percentage of urban population of the total population
- ✓ Population density of rural areas
- ✓ Adaptation of goods and services market
- ✓ Adaptation of the capital market

On the other hand, the basic requirements for FDI are also the obligation necessity of companies and investors:

- ✓ Must focus on the competitive side
- ✓ keep pace with the global trends in their industry

They should be aware of whether that the competitors are entering a foreign market and how they do it. They will have to see how globalization affects local customers. Another major reason for FDI is access to new markets for the export of a product or service is obsolete and the production or foreign site becomes more cost effective. So, any investment decision is a combination of a number of key factors including: **(**Tutorials point, 2016, p. 5)

- ✓ Assessment of internal resources
- ✓ Competitiveness
- ✓ Market analysis
- ✓ Market expectations

1.1.2.4. Overview of the FDI magnitude

In the past 25 years, the world has witnessed fundamental transformations and rapid and successive changes, which generally represent the acceleration and unification of the international economic process, whose changes have accumulated after the middle of the 20th century. The volume of capital flows across national borders or FDI has also expanded through multinational corporations. FDI is one of the most important changes in the global economy. All the countries of the world are attracted by investment promotion laws because of the role they play in bringing in technological expertise and administrative and organizational knowledge, as well as the ability to make structural changes in local economies (Abu Jameh, 2013, p. 427).

This process has been by steady progress in productivity and growth rates in advanced industrialized countries, as well as in a number of developing countries or other emerging economies, resulting in greater integration of markets and economies, and the expansion and acceleration of capital transfer through FDI. The increase in international FDI after the 2008 global crisis began only in 2010 and continued in 2011 before declining in 2012, rising by 9% in 2013 to $ 1.45 trillion, with expectations for a rise to $ 1.6 trillion in 2014, then to $ 1.7 trillion in 2015, and to $ 1.8 trillion in 2016 (GFACC, July 2014, p. 6).

The increase in international FDI after the 2008 global crisis began only in 2010 and continued in 2011 before declining in 2012, rising by 9% in 2013 to $ 1.45 trillion, with expectations for a rise to $ 1.6 trillion in 2014, then to $ 1.7 trillion in 2015, and to $ 1.8 trillion in 2016. Global FDI stock rose by 9%, reaching $25.5 trillion. UNCTAD projects that global FDI flows could rise to $1.6 trillion in 2014, $1.75 trillion in 2015 and $1.85 trillion in 2016. The rise will be mainly driven by investments in developed economies as their economic recovery starts to take hold and spread wider. The fragility in some emerging markets and risks related to policy uncertainty and regional conflict could still derail the expected upturn in FDI flows (GFACC, 2015, p. xii).

Developing economies maintain their lead in 2013. FDI flows to developed countries increased by 9 per cent to $566 billion, leaving them at 39 per cent of global flows, while those to developing economies reached a new high of $778 billion, or 54% of the total. The balance of $108 billion went to transition economies. Developing and transition economies now constitute half of the top 20 ranked by FDI inflows.

FDI outflows from developing countries also reached a record level. Transnational corporations (TNCs) from developing economies are increasingly acquiring foreign affiliates from developed countries located in their regions. Developing and transition economies together invested $553 billion or (39%) of global FDI outflows, compared with only (12%) at the beginning of the 2000s (Group Working, 2014, p. 14).

FDI flows to all major developing regions have increased. Africa experienced an increase in flows (+ 4%). Developing Asia (+3%) continues to be the first destination for global investment. The regional headquarters of transnational corporations and proactive regional investment cooperation are driving the increased flows within the region. Latin America and the Caribbean (+6%) experienced mixed FDI growth. Prospects are brighter, with new opportunities emerging in oil and gas, and investment plans for TNCs in manufacturing.

FDI to the economies in transition has reached record levels, but the outlook is uncertain. (FDI) flows to the economies in transition rose by (28%) to $ 108 billion in 2013, and FDI from the region rose 84 per cent to $ 99 billion. The prospects for foreign direct investment in economies in transition are likely to be affected by uncertainties regarding regional instability (Group Working, 2014, p. 15-16).

1.1.2.5. International agreements concerning FDI

Countries have repeatedly held some agreements to take promote and protect foreign direct investment. Such agreements can be between two or more countries, and countries where the IIAs are committed to meeting specific criteria for addressing foreign investment within their territories. International investment agreements are a type of treaty between countries dealing with cross-border investment issues.

International investment agreements (IIA) also establish procedures for the settlement of disputes in the event of failure to meet these obligations. The most common IIAs are bilateral investment treaties and preferential trade and investment agreements (PITAS). International tax agreements and double taxation treaties are also international investment agreements, as taxes usually have a significant impact on foreign investment. Accept bilateral investment treaties and address and protect FDI (Oshwah, 2017, p. 1).

They usually cover investments by institutions or individuals from host countries. The preferential trade and investment agreements are treaties between countries in economic and trade matters. They usually cover a wide range of issues and conclude at the bilateral or regional level. Many bilateral investment agreements include protection of investment provided by these treaties, as well as improving the economic determinants of foreign direct investment, sometimes in an important way. This applies in particular to the determinants of market-related FDI in respect of negotiable goods and services and non-negotiable services. Recipient countries benefit from engaging in

IIAs in terms of increasing their attractiveness to foreign direct investment (FDI), thereby gaining more FDI.

However, the obligations embedded in IIAs can also impose costs on developing countries, which "constrain their sovereignty by entering into treaties that specifically limit their ability to take necessary legislative and administrative actions to advance and protect their national interests" (UNCTAD, 2009, p. 3-4). These agreements contribute to greater transparency, predictability and stability in the investment framework of host countries and may, to some extent, be a substitute for poor institutional quality in the host country with respect to the protection of property rights. Here are three mechanisms to assess their impact on attracting FDI:

1) **Protection of foreign direct investment:** International investment agreements (IIA) are important instruments for promoting FDI through the creation of a stable legal environment conducive to investment. The assumption that clear and enforceable rules that protect foreign investors reduce political risks thus increases the attractiveness of host countries. Host country governments also commit themselves by giving foreign investors access to international arbitration and meeting their obligations to enhance investor confidence (UNCTAD, 2015, p. 29).

2) **Liberalization of FDI:** According to UNCTAD, most international and bilateral investment agreements, including those recently concluded, are limited to the protection of existing investments and do not include liberalization commitments on FDI. As for the potential impact of IIAs on investment liberalization, it must be distinguished between "only confirm" agreements that are transformed into the degree of openness already existing to foreign investment and those that actually lead to new liberalization. According to the IIA, liberalization of FDI is essentially a question of natural resources and services. The latter sector remains the sector with the highest FDI constraints. By contrast, most countries today are already open to foreign direct investment in (UNCTAD, 2015, P. 27).

3) **Transparency, predictability and stability:** Foreign investors are increasingly placing a great deal of advantages such as policy coherence, transparency, predictability and stability. Transparency means that the intentions of host countries towards foreign

direct investment are known, clearly known in laws and regulations. In accordance with some provisions of IIAs, new policies should be communicated, if adopted, to those who are well affected in advance and, in some cases, prepared in consultation with stakeholders. Moreover, to the extent that FDI provides long-term investments, foreign investors also expect a certain degree of predictability and stability in FDI policies in the host country, i.e. there will be no sudden changes in policy parameters, negatively or even Sabotage existing business plans (UNCTAD, 2009, p. 5-23).

1.1.3. POSITIVE IMPACTS OF FDI

The objective of this topic is to identify the most important channels in which foreign direct investment has a significant and exceptional impact on the economic development of host countries. The maximum benefits of foreign direct investment for the host country were substantial, and the benefits varied from country to country and were difficult to separate and measure. But there are a number of characteristics or significance that affect them significantly, including: (Kurtishi, 2013, P. 26-31)

Transfer of effects: Foreign direct investment has the role of positive in the host economy by: (capital saving, modern technology and management). In terms of capital FDI International capital flows mitigate the risks faced by capitalists by allowing them to diversify their lending and investments, Global integration of capital markets can contribute to the dissemination of best practices and the global mobility of capital limits the ability of governments to pursue bad policies. Thus, FDI transfers modern technologies to developing countries, and requirements have led to more general environmental improvements in the host economy. On the management side, FDI will increase the current stock of knowledge in the host country through knowledge transfer. Lal & Straiten (1977) emphasizes three types of administrative benefits: (The operational efficiency of operations will be enhanced by better training and higher standards, entrepreneurial ability to seek investment opportunities, external factors arising from training received by employees such as technical, operational).

Labor effects: FDI in host countries affects employment in both sides (direct and indirect). The impact of foreign direct investment on employment is of great interest to host developing countries: many are prerequisites for sustainable growth: the ability to absorb human resources from agriculture to manufacturing and service industries. The quantitative effects of FDI on employment at the global level have been shown to be modest, but to a greater extent in host developing countries than developed host countries, particularly in the manufacturing sector (T Corporation, 1999, P. xii).

Balance of payments effects: In many cases FDI could have three effects on the balance of payments: the host country's capital account would benefit from the initial inflow of capital and only once. Second, if FDI was an alternative to imports of goods or services, it could help to improve the current account of the balance of payments in the host country. A potential third benefit accrues to the host country's balance of payments when the multinational ministry uses a foreign company to export goods and services to other countries.

World Trade: The effects of foreign direct investment differ with different motivations on international trade of the host country - whether to seek efficiency, market pursuit, resource search or strategic pursuit of assets. Foreign direct investment could contribute significantly to economic growth in developing countries by supporting export growth in countries.

Effect on competition: According to the OECD report, the presence of foreign firms may greatly assist economic development by stimulating domestic competition (OECD, 2002, p. 16), ultimately leading to increased productivity, lower prices and more efficient allocation of resources. These factors are leading to increased competition to stimulate capital investment by companies in the (enterprise, equipment, research and development) as it struggles to gain competitive advantage over its competitors.

1.1.4. FDI INTERNATIONAL RECOMMENDATIONS

International agreements contribute to greater transparency, predictability and stability in the investment framework of host countries. For this reason, the United Nations recommends the host countries to provide three mechanisms to assess their impact on attracting foreign direct investment (as mentioned in the previous pages):

1) Protection of foreign direct investment.
2) Liberalization of FDI: in accordance with UNCTAD.
3) Transparency, predictability and stability (UNCTAD, 1999, p. 5-23).

The research that provided (Dr. Saleh) also recommended that FDI should operate according to the characteristics, circumstances and level of economic development of the host country; FDI owner should not affect the political decision on the terms of the host countries contracting. The host country should provide the appropriate investment climate in terms of political and security stability and the need to direct foreign investment towards basic economic sectors and activities. A national strategy should be adopted on the issue of technology transfer and its characteristics and conditions in the host country (Saleh, 2013, p. 376).

In other research that provided (Al-Azzawi) also recommended that the host countries must provide appropriate and necessary guarantees and incentives, as well as the freedom to transfer profits and capital, also facilitate the administrative procedures of the foreign investor. The existence of an Efficient and effective financial market in the time and place required to invest and establish free zones to attract foreign direct investment in the high technology sectors needed by the country which is an important duty to attract foreign investment as well. In the other, it must provide subsidized infrastructure services; speed up customs procedures, exempt customs duties, export taxes and free zones from property laws (Al-Azzawi, 2013, p. 27-28).

In another study presented by (Farouk), it also Emphasizes that should be the improvement of the transparency of investment legislation, the rehabilitation and reform of the host countries' administration through the fight against administrative corruption, bureaucratic procedures and transparency, as well as the continuation of macroeconomic reforms. It is too necessary to encourage all types of FDI to benefit from international expertise and technology to reduce production costs and to give sufficient importance to standard and predictive studies on various economic phenomena by establishing private laboratories (Farouk, 2009-2010, p. 65-66).

It also emphasizes freedom of investment, the principle of establishing the legal system for investments and the conduct of procedures, and ensuring the free transfer of capital and its revenues (Farouk, 2009-2010, p. 75-76). In the last research that I saw and presented by (Kelvin), it also emphasizes to the low costs and providing information to foreign investors. Also providing technology infrastructure, research and development, looking for all the sources of investors that can bring new technology to the country and have a strong R & D focus also emphasizes the quality of life and language skills. In conclusion, it emphasizes the creation of natural resources and facilitating real estate for foreign investors and the continued development of industrial cities (Kelvin, 2012, p. 1).

Therefore, in all the recommendations, we have a close and psychological recommendation that they all recommend and confirm the three points discussed in the UN report, which appeared at the beginning of this paper.

1.1.5. FDI FOR DEVELOPMENT

FDI affects development by increasing the total productivity of workers through three factors: Link foreign direct investment flows to foreign trade flows, Analysis of indirect external factors and other factors in the business sector in the host country, directly affect structural factors in the host economy (OECD, 2002, p. 5). As we have said, foreign direct investment contributes to increased production productivity and income growth in host countries, and thus increases domestic investment. Development Host countries in education, technology, infrastructure and health are an important requirement for host countries to be able to benefit from the presence of foreign investment in their markets.

Graham and Krugman (1991) say local firms have better knowledge and access to local markets; high efficiency of FDI is likely to combine modern management skills with advanced technology; FDI is also the main channel through which advanced technology is transferred to host countries (E. Borenszteina & others, 1998, P 118). The following are the five most important factors affecting global development through foreign direct investment: (OECD, 2002, p. 9)

1) **Trade and investment:** The effects of foreign direct investment on the host country's foreign trade vary widely between countries and economic sectors. The effects of FDI are not limited to imports and exports only, but the authorities of the host country need to consider short- and medium-term foreign trade as well. Investment, at the same time should strengthen international networks of relevant enterprises; also strengthen the role of multi-national partners. Host countries can attract and invest more foreign investment through market liberalization and regional integration policies as an important means of increasing their short- and medium-term management of their countries. Foreign investment in mineral extraction is an example of exports that encourage (FDI), which helps domestic investment in host countries and is therefore constrained to make use of its resources. Recent studies do not support the use of FDI as an alternative to imports in least developed countries. FDI tends to increase imports that are gradually decreasing. At the same time, local firms are acquiring the skills needed to act as contractors for MNEs (OECD, 2002, p. 11).

2) **Technology transfer:** Technology transfer is the most important channel in which foreign companies can have positive externalities in the host developing economy. Multinational enterprises generally have a higher level of technology and the ability to generate significant technological effects. However, multinational partners must deliver relevant technologies to the host country business as soon as possible. The "technological gap" between local firms and foreign investors should be relatively limited so that foreign direct investment has the most positive impact of domestic investment on productivity. In the case of large variations, or in the case of a low level of absolute technology in the host country, domestic enterprises will not be able to absorb foreign technologies transferred.

3) **Strengthening human capital:** The issue of human capital development is the broadest of development issues, where public education and other public human capital are of paramount importance in creating an enabling environment for FDI. Achieving a certain minimum level of educational attainment is critical to the increasing capacity of the host country to attract FDI while at the same time maximizing the impact of human capital. When there is a large "knowledge gap" between foreign entry and the rest of the host economy, it is unlikely to have major implications. Economic strength enhances the

opportunities of workers and the development of their human capital, as well as access to the labor market to a certain degree of security and social acceptance that have the basic flexibility of the success of economic strategies based on the strength of human capital. The enabling environment thus provides MNEs to apply the standards of their countries of origin, as well as their greater involvement in human capital development by financing local firms in providing more training and better human capital.

4) Competition: FDI has a significant impact on competition in host country markets, which can help economic development by maintaining domestic competitiveness, leading ultimately to increased productivity, efficient resource allocation and then lower prices. If the host country (an independent geographical market, a small country, a weakness under competitive law or a weak implementation), the participant can have an important position in the international market (OECD, 2002, p. 14). In the early 1990s the global market concentration increased significantly due to a wave of mergers and acquisitions that reshaped the corporate world, the direct impact of increased focus on competition seems to vary by sector and host country. The global focus reaches levels of real concern for competition in relatively few industries on the market, especially if the relevant markets are global. Especially in cases where (barriers to entry and exit are low) or (protection for buyers from rising prices), the high levels of concentration in specific markets do not perform properly to lower competition and therefore policies must be developed to protect a good degree of competition (OECD, 2010, p. 23).

5) Project development: Finding a perfect mix of local and foreign management and foreign participation in the privatization of state-owned enterprises is one of the most important tasks of multinational enterprises to improve market structuring. Privatization can lead to a link between privatization and the opening up of domestic markets to more competition. FDI significantly stimulates enterprise development in host countries and can help to restructure institutions that we can derive from the recent experience very positively, as investors will choose their targets among potential efficiency gains. Local authorities of host countries in some cases resort to attracting foreign investors by promising to protect them from competition for a specified period until the restructuring of the privatization entity, there is no doubt that foreign investors differ from domestic investors in their ability or desire to improve efficiency and quality work. Therefore, host country authorities encourage FDI with incentives to improve the economic efficiency of local business sectors as a means of restructuring enterprises.

Finally, FDI is not the main or only source for solving the development problems of developing countries, but is a valuable complement to fixed domestic capital. In all cases, the beneficial effects of foreign direct investment depend on the program and the development procedures applied by the competent national authorities in a timely manner (OECD, 2002, p 18) (OECD, 2010, p. 10). The beneficial effects of foreign direct investment (FDI) development come from increased efficiency rather than simply increased capital accumulation. Exploring the effects of foreign direct investment on the level of human capital may also be interesting. Thus, the training needed to prepare the workforce for modern and advanced technologies confirms the impact of FDI on the accumulation of human capital (E. Borenszteina & others, 1998, P 119).

1.2. FDI IN REGIONAL LEVEL

1.2.1. Defining 'REGIONS'

There is no fixed or simple definition of the region. In general, it is used by officials, decision-makers and policymakers. The European Commission defines a region in its Reference Guide to European Regional Statistics as 'a tract of land with more or less definitely marked boundaries, which often serves as an administrative unit below the level of the nation state'. Regions within nations or even across nations may be defined based on a number of factors like as administrative areas, geographic, cultural or socio-economic features, such as their landscape, climate, language, ethnic origin or shared history (Adams& Harris, 2005, p. 10).

The region is where the regional economic grant is received, and therefore the most appropriate and useful definition depends on the specific purpose to be provided. The definition of the region on the basis of geography or the idea of a geographical area that constitutes an entity and has access to and provide important data for the region as a whole. Assembly in areas is useful in terms of description, because it means that the number of separate numbers or other facts needs to be addressed and understood. We also have the natural characteristic of the region, which are a common awareness of a common regional interest and the possibility of reflecting the common nature of interests in different ways. This is important and improved because it is the rational collective effort to improve regional well-being. Basis this idea is highly interlinked between economic experiences of subgroups and interest groups in the region.

From other definitions we have to rely on the alternative principle or the regionalization of functional integration instead of functional homogeneity. The region has areas to interact more closely with each other, for example the extent of economic interdependence, a criterion for regional planning. Among the functional areas is one particular type (Hoover & Giarratani, 1984, P. 124-125). An area is an area that is useful as an entity for analysis, description, management, planning, or policy. The hole can be drawn on the basis of functional integration or internal homogeneity. The nodal zones are those in which the nature of functional integration is so that one specialized urban nucleus can be identified. Harmony and unity are essential even when political, historical, military or other considerations are important in regional demarcation (Hoover & Giarratani, 1984, P. 132).

"Nodal," theory is a more popular approach among the more modern theorists and has two characteristics: (1) where employment, capital or commodity flows are more common in the region from another region, to a degree that is functionally internalized. (2) There is a presumption of hegemony or arrangement of the node on the surrounding peripheral region within the region (J. Dawkins, 2003, P. 133).

1.2.2. Regions in the new global economy

In the 1960s-1970s, industries in the nation's regions were highly specialized and protected by government policies from international competition. Almost all major capitalist countries have been characterized by strong central governments and relatively limited national economies. These countries formed a political bloc under Pax Americana, which in itself is supported by a primitive network of international arrangements (the Bretton Woods system, the World Bank, the International Monetary Fund, GATT, etc.) is relatively limited (J. Scott, 2000, P. 3-5).

With the collapse of the Bretton Woods Agreement, a new environment of floating exchange rates entered the world and a new era of market liberalization and globalization of capital markets. As a result of globalization and also after economic restructuring and technological change, major changes have occurred in the old system and international agreements have been reached to break down trade barriers as the world shifts from a protectionist era to a stage of competition in the new world economy (J. Stimson& others, 2002-2006, P. 12). The role of regions in national economies has changed radically. More recently, new forms of economic and political organization have emerged in the region, with the clearest expression of this emerging trend in the formation of a major world city - the Earth (J. Scott, 2000, P. 3-5).

Many regions tend to acquire labor-intensive, energy-intensive and locally integrated industries that produce goods, manufactured goods and services that are largely based on local resources and expertise. Many areas have shown the final results of the specialized production of the industrial revolution or the roles of administrative control centers - for example, in the United States, was the center of Detroit, Midwest and the Great Lakes Auto City Pittsburgh Steel. On the East Coast, New York was a financial center, while Washington was the center of the administrative government (J. Stimson & others, 2002-2006, P. 3).

In the (1980-90) some regions were not deeply affected by globalization and structural change, including changes in international sources of goods, materials, services, design, finance, production and marketing. These changes have led to increased interregional trade and international trade, with the creation of highly specialized groups of new geographical groups of industries. Over the past three decades, the emergence of post-industrial trends for economies around the world has seen the emergence of leading areas of technology and entrepreneurship, the expansion of market boundaries and the reduction of trade, with increased domestic and international competition. In countries such as the United States, state policies and domestic economic policies have been used to stimulate the vitality and success of firms, and ultimately to increase domestic employment and income levels for decades, particularly to help regions develop and adapt different policies to address them while improving restructuring (J. Stimson & others, 2002-2006, P. 4) (OECD, 2010, p. 10).

The focus on regions and their economies is critical to understanding the competitiveness of States in the new era of globalization and structural adjustment. Regional analytical methods and tools are critical to assessing the performance of the region and formulating strategic planning frameworks to promote self-development in order to maintain and maintain competitive advantage. To achieve and develop the results of sustainable development, a balance needs to be struck between policies and strategies between the Government and the business sector through: (J. Stimson& others, 2002-2006, P. 10)

- ✓ Focus on increased productivity.
- ✓ Competitiveness and low inputs in production.
- ✓ Transport and logistics systems.
- ✓ Waste reduction and reuse.
- ✓ Increased resources and resource utilization.
- ✓ Development of demand-focused and export-focused economies.

However, priority should be given to economic systems to support regional development only, through (the development and maintenance of social, cultural and cognitive capital; risk management; management improvement).

1.2.3. How regional economies work

The regional or "spatial" economy can be summed up in the question "What is the place, why, and what?" Regional economies represent a framework in which the spatial nature of economic systems can be understood. The regional economy is a relatively young branch of the economy. Their late appearance reflects the unfortunate tendency of official professional disciplines to lose contact and neglect some important areas of problems that require a mix of approaches until relatively recently. This unfortunate situation has been largely corrected over the past few decades through the large groups of individuals with different disciplines from economists, geographers, ecologists, regional planners, regional scientists, urbanites and urban scientists, etc. They applied analytical tools and applied them to some of the most pressing problems of the time (Hoover & others, 1984, P. 5).

The main objectives of the regional policy in the early 1950s are limited to greater equity and balanced development. The main instruments used are the redistribution of wealth through a wide range of financial support for public investments in various areas provided by the national government. The 1970s and early 1980s changes in the global economy will force restructuring into regional policies. These changes are to focus more on direct corporate support, either by supporting ongoing activities or by attracting new jobs and investing in areas of black unemployment (OECD, 2010, p. 12).

Increased globalization and decentralization, also led to the evolution of regional policy into broader policies aimed at improving "regional competitiveness". These new policies drive the policy approach to a more decentralized regional level, reflecting a policy shift towards self-development and the business environment, the ability to promote innovation-oriented initiatives, and the subsequent utilization of regional capacities. The change in regional policies is continuing and has become more important for a multi-level management approach that involves both national and regional stakeholders, such as private actors and non-profit organizations. Comprehensive regional policies increasingly integrate national economic and structural policies by helping to generate growth in regions (OECD, 2010, p 13).

The claim of the new classical economy Richardson (1973) shows that regional differences in terms of supply and demand of factors of production (employment, capital, technology) or goods will inevitably lead to an inevitable increase in access between regions and thus the transition from these factors of production and goods (G. Mercado 2002, p. 4).

According to this theory, regional price imbalances factors of production and commodities are the result of differences in supply and demand, ie prices will be low in the region if there is a surplus in supply. On the contrary, if demand for goods is higher in the region, then prices will be high. As a result of the full movement of factors of production and commodities, these factors and commodities will move from low-priced areas (region A) to high-priced areas (region B). This leads to a reduction in supply and increasing prices in region (A), while supply in the region (B) will increase and lead to lower prices. Prices are expected to converge with the interregional balance so that prices of factors and goods across national territory are equal, levels of income equal (G. Mercado 2002, p. 5). Discussions on regional development and how to make the best achieve them still be continued and many theories and concepts of multinational development have been put forward in the last hundred years, in this search we are looking for some of these theories.

1.2.4. THEORIES & MODELS OF REGIONAL ECONOMIC DEVELOPMENT

1.2.4.1. The conceptual foundations of regional economic development theory

The theory of regional development originated from several different intellectual traditions. Neoclassical trade theory and growth theory provide the conceptual basis for understanding whether regional economies will become more differential over time. The spatial dimension of the modern regional growth theory can be attributed to several sources. The organizers provide a framework for understanding the role of transport costs in regional growth and decline. The discovery of literature on foreign economies with Marshall (1890) began by neo-classical theorists who write in the tradition of flexible specialization. The ideas of central place theory stand out in all regional development literature, dialectical literature of growth and many other structural approaches, as mentioned in the following lines: (J. Dawkins, 2003, P. 134-147).

The interregional convergence hypothesis: Earliest theories of regional economic growth are a spatial extension of the new classical economic theories of international trade and national economic growth. These theories predict that labor price differentials and other factors across regions will decline and move towards convergence over time.

Location theory and regional science: Location theory focuses on the development of formal mathematical models for the ideal location of the industry because of the costs of transporting raw materials and finished products. Companies will tend to locate near markets when the cash weight of the final product exceeds the cash weight of the input required to produce the product (J. Stimson & others, 2006, p 18-36).

External economy: External benefits or external economy are increasing with the increase in the number and output of frozen companies. In general, the factors contributing to this process are: (the indirect effects of knowledge, the accumulation of labor and economies in the production of intermediate inputs).

Spatial competition models: Monopolistic competition in the simplest case of competition between two companies leads to a tendency to focus with companies dividing the market along the line sector. This optimized site is not socially effective, but because customers at any end of the line must bear the highest conversion costs. The work of Develtoglu (1965), (Eaton & Lipsy, 1978), and many others extended the original Hoteling model to integrate competitor's entry threat, elasticity of demand, competition along the plane. These extended models show that concentration is not always the result of equilibrium and that the threat of entry may or may not always drive profits to zero.

Central Revolutionary Plus: Loch's main idea is that the relative size of the market area of the company, known as the region in which it sells its product, is determined by the combined effect of large economies and market transport costs. If large economies are strong for transport costs, production will be in one factory. If transport costs are important for large economies, companies will spread throughout the region. In any given market, free entry between companies increases profits to zero and fills all spaces for companies spaced both with hexagonal market areas (J. Stimson& others, 2002-2006, p. 18-36).

1.2.4.2. Alternative theories of regional economic development

According to the hypothesis of interregional convergence, the goal of interregional trade and regional investment is to achieve parity between regions and per capita income across areas where labor participation, skill levels and investment levels are equal. The first two sets of theories discussed in this section can be defined in terms of their position on the Confer hypothesis between the regions discussed above. There are also several alternative perspectives that look at regional growth and decline as a result of structural changes inherent in the organization of industry and the political and economic system. In every shortcut we look at each of these new theories of the classical economy: (J. Dawkins, 2003, P 134-147)

1. **The theory of regional economic convergence**: Two theories are divided into two categories:

- Theory of the export base: North (1955) argues that regional growth in local political, economic and social institutions is largely determined by the region's response to external global demand, which produces growth in both the economic base, the export sector and the "resident" or non-primary sector, in a recent letter (1956b), Tibot reiterates that the concept of an export base is merely an overly simplistic version of the general equilibrium models of the most advanced public income.
- The new classical external growth theory: The new classical economic outlook prevailing for regional economic growth depends heavily on the literature of national economic growth developed by (F. Harod, 1939) and (Domar, 1946). Unlike the demand-side approach of the theory of export base, the theory of growth of new classical models of regional growth using supply-side models to invest in regional productive capacity. Williamson (1965) changes the argument of Portes and Stein (1964) to some extent by suggesting several reasons for interregional convergence:

✓ Labor migration rates in relatively underdeveloped countries are disproportionate due to differences in migration costs and differences in the way migrant workers are perceived towards indigenous workers.

✓ Primary grants or constraints, economies of external size and immature capital markets in some regions may impede the flow of equal capital across regions.

✓ Central government policies may be biased toward politically mobilized areas or when economic growth creates the need for additional capital investment.

✓ There may be few interregional linkages in the early stages of national growth.

2. **Theories of Regional Economic Differences**: The concept of convergence is attacked by many parties, as constant fixed rates of per capita income growth or conditional convergence. One of the criticisms is empirical studies (Perloff et al. 1960; William, 1965) pointed to the persistence of poverty in most of the least developed

countries as evidence that some regions of the world did not match the predictions of new classical growth models and thus supported the trend towards economic convergence at the regional level. One of the responses of the criticism of convergence was to include direct forecasting in current theories of regional economic growth. Here two of these theories are examined: cumulative bonding theory and pole electrode theory (J. Stimson& others, 2002-2006, p 18-36)

3. Structural theory: Another set of theory examines regional economic development as a process of structural adjustment both within and outside the region, rather than looking at regional economic growth in terms of the factors that drive regional economies towards or away from some balance or distribution of growth, these theorists see economic growth as a development depends on the path through different stages of economic maturity. The theories of this trend are: (Stage/Sector Theories, Profit/Product Cycle Theories, Industrial Restructuring Theories, Flexible Specialization and Network Theory, Marxist Theory) (J. Dawkins, 2003, P 134-147)

1.2.5. SOME EXAMPLE IN REGIONAL DEVELOPMENT

To improve the understanding of regional economies and their development path, as well as the methods, strategies and policies used in these regions, there are some examples of four countries that seek, through special policies, to transform central policies into regional policies for economic development:

1.2.5.1. KOREA

Over the past 40 years, every administration in the Republic of Korea has taken a distinctive approach to regional politics and decentralization. In the 1970s and 1980s, local administrations followed the directions and central states under the central system, and the policies of the Samuel movement were important in addressing rural poverty under the management of the park. During the 1990s, under the Kim Yong-Sam and Kim Daejong administrations, regional policy was local development, and decentralization was at the heart of regional politics.

The Noah administration has been most active in developing regional policies for simultaneous development and decentralization. Lee's administration has shifted the equity-oriented approach of Noah's administration to an efficient approach. Economic development is linked to regional development in light of growing economic disparities between regions, particularly between capital and non-capital areas. We also see that regional democratic governance ultimately refers to local self-government and decentralization, which are vital to democratic development. The general rule for comprehensive development is to ensure a democratic structure in which political power is not concentrated in a single institution (Kim, 2014, p. 101-102).

The term "regional policy" often refers to local regional development because the focus in Korea was to address the disparity in intraregional development. To achieve this goal, there are two political options: (first, different policies aimed at improving regional economies by the national government; second a stronger policy of controlling economic affairs to counter globalization by making regional political identity). This strategy is also linked to the second objective of regional policy aimed at improving regional democratic governance through the establishment of a sound legal system for regional organs and politicians and the free exercise of regional functions "(AER, 2006, p. 14).

The characteristics of regional policies in the 1970s in Korea are: (Policy of Industry Location, Organization in the Seoul Metropolitan Area, and Rural Development Policy. The central government has set the site for heavy industries, including shipbuilding, automobiles, electronics, petrochemicals and steel. There was little possibility of involving local administration, because central decisions regarding the location of industry were made through the two criteria (efficiency and effectiveness), although there was a degree of political consideration (Kim, 2014, p. 103-104).

During this period, the relationship between the central government and the local administration was sufficiently hierarchical that local administrations could be simplified; the central government maintained a supervisory authority that was legally bound to implement the SMP policy guidelines to the letter. Local officials in the Small Environmental Management Program have also designed innovative solutions to address many issues such as how to (a)"motivate members of the rural community to work hard,

(b) engage community members in the planning and implementation of self-help development projects, Effective community assistance and support, and (d) promoting effective changes in the community system (Kim, 2014, p. 105-107).

More changes have been made to the regional policy in Korea between (1991-2002), The main objective of the plan is to build the economic foundation for regional social development through the (CNDP), consisting of three strategies for the development of underdeveloped areas by identifying new industrial centers and promoting underdeveloped areas, to regulate the capital region was not effective and successful. The policy has continued to be a regional focus despite the low rate of population growth in the metropolitan area. Kim Yong Sam's administration faced an economic crisis in 1997 forced to restructure Korea's national economy. Local elected executives have played a very important role in regional development, raising local demands and preferences to the negotiating table (Kim, 2014, p. 108).

Elected mayors and governors have been able to act relatively independently of the central government and demonstrate the transfer of authority and local territorial development as part of the future management agenda. In this sense, the regional policy of this period has profoundly influenced the democratic development of Korea.

Regional policy (2003-2007): The Presidential Development Commission has designed action plans to achieve policy objectives and monitor progress. The national plan has been based on three policy challenges: regional imbalances in development, economic stagnation and globalization. Emphasis has been placed on bottom-up, bottom-up initiatives for regional development. In order to remedy all obstacles, the Presidential Committee has adopted four strategies: "Regional Innovation-led Development, Rural Community Development in line with the Development of Urban Communities, Redirecting the Development Track in the Capital Region, and Establishment of the Network Structure Area in terms of Jobs and Physical Infrastructure (Kim, 2014, p. 109).

It also uses three principles: "First, a comprehensive approach, or that the plan seeks balanced development through comprehensive means such as decentralization and building a new administrative city, second, building a regional innovation system for innovation and transforming the regional economy into an innovation-based economy Third, thus managing the capital Seoul Metropolitan System, which aims to develop capital and non-capitalist areas”. The regional development policy in the management of Noah is divided into three parts: (separation of agencies and public offices, dispersion of companies throughout the country, strengthening of regional innovation capacity and decentralization). Two important goals were achieved through the decentralization initiative in the management of Noah. The first was the decentralized decentralization of Jeju Island; the second achievement of the decentralization initiative was greater citizen participation in decision-making at the local level (Kim, 2014, p. 110).

Regional policy since 2008: Sejong project is the most important symbol of local regional development during the management of Noah and for this management Lee is seeking to transform from a city focused management to another business-focused city. This philosophy is evident in national policy topics (such as a warm market economy, a vibrant market economy and a small government). A committee has been established to coordinate efforts between the national government and the large-scale region, but lacks the authority and authority to effectively manage cross-border projects at the macro level. Efforts to transfer central authorities to local governments by Lee’s administration were not active, and six months later the Department was able to create a new legal framework for decentralization to put the Framework into practice (Kim, 2014, p. 111).

Lee’s management focuses on administrative efficiency by management in the implementation of decentralization policy. The Lee Department has also encouraged local governments to consolidate and provide incentives to strengthen local governance capacity, which is being implemented through a special law on the reform of local administrative structures in October 2010. In this period, local governments continue to grow and seek to share national governance, but the institutional strength of local governments has not increased significantly. Regional policies have been streamlined to improve national economic competitiveness and a wide-ranging economic zone policy has emerged (Kim, 2014, p. 113).

Conclusions: Korea has relied on improving administrative efficiency in the hierarchical relationship between the central government and local administrations in order to promote the acceleration of economic development. In the wake of economic development with the passage of time and growing local democracy, the national government began to recognize local administrations and local governments gave a certain level of autonomy. Local governments act as local political entities that define and hear local policies in the national policy process. Consultations and dialogues between the central and local governments replace mandates and directives of the national government. As a result of all development efforts, local governments in Korea are partners in national governance and have played an important role in the national policy process. The Korean case provides a model for developing countries, indicating the type of relationship between the central government and local governments required in view of certain national objectives and circumstances. In the light of the various political and economic conditions, regional policies have been modified, leading to a relationship between the central and local governments that enable the country to achieve national goals in an effective and efficient manner (Kim, 2014, p. 118-119).

1.2.5.2. MALAYSIA

When Malaysia gained independence from the British in 1957, there was marked disparity in development between different parts of Malaysia. The areas along the west coast of Penang were first used for economic activities and then developed into commercial centers. The physical constraints of the main area passing through the peninsula and the distance to port facilities preclude the exploitation of resources in the East Coast region. The rich countries of Selangor and Penang and the federal regions of Kuala Lumpur tend to have a higher proportion of GDP in the secondary sector and a lower proportion in the primary sector. LDCs have a larger share of initial activities. Differences between the various states of the Malaysian peninsula are also reflected in the level of services and other social indicators, such as the infant mortality rate and the proportion of people receiving access to electricity and piped water (Ngah, 2013, p. 1-2).

There is also a clear link to ethnicity with economic indicators such as income, employment and the economic sector. Malaysians are involved in many major sectors (agriculture, forestry and fishing). The Chinese dominate the sectors of industry, trade, mining and construction, and Indians are distributed in all sectors. With the increasing role of domestic and foreign capital in the economy and the intensification of globalization, regional development faces a major challenge for achieving more balanced development and equity. The appropriate strategy for regional development in the future is to focus on capacity-building, improving productivity and quality of life in rural areas, improving linkages between major regions and marginal areas and preserving the environment for natural resources in rural areas (Ngah, 2013, p. 4).

Regional Development: Within the framework of the National Plan of Action (1970-1990), regional development planning was considered as a means of achieving the goals of poverty eradication and social restructuring in terms of social, economic and spatial components. The Malaysian Government has adopted the correcting of unequal regional development on a range of strategies, such as the development of new land in border areas and on-site rural development, the dispersion of industrial activities in the less developed regions and the establishment of new growth centers or new towns in rural areas, the development of a new center of growth in the resource border areas of Peninsula Malaysia was based on John Friedman's strategy for border resources.

Several legislative powers for regional development have been established to implement the development strategy in the resource border areas. In the 1970s, most of the regional development bodies were established, particularly with regard to the development of new cities. In addition to the main objectives of poverty eradication and community restructuring, they have been given the following mandates: addressing economic and structural imbalances between regions; promoting agricultural and industrial development in underdeveloped areas; and reorienting new development and growth to less developed regions (Ngah, 2013, p. 5-6).

The ultimate objective involves the creation of new cities in rural areas with these main purposes: (a) creating a kind of urban environment and services in agricultural and rural areas; encouraging the development of commercial and industrial activities in rural areas urging Malaysia to participate actively in commercial and industrial activities. Two decades later, more than 40 new cities have been developed. Regional development covers several large-scale agricultural development projects under the Ministry of Agriculture in the 1970s to improve the productivity and living conditions of the rural population.

Evaluation of the strategy (1970-1990): According to the results of many studies that evaluated the implementation of the resource border strategy in Malaysia, the goal of Malay urbanization has not been achieved. However, the living conditions of those settlers who migrated to new cities or Vida settlements in border areas have improved. A few of the industries established in the new cities have led to limited linkages with other sectors in the region, and these industries have affected the "big cities" outside the region. Workers were settled on farms that were supposed to be residents of new towns on farms, or in fact many farms used foreign workers who were not allowed to own houses in new cities because of their non-local laws in the 1990s.

There are some positive results under the on-site rural development program, such as increasing farmers' production and income, in-farm and off-farm employment, and reducing poverty levels in program areas. Despite the success of these projects, they tend to favor large landowners or rich farmers. Thus, there are a large number of peasants who do not own land or have small spaces and do not benefit much from schemes and are still in poverty (Ngah, 2013, p. 7-8).

Courtenay (1988) noted a decline in paddy area cultivated due to massive migration from growing regions and farmers' withdrawal from paddy growth, reflecting the lack of agricultural development program. In 1991-2000, the government launched a second-year plan called the New Development Policy, focusing on four dimensions: (focus strategy on eradicating extreme poverty; focus on employment and rapid development of an active commercial and industrial society; more involvement of the private sector in restructuring through Create more opportunities for their growth, focus on human resources development).

The basic programs for regional development continued under the national plan of action, but declined in size. The period 1990-2000 witnessed high population growth in a few key areas with major migration flows to the Kuala Lumpur, Johor Bahru and Penang Complex. The result was increased concentration, resulting in more traffic congestion, flooding due to highland development, pollution and pressure on infrastructure including water supply and sewage disposal (Ngah, 2013, p. 9).

Corridors for regional economic growth: The Ninth Malaysia Plan includes the development of growth centers and growth corridors beyond the borders of the State, modernizing and diversifying the economy based on the least developed countries and reducing the digital divide between urban and rural areas. According to the mid-term review of Malaysia's ninth plan (2008), the development of corridors will reduce regional imbalance and achieve fair growth and opportunities for investment and employment for all regions of Malaysia. The objectives were to achieve comprehensive and broad-based economic development in a more coordinated and integrated manner. Income generation was to be accompanied by accelerated poverty eradication, restructuring of society and wealth creation in general (Ngah, 2013, p. 9).

Acceptable investment is very encouraging, but actual investment is much lower and many are still under implementation. Comparison of the five corridors of actual investment in Iskandar Malaysia is much advanced than others. This can be expected since Iskandar Malaysia has the advantages of being close to Singapore and the development is concentrated in a few areas in Nusagaya and near the existing urban centers (Ngah, 2013, p. 10).

Conclusion: Malaysia's economic development is not evenly distributed and industrial and commercial activities tend to focus in certain regions. The development of new cities did not promote Malay urbanization and did not significantly reduce regional disparities. The development of agricultural activities and the resource base in the new cities have not been the "driving force" for strengthening the economic base of cities. That their products are not for domestic use but primarily for export (Ngah, 2013, p. 12).

The new cities are also spatially disadvantageous and lack the necessary infrastructure to attract industrial activities. Industrial development policies, such as tax incentives and infrastructure development, tended to bias in favor of already large urban centers. With regard to the new regional development initiative (regional growth corridors), early indicators of actual investment show that development tends to focus in major cities, particularly in the Iskandar Malaysia region. In the northern corridor, the surrounding areas of Penang may have good potential, but the political factor may constitute some constraints. Other corridors are unlikely to attract large investments because they are disadvantaged locally.

That the coverage of each corridor (except for Alexander Malaysia) is very large and therefore lacks focus. Distributing investment in areas away from existing centers will be difficult as the private sector is the main driving force of development. Investors will choose where there is already good infrastructure and facilities, Assessment of the port and airport, as well as large complexes of manpower and market. Corridor development is essentially a liner type of development, limited to a narrow stretch of transport networks and major roads connecting major cities. Linear type of development is basically following the natural way of urban expansion according to market operations. It has the following advantages: (Ngah, 2013, p. 13)

- ✓ Reduces the cost of providing infrastructure and creates continuous development on a linear pattern not far from the main transport route.
- ✓ The linear shape of spatial development will make the public transport service more efficient.

The growth corridor strategy implemented in Malaysia covers almost all areas, including remote rural areas, which are difficult to reach. The volume of development and investment proposed was greater than that of any government or private sector. The proposed development is not only unrealistic in terms of the investments that must be made to the infrastructure, but also destructive to the natural environment. The scale of the corridors must be reduced and their spatial focus on development should be narrowed. Each regional corridor must consider the development axes that already involve the infrastructure that can be used for the most potential development.

It is proposed that the future orientation of regional development focus on areas along key transport routes and nodes that can attract private investment. As well as the development of marginal areas on human resources buildings and capacities that meet the needs of the labor force in growth areas. Linkages between transport and ICT networks between growth regions and less developed regions should be strengthened. Measures must be taken to increase the productivity of existing rural areas, emphasizing community initiatives, improving the quality of life and improving the management and protection of the natural environment. The new regional development engine should focus on mobilizing domestic resources and strengthening the community-oriented economy as can be gleaned from the success story of a single producer movement on one continent in Japan and other countries in Asia and Africa (Ngah, 2013, p. 14).

1.2.5.3. EGYPT

Egypt's sustainable development strategy is called Egypt 2030. The Egyptian forward-looking strategy is unprecedented in its scope and significance at the national level. It spans over the three dimensions of sustainable development, namely; economic, social and environmental dimensions, and outlines the broader principles which will guide Egypt in pursuing its developmental goals. The overarching aim of the strategy is for Egypt to possess a competitive, balanced and diversified economy, dependent on innovation and knowledge, based on justice, social integrity and participation, in a balanced and diversified ecological collaboration system, investing the ingenuity of place and human capital to achieve sustainable development and to improve Egyptians' quality of life, in a state- driven process, with the full participation of all relevant stakeholders (HLPF, 2016, P. 6-7).

The 2030 Plan provides a good platform for strengthening Participation and policy coherence, as well as enhancing accountability and increasing the effectiveness of monitoring, reporting and follow-up mechanisms, and efforts on these fronts will require considerable coordination and cooperation at the national, regional and global levels, By sharing knowledge and expertise on innovation, finance, capacity building, know-how, technology transfer and, above all. The basic principle of the 2030 Sustainable Development Plan and the goals of sustainable development are "inclusiveness" and "inclusiveness". All goals require action by all countries, meeting the needs of all people and ensuring that no one is left behind, aims to deepen the links between the three pillars of development social, economic. The basic philosophy of SDS: Vision Egypt 2030 is based on the principles of inclusive and ambitious sustainable development and balanced regional development, with a focus on the participation of all stakeholders, ensuring the benefit of all. The main framework of the strategy stems from the focus of Egyptian citizens on prosperity and prosperity, as the core of economic objectives, and aims to provide equal opportunities for all (MIC RAPORT, 2016, P. 4-5).

The process involved experts, academics, representatives of the public and private sectors, government officials and international institutions, as well as representatives from a wide range of community groups, including women, youth and disadvantaged groups, as well as international partners from the United States and Japan. The World Bank Group also provided technical assistance and knowledge sharing.

The resulting strategy includes 45 strategic objectives covering each of the three dimensions of sustainable, economic, social and environmental development. The interdependence and integrated nature of strategic objectives are critical to ensuring that the strategy is achieved. The Government's program includes seven dimensions, including national security, the strengthening of the democratic structure, inclusive economic growth, social justice, infrastructure, administrative reform and external relations. The Plan and Budget encourages the positive contribution of the private sector and civil society organizations to the achievement of objectives and the implementation of various programs and projects. The priorities of the plan and budget include achieving constitutional requirements to increase the budget share allocated to human resources development (MIC RAPORT, 2016, P. 13-19).

Sustainable development objectives will be implemented by all stakeholders, including government, the private sector, civil society organizations and international development partners. The Government recognizes the importance of technology development by addressing information and knowledge gaps. Science, technology and innovation are the main drivers of economic growth and sustainable development. As a result, there has been considerable emphasis on accelerating technology transfer and dissemination at the global level, developing the necessary legal and regulatory frameworks, financial instruments and public-private partnerships to support innovation, science and technology. Much of the effort is focused on investing in huge Egyptian stocks of human capital, particularly through education and training, and promoting decent jobs. At the institutional level, the creation of highly qualified implementers and government officials in the relevant sectors is crucial for Egypt to achieve the goals of sustainable development (MIC RAPORT, 2016, P. 6-7).

Although the goals of sustainable development are still at an early stage because of their recent launch, the Government of Egypt has participated in international and regional forums. At the national level in 2015, a national committee was set up to follow up on the implementation of the goals of sustainable development, with the task of planning, coordinating and monitoring the implementation of sustainable development goals and ensuring the appropriate alignment and integration of sustainable development goals with Egypt's 2030 Vision priorities. Monitoring and Evaluation of Implementation of Sustainable Development Goals and Vision 2030, CAPMAS participated in the forty-seventh session of the United Nations Statistical Commission and the objectives of the Inter-Agency Expert Group on Sustainable Development.

At the sectorial level, a number of projects, programs and initiatives aimed at achieving sustainable development goals have been launched or implemented. It covers the three dimensions of sustainable development. These projects cover the full range of the ten pillars of Small Island developing States and 17 sustainable development goals. One of the main priorities of these efforts is to ensure that the neediest women, especially young people, are women; the populations in disadvantaged areas are targeted effectively and their standard of living improves.

Major national, regional and global challenges: Egypt faces diverse challenges in various areas of sustainable development (social, economic and environmental) and at various levels (national, regional and international) that need to be addressed in order to accelerate and enhance the development impact. For example, water scarcity at the national level is a major challenge in the light of population growth and production and consumption needs. Issues related to climate change mitigation and adaptation is also a critical challenge that must be addressed (MIC RAPORT, 2016, P. 57).

The instability in neighboring countries, especially Libya and Syria, has a negative impact on the Egyptian economy, a clear impact on the tourism sector, as well as on financial resources (income, local currency value, etc.) and social conditions (unemployment rate, poverty, etc.). The large influx of refugees associated with developments in the region and the events following the Arab Spring are an additional burden on the public budget, creating jobs and providing good services. At the international level, the global economic slowdown has been an economic challenge affecting the capacity to mobilize resources, which in turn has led to a high budget deficit and a financial crisis that has impeded the movement of resources for the full implementation of development goals, programs and projects.

Egypt's development journey is still long in terms of implementing the right mix of policy initiatives, particularly the environmental-financial reform initiatives, which are usually below average. There is also work to be done in integrating sustainable development objectives into the national budgetary process. It is also important to note that coordination at subnational and local levels is inherently complex and requires the establishment of effective and streamlined coordination mechanisms. For feedback mechanisms, including monitoring; learning and adaptation; integrated sets of indicators will need to be developed and adapted to national policies (MIC RAPORT, 2016, P. 84).

Despite the decline in the number of people living below the extreme poverty line, Egypt has not been able to achieve the Millennium Development Goals by half by 2015. Geographical disparities in poverty and hunger levels clearly in rural areas of Upper Egypt show increasing pockets of poverty in urban areas. Informal private sector workers (47% of all workers) lack the basic conditions for ensuring workers' rights to social and health insurance.

Since the 1990s, Egypt has made significant progress towards expanding access to basic education and bridging the gap between boys and girls, while economic, social, and geographic and gender factors continue to affect access to primary education. Net enrollment in primary education for the period (2013/2014) was (90.6%), down (4.8%) from (2010/11). The same trend is seen in primary education, with a net enrollment rate of (80.9%) in (2013-2014) versus (83.7%) in (2010/11). Girls 'school enrollment rates exceed boys, indicating that the Government's efforts to improve girls' access to education are successful.

Egypt has made significant progress in terms of girls' access to education and participation, and there are still challenges of high drop-out rates, early marriage and low economic and political representation, making it impossible for Egypt to achieve this goal by 2015. The share of women has formed Paid employment in the non-agricultural sector amounted to 19.2% of the total wage population, the same as in 1990/91. Women are underrepresented in the political sphere and only 3% of women in parliament before 2010 (MIC RAPORT, 2016, P. 86).

Despite significant progress in reducing maternal mortality and improving universal access to reproductive health and family planning services, Egypt has not been able to achieve this goal fully. Egypt has achieved the goal of child mortality and has fallen by more than half the under-five mortality rate. The rate fell from 81 deaths to 27 deaths per 1,000 persons during the period 1995-2014, and rural areas, the highest mortality rates for children under the age of five (38 and 34 deaths, respectively). Egypt lacks malaria control, TB reduction and disease-related deaths and deaths compared with 1990. However, providing a high-quality, effective public health care system to stem major health threats remains a challenge. Public health care for vulnerable and vulnerable groups, as well as the need for an integrated health policy to address chronic diseases, remains a challenge (MIC RAPORT, 2016, P. 87).

Environmental sustainability remains a challenge and a long-term commitment that requires concerted efforts is required. However, the population is increasingly under pressure to use and manage natural resources, particularly water resources. Egypt has experienced a steady decline in the availability of renewable water and is now under the global water poverty line. Other challenges include low air quality (due to increased carbon dioxide emissions). Building a global partnership for development following two popular uprisings, in 2011 and 2013, Egypt fled into political and economic uncertainty that led to a temporary slowdown in international development cooperation (MIC RAPORT, 2016, P. 88-90).

1.2.5.4. BANGLADESH

Bangladesh is a large delta composed of the sedimentary deposits of three major rivers: Ganges, Brahmaputra and Meghna. Bangladesh has about 310 rivers, including 57 rivers across the border. With a population of 152 million in 2005, 38 million of whom (27%) live in urban areas. Bangladesh's economy is largely dependent on agriculture, with only (50%) of the total labor force still operating in the sector, with more than (70%) of the population directly or indirectly involved in agricultural activities. Scale share of GDP, the share of agriculture now is less than (20%), with the services sectors now accounting for about (52%), while the remaining (28%) is largely due to employment in the industrial sector (BBS, 2010, p. 1).

Sustainable development: Bangladesh seeks to promote comprehensive and sustainable development. Sustainable development is to be based on three pillars that should evolve in tandem with sustainable, economic, social and environmental factors; focus on human beings, which means that the process of sustainable development is necessarily inclusive and should promote unity in cultural diversity and other forms of diversity. This process should help all groups, the majority and minorities, and find common ground for working together towards universal equality for all. The social and economic development of various disadvantaged groups, including street children, physically disabled persons and persons living in underdeveloped areas; the promotion and protection of the rights of women and children (Maal & Uttom & others, 2012, p. 1). The main focus of all sustainable development activities in Bangladesh is human development, and all development plans and programs are in line with them. The Government has developed the Accelerated National Poverty Reduction Strategy for the implementation of the Fifth (5-Year) Plan. The Sixth (5-Year) Plan recognizes that Bangladesh remains a low-income country with poverty, inequality and deprivation. The number of people living below the poverty line is estimated at 60 million, and overall poverty has declined from (59.6%) in 1991-1992 to (31.5%) in 2010.

The Sixth Year Plan focuses on the development of policies, strategies and institutions geared towards public investment in key areas identified together and guiding the public sector to realize its potential for transformational changes in the country. The focus will be on increasing productive employment, creating more labor-intensive industries and encouraging small enterprises to increase employment. Raising land productivity and agricultural diversification is a top priority given the high population and scarcity of land. Girls' education, women's reproductive health care, population monitoring services and social mobilization will receive special attention as drivers in the context of influencing population growth (Maal & Uttom & others, 2012, p. 2-3).

Improving management and focusing on anti-corruption measures will be part of a good governance strategy. The capacity-building strategy focuses on strengthening the civil service and the transfer of power to local governments, strengthening public-private partnership and reforming planning and budgeting processes. The development of human capital through improved training and skills development will be a priority to reduce income inequality. Property tax reforms, based on income level, will be introduced to increase government revenue from income and will take additional steps to verify the high cost of property and provide affordable housing to the poor. Bangladesh's key priorities for sustainable development are agriculture and food security, water, energy, climate change, disaster risk reduction and disaster management. Another major issue that Bangladesh needs to plan and initiate its activities as a priority during the Sixth Five-Year Plan of Action is increased employment opportunities, including green jobs, sustainable cities, urban transport, and infrastructure and harnessing the resources of the Bay of Bengal (Maal & Uttom & others, 2012, p. 4).

After 1992 Bangladesh fully committed to sustainable development by building institutions and capacities that support environmental sustainability in the country in 23 other environment-related sectors in the country, and the Ministry of Economy and Finance acts as its focal point. Each ministry has a planning cell within it that works closely with the Planning Cell of the Ministry of Economy and Finance with a focus on the environment and the sensitivity of climate change in the formulation of relevant sectorial policies and plans. The State Department is responsible for global negotiations. The Government has established top-to-bottom links with actors involved in the above-mentioned sustainable development.

However, there is little room for skills development or human resources development in these organizations because of resource constraints. More funding is needed for studies, policy analysis, research and development and evaluation of results in key policy and project areas of opinion. At the grass-roots level, local government institutions, such as parliaments and party councils, need to develop capacity for local planning and sustainable development initiatives. Advocacy and awareness on key issues related to sustainable development is also necessary. Bangladesh managed to manage the JEC enough to help keep the economy moving and not much affected by the recent crisis in the global economy. The strength of the economy lies largely in a vibrant rural economy, including the agricultural and non-agricultural sectors; remittances of migrant workers; export of ready-made garments, jute, jute, fish, tea and pharmaceuticals (Maal & Uttom & others, 2012, p. 51).

Has experienced an annual GDP growth rate of more than 6 per cent since 2008, and the poverty rate in the number of households has fallen sharply from about (60%) in the early 1990s to (40%) in 2005 and (31.5%) in 2010 on the road And the Millennium Development Goal of (29%) by 2015. However, the number of poor is still large, nearly 50 million. Has made significant progress in terms of income growth (per capita income rose 56% from 438$ in 2005 to 685$ in 2009/10), the state has achieved a state of microwave during the current decade if it is possible to maintain GDP growth of 7% or more on average. Bangladesh has already achieved considerable success in population management, with the population growth rate declining to (1.32%) according to the 2011 census (Maal & Uttom & others, 2012, p. 6).

It should be noted that commendable progress has been made in achieving gender parity in primary and secondary school enrollment. Net enrollment in primary education reached (94.7%) in 2010. The production of vegetables, poultry, fish, milk, etc. increased significantly. Action to combat the phenomenon of malnutrition takes public awareness of a balanced diet, the promotion of girls' education in rural areas and the promotion of income-generating activities for the poor, in particular the affected poor, and Bangladesh remains one of the least developed countries.

The government is also trying to improve governance through reforms, building on the achievements made so far and dictated by facts in various areas such as public administration, the judiciary, police, women's issues, anti-corruption activities and democratic governance at all levels of society to enable the country to improve its status as a democratic society Modern. However, it is best to introduce these reforms, over a period of time, in a sustainable manner.

There has been some improvement over the past few years in the fight against corruption in the country; however, more efforts need to be made to reach a satisfactory level. An appropriate political atmosphere is an important aspect of governance, recognized by all concerned that needs to be secured and sustained for sustainable development. The government also recognizes a set of measures in terms of investment in infrastructure, improved inputs, and skills training. The implementation of these measures will lead to improved productivity and sustainability in different sectors (agriculture, fisheries, livestock, water, energy, industry, trade, etc.). There is also an urgent need to improve and expand infrastructure and other facilities such as housing, schools, hospitals, clinics, other civilian facilities, highways, railways, water, electricity, gas, coal and renewable energy (Maal & Uttom & others, 2012, p. 6-7).

Bangladesh is a disaster-prone country, and these climatic events have negative social and economic consequences for the affected people and are thus a major concern for national socio-economic progress, Bangladesh seeks to combat the impact of climate change with its meager resources to the extent possible.

The Bangladesh Government (Climate Change Fund) was established in 2010 and has provided this fund about (125$ million), as well as some funds provided by development partners. However, the special allocation for Bangladesh and the type of funds it has received so far through the Committee against Money-Laundering and other mechanisms are very small with regard to the urgent need to address the impact properly. Conducting dialogues at home with stakeholders to develop the concept of "green development" that promotes "green economy" and provides "green jobs" in the future is essential, Banana is required in the context of Bangladesh's priorities to accelerate economic growth, poverty reduction, social liberalization, sustainable development on the basis of its three pillars (Maal & Uttom & others, 2012, p. 8).

Bangladesh has achieved notable successes with regard to all three pillars of sustainable development, but much remains to be done in terms of building a path for the country's sustainable and accelerated development. To achieve this goal, in view of its resources and capacities, needs international support in terms of the transfer of adequate financial resources and technologies, continued capacity-building & increased access to market economies Developed countries (Maal & Uttom & others, 2012, p. 82).

1.2.5.5. Conclusion

Regional development policy plays an important and effective role in human societies and their development. Regional development is due to a set of differences that lead to unequal income of the individual in the different regions. These differences are: (differences in the possibilities and resources of the regions, differences in regional growth rates, differences between levels of economic & social development of regions).

The regional development policy must be enabled to remove spatial disparities between regions and within one region through transparent political development, social and economic policies. From the above, all successful regional planning should focus on tackling disparities in development within the region or regions. In order to achieve this goal, the government must find different policies aimed at improving regional economies. These policies should be based on a range of transparent reforms: (reforms in governance towards democracy, more attention to decentralized governance, shifting attention to human resources or capital, transparent economic policies that can best utilize resources available in regions, Infrastructure in areas, development, political stability, security, etc.).

Through the examples we recognize, that countries that have not been able to implement policy reforms for democracy or social justice, as well as economic reforms, have not been able to achieve their economic goals. We should never forget decentralized decentralization or the transfer of power to regions, in order to achieve more economic and social goals in society.

CHAPTER TWO
MANAGEMENT INVESTMENT RISKS, FDI IN ERBIL

2.1. MANAGEMENT INVESTMENT RISK

2.1.1. Definition of risk

The danger word is inspired by the Latin term (Risqué), which indicates an increase in balance and a change to the ratio of what was expected and deviation. The economic risk is the expectation of differences in return between planned, expected and expected, also known as "the probability of failure to achieve the expected return" stems primarily from the uncertainty surrounding the individual in all respects, the uncertainty is due to two main sources: the inaccuracy of the information required predicting them (Abdoli, 2012, p. 2).

Risk cannot be predicted, but with the reversal of uncertainty and the cavity that allows prediction, the risk of anticipation is constrained by probability. This risk is also known as "uncertainty that can be measured, because this uncertainty requires measurement." Some have identified the risk as "uncertainty of a certain loss" although it has not determined the quality of this loss added to the uncertainty. Risk is a complex combination of the probability of an event and its consequences. All functions include the possibility of events and outcomes that may lead to positive opportunities or threats to success. The risk is "objective uncertainty about an undesirable accident: the definition of the problem is limited to uncertainties (Abdoulaye, 2012, p. 3).

Risks can be defined as a combination of the likelihood of an event and its consequences. In all types of commitments, there are likely events and consequences that present opportunities for benefits (upside down) or threats to success (the downside). Risk management is increasingly recognized as concerned with the positive and negative aspects of risk (IRMSK, p2, 2002). This definition includes the following advantages: (the introduction of the probabilistic element in the occurrence of the risk rather than the element of uncertainty, the risk is a potential loss, the probability of loss, and this financial loss affects the wealth or income).

Legally, the risk is that "the probability of an accident in the future or solutions not yet determined by the will of the contractors may be destroyed because of or damage to them." From the point of view of insurance, "the future potential event does not depend on the will of either party contract (Abdoli, 2012, p 4). Risks are usually defined as the probability of an event, where the event will have negative consequences (costs) to the relevant party. Risks can be considered greater when the outcome of costs and costs is higher and lower when the product is lower (Webb, 2014, p. 478-479).

2.1.2. Definition of risk management

Risk management is an essential part of the strategic management of an organization. A process in which organizations systematically address the risks associated with their activities in order to achieve sustainable benefits within each activity and across the portfolio of all activities. Good risk management focuses on identifying and addressing these risks. Its objective is to add maximum sustainable value to all of the Organization's activities. It accommodates an understanding of the possible upward trend and decline of all factors that could affect the Organization. It increases the likelihood of success, and reduces the likelihood of failure and uncertainty in achieving the overall objectives of the organization (IRMSK, 2002, p. 2).

Risk management should be a continuous and growing process that will work throughout the Organization's strategy and implementation of that strategy. All risks surrounding the Organization's activities in the past, present and especially in the future should be systematically addressed. It must be integrated into the culture of the Organization with an effective and programmatic policy led by senior management. The strategy must be translated into tactical and operational objectives and responsibility throughout the organization should be assigned to each manager and officer responsible for risk management as part of their job description. It supports accountability, performance measurement and reward, thereby enhancing operational efficiency at all levels (IRMSK, 2002, p. 2).

Risk management is a scientific approach to dealing with pure risk by anticipating potential accidental losses and designing and implementing actions that would reduce the likelihood of loss or financial impact of losses to a lesser extent. It is also an integrated organization aimed at addressing risks through the best means and lowest costs by discovering, analyzing, measuring and determining means of dealing with them and choosing the most suitable means to achieve the goals. Other definition: Conduct systematic planning to identify and analyze the response and follow-up of risks related to any project and include procedures, tools and techniques that would assist the project manager to the maximum extent possible and the reasons for achieving positive results and limiting the potential and causes of inappropriate results (Abdoli, 2012, p. 26).

Hamilton explained that risk management includes: (gathering information about the company's risky assets, identifying expected threats, system errors that allow the threat to affect the asset, as well as determining the losses that the entity could face in the event of a threat. Risk management does not only mean avoiding risk, and its activities must include the assets of shareholders and the protection of their returns. Risk management is the process of measuring, identifying, or assessing risks that the institution may face or may be exposed to in the future and then develop strategies to deal with them (Abdoli, 2011-2012, p. 27).

Risk management is for the investor to determine the size of the potential loss of investment and then take appropriate action based on investment objectives and bear the same risk from the investor. This is the probability that the real yield per share is different from the expected yield. Portfolio risk is divided into two categories: irregular risk, systemic risk (portfolio national securities, 2009, p. 2-3). The risks facing an organization and its operations can result from factors both external and internal to the organization. They can be categorized further into types of risk such as strategic, financial, operational, hazard, etc. (IRMSK, 2002, p2). Here are the other types of risk management, I try to explain it boldly and they are: (Corporate Risk Management, Integrated risk management).

2.1.2.1. Corporate Risk Management

Corporate risk management is an essential element of management and accountability in organizations. It is a systematic approach applied throughout the

Organization. The objective of an enterprise's risk management approach is to help ensure the sustainability of the Organization's work and enable it to achieve its organizational objectives. This approach is based on the implementation of the Organization-wide risk management process, making the process a shared responsibility and providing a coherent methodology for its implementation (Terzi, 2010, p. 2).

2.1.2.2. Integrated risk management

Integrated risk management is defined as a continuous, proactive and systematic process for understanding, managing and reporting risks from the perspective of the Organization as a whole. It concerns strategic decision-making that contributes to the overall objectives of the Organization. Integrated risk management requires an ongoing assessment of potential risks for the organization at all levels and then aggregating results at the organization level to facilitate prioritization and improved decision-making. Integrated risk management should become an integral part of the Organization's corporate strategy and the formation of a risk management culture in the Organization. The identification, assessment and management of risk across the organization help to reveal the importance of all, the sum of risks and the interconnectivity between parts (Heinz, 2010, p. 81).

Integrated risk management focuses not only on risk reduction or mitigation but also on activities that promote innovation so that the greatest returns can be achieved with acceptable results, costs and risks. From a decision-making perspective, integrated risk management usually involves the establishment of hierarchical hierarchy and risk management committees to help determine the delimitation and allocation. Integrated risk management seeks to achieve optimal balance at the corporate level. Companies still vary widely in the practical range in which central risk management decisions are centralized (Basel Committee on Banking Supervision 2003) (Heinz, 2010, p. 82).

2.1.3. The risk management objectives

The purpose of the objectives is to understand the environment in which the organization is concerned, and this means to thoroughly understand the external environment and the internal culture of the organization. The analysis is carried out through: identification of the organization's strategic and organizational context and risk management, identification of constraints and opportunities in the operating environment (Heinz, 2010, p. 80). Otherwise, the objectives of risk management are: (Control of expected costs, Identification of potential unforeseen costs, Preparation of measures to prevent unanticipated costs, Risk measurement, Risk report to senior management and Board of Directors).

2.1.4. RISKS TO INVESTMENT

The twentieth century is a century of great changes in models, codes of conduct, work and living. Globalization is more interdependent and depends on countries and their determination to create an integrated global market, a dominant theme for investors and companies over the past two decades. We move from the comfort of domestic markets to foreign markets (Damodaran, 2015, p1-2). If foreign direct investment is recognized as cross-border investment by the investor in order to obtain long-term interest in an institution resident in another country (B.F.M Lausberg, 2012, p 6).

There are likely consequences or risks on the way of foreign investment in general, and the logical consequences of these changes are the growing competition on the global market and resource monopolization, under which large multinationals are a priority on the global economic scene, but international investment activity is more affected by the country's risks (Petrović, Stanković, 2009, p. 9). The country's risk has become a major concern for the international financial community over the past two decades. (Country risk rating) Specifically, a business environment in one country can significantly reduce the profitability of investment activity in it, but also reduces the value of the company's multinational assets (Petrović& Stanković, 2009, p. 10).

As companies and investors grow and before foreign investment decisions are made, multinationals tend to anticipate all potential risks that may occur in the host country. When investors invest in China Mobile, Infosys or Phil, they may be rewarded with higher returns but also exposed to additional risks. When Siemens and Apple are driven to grow in Asia and Latin America, they are clearly exposed to the political and economic turmoil that often distinguishes these markets. The country is considered one of the most important risks and is in the following forms: the risk of sovereignty and the risk of transfer (Petrović & Stanković, 2009, p 12).

The role of FDI is crucial to all countries throughout the world but is very important. It is generally recognized that "foreign capital flows" and the participation of investment institutions in foreign countries are now playing an essential and growing role in industrial and economic growth. Has negative effects because of a number of negative factors derived from the political and economic environment These negative factors are specifically state bureaucracy and political and social corruption, such as structural weakness in society, the economy that affects the hostile environment facing innovation and capacity Competitiveness of any economy (Cesário, 2015, p. 6).

Taking into account the growth of FDI flows since the 1990s and their concentration in a handful of countries, Developed and developing countries and local and regional governments around the world are increasingly adopting ad hoc policies to attract foreign direct investment. This phenomenon is based on the belief that foreign direct investment is more beneficial to development because of (1) its long-term commitment to the local economy and (2) knowledge transfer and transfer of technology. In some countries and municipalities, attracting FDI has already been a major vector for development promotion programs (Cesário, 2015, p. 18).

Emerging economies compete for foreign direct investment (FDI) through policies and programs to promote investment by reducing the risk to investors of distributing risk to competing sites. Investors face many risks in emerging economies. Four broad surveys of Western veterinarians identified the following risks as the main risks affecting the spatial and sectorial distribution of FDI: (Economic risks, Legal risks, Political risks, Infrastructure risks) (Lewandowski, 1997, p. 98-99).

Also, in another classification of country risk, the researchers separated the main risks into five categories with common characteristics: (Economic Risk, Transfer Risk, Exchange Rate Risk, Sovereign Risk, and Political Risk) (Stavroula, 2012, p. 18). According to some other reports, there are three main components of country risk, which affect each other according to country risk studies (economic, financial and political risks), international business scenarios are generally political and economic, companies and individuals are interested in the economic consequences of political decisions. Risk rating agencies provide qualitative and quantitative risk ratings for the country, where information is collected on alternative risk classification (economic, financial and political) for complex risk classification (Hoti & McAleer, 2002, p. 1-2).

2.1.4.1. Some definitions to risk types

In terms of types of risk ratings, as we see different classifications and so at the beginning I try to take some definitions for each of them, as follows:

Economic Risk: A significant change in the economic structure or growth rate that results in a significant change in the expected return on investment. Risks arise from the possibility of negative changes in the objectives of the underlying economic policy (financial, monetary or international or the distribution or creation of wealth) or a significant change in the comparative advantage of the country) (Samara, 2012, p. 18).

In other definition of (IRMSA) defined it as Risks in the economic category include fiscal and liquidity crises, failure of a major financial mechanism or institution, oil-price shocks, chronic unemployment and failure of physical infrastructure on which economic activity depends (IRMSA, 2015, p. 12).

Risk of transfer: Risks arising from a decision by a foreign government to restrict capital movement, which make it difficult to return profits, profits or capital to the country. Since the government can change the rules of capital movement at any time, the risk of conversion applies to all types of investments. The magnitude of the risk remains difficult because the capital restraint decision may be purely political by government and in response to another problem (Samara, 2012, p 19).

Environmental risk: Risks in the environmental category include both natural disasters beyond human capacity, such as earthquakes, terrestrial magnetic storms and risks from human will or from their own creation, such as ecosystem breakdown, lack of fresh water, nuclear accidents and failure to mitigate or adapt to climate change (IRMSA, 2015, p12).

Exchange rate risk: includes unexpected change in the currency system such as change from fixed to variable exchange rates. The risks of many currencies can be eliminated at an acceptable cost through various hedge mechanisms and in the short term. However, over the long term the currency hedging process is impractical, increasing exchange risk unless natural hedges are developed such as matching revenue and costs with the same currency (Samara, 2012, p 19).

Geopolitical Risk: All risks (politics, diplomacy, conflict, crime and global governance) are geopolitical. They range from terrorism, resource disputes to war, and governance undermined by corruption, organized crime and illicit trafficking (Erma Risk, 2015, p12).

Sovereign risk: A situation in which the government's lack of commitment or inability to pay its loans, or the interdependence of sovereign risks to the risk of diversion means that the government may run out of foreign currency due to unfavorable developments in its balance of payments. Or the government decides not to meet its debt obligations for political reasons, in this case the private lender faces a unique risk of dealing with a sovereign government and they cannot realistically sue the foreign government without its authorization (Samara, 2012, p. 20). Exposure to the risk of lending to a sovereign government is known as sovereign risk, and they also view political risks as non-commercial risks that political forces enter strictly. It has also identified political risk as a factor that could seriously affect the profitability of its international projects, and some also claim to be similar to sovereign risks and lie within the wider context of national risks (Hoti & McAleer, 2002, p. 4).

Societal risk: covering all issues of social stability such as large income disparities, food crises or urban dysfunction, and public health, such as epidemics and the high burden of chronic diseases (IRMSA, 2015, p. 12).

Political risk: Risk can be defined by change in government political institutions, social fabric change, or other non-economic factors. Political risks cover both the potential for internal and external conflicts, the risks of expropriation and traditional political analysis. It also requires analysis of many factors, especially the relationships of different groups in the country, the decision-making process in the government, and the history of the country (Samara, 2012, p. 20). There is also another definition of political risk, which some call non-commercial risks that are rigorously entered by political forces. It has identified it as a factor that could seriously affect the profitability of its international projects (Hoti & McAleer, 2002, p 2).

Technological Risk: Technology is an important issue in all societies, including industrial societies, etc., and its risks are the growing centrality of information technology, communications to individuals, businesses and governments. These include cyber-attacks, infrastructure disruption and data loss (IRMSA, 2015, p. 12).

I tried to look for another classification of all country risks in this study. As we have seen, there is political risk in all categories, and sovereign risks and legal risks are classified by other researchers as political risks. Financial risk, conversion, exchange rate, as well as some risks related to societies such as cultural and social risks. There are also some legal risks, global organizations, technological risks, societal risks, environmental hazards, etc., beyond the control of governments. For this reason, I tried to classify it as: (political risks, economic risks, Socio-cultural risks, and financial risks).

2.1.4.2. Sources and factors of Country risk

In general, there is a divergence of sources and factors of country risk that make the difference between countries. The country is in a state of dynamic economic growth or developing countries are at greater risk compared to the risks faced by mature partners. It can also be explained by differences in political risks as a democracy or a dictatorship to transfer political power in the country (Damodaran, 2015, p. 15). In the context of countries' credit worthiness, the four major groups of factors dominate the determinants of risks in the country (political, economic, social and financial). These groups generate some measurable data (economic, financial, social and political) (Stavroula, 2012, p. 19). Political factors: It is difficult to predict political unrest, the greatest source of danger to the country and its economy. Political characteristics are highly influenced by economic and social factors, as well as by quality standards, which fall into two categories: internal politics, geopolitical factors or external factors (Stavroula, 2012, p. 20).

There is also some variation in the legal system of countries in terms of structure (protection of property rights) and efficiency (the speed at which legal disputes are resolved). Finally, countries that depend on most of their economies are likely to lose a single commodity, such as oil or a single service such as insurance, i.e. fluctuations in the prices of that commodity or service (Damodaran, 2015, p. 14).

Economic factors: These factors are linked to quantitative information used in the macroeconomic. These include: inflation, GDP, wage structure, production of the most important agricultural, industrial and service sectors, exports and imports of goods and services. Socio-cultural factors: These factors refer to the main social and demographic characteristics of the population and more quantitative information, especially: unemployment, education, consumption, urbanization, average age, mortality, malnutrition and employment in key financial sectors.

Financial factors: Similarities with economic factors refer to the use of quantitative information and the description of financial factors by means of which external debt is provided. The country's financial situation is described by the following factors: current account balance, total international reserves, total domestic investment, external debt, interest, equity prices. Internal factors are the main features of the political system, government and other regulatory also can include: (system instability, government instability, ongoing elections, government feasibility, and absolute market control by the state). The large public sector, the work of national and terrorist groups, corruption, the size of the country, the geological structure of the country, relations with neighboring countries and instability in neighboring countries (Stavroula, 2012 p. 22).

2.1.4.3. Political risks

There is no generally accepted definition of political risk or any widely accepted methodologies for its assessment, the fact that domestic and international political environments are constantly changing in complex ways, so that a model that accurately predicts political risks in one age may be quite inadequate in predicting political risks in the present age. For example, the emergence of a global environmental movement has increased pressure on authoritative national governments to abandon support for projects that the movement considers an environmental problem (JASON, 2014, p. 477-483).

The political and institutional characteristics of host countries have a central role, including factors at the local level (system type, policy-making institutions, human rights records, political instability, financial systems) and internationally (trade agreements and membership in international organizations). The theory of mergers (advantages of property and location) was identified as the main causes of FDI by companies (Aguiar, & others, 2012, p. 145-150) Political risk arises from events such as wars, internal and external conflicts, regional conflicts and change government by revolutions and terrorist attacks throughout the world. Social factors include civil instability due to ideological differences, unequal distribution of income, and religious clashes (Hoti & McAleer, 2002, p. 4).

The International Organization for Standardization (ISO) combines economic, financial and political data and composite risk classification from 140 countries on a monthly basis. Political risk is measured as a broader category of economic or financial risks, and political risk in particular affects the country's ability and willingness to meet its financial obligations. The political threat takes into account 12 variables: (government stability, social and economic conditions, investment, internal or external conflicts, government corruption, military policy, political terrorism, civil war, bureaucracy and political parties) (Kasatuka & Minnitt, 2006, p. 849-853).

One of the common approaches identified by Couperin was "equality between political risk and government intervention in business processes". This definition points to important normative implications for the proper role of the government in the management and management of business. Another approach was to equate political risk with certain "political" events such as coups, civil unrest or specific actions such as expropriation or currency controls that were supposed to adversely affect foreign investors (JASON, 2014, p. 477-483).

Couperin argued that political risks are a conceptual and practical problem. He also presented his preferred definition, which focuses on whether events "stimulated or aimed at maintaining or modifying power or power relations at the governmental level ... will reduce returns to a point where the project will not be acceptable on the basis of prior standards" (JASON, 2014, p. 477-483). With regard to the impact of political instability and political risk on foreign direct investment, international trade literature presents an interesting intellectual puzzle. Survey evidence shows that multi-national executives take into account political instability in investment decision-making, while economic studies produce conflicting results (Li, 2006, p. 234-236).

The laws and regulations in the host country to facilitate matters related to investment and companies must abide by these laws, especially the subsidiaries in the host country. The host Government will therefore have the power to enforce property rights within its territory. Since the legal status of expropriation or guidelines for compensation for expropriation has not been fully and clearly defined in international law, host Governments have other incentives for non-compliance of multinational corporations with property rights (Valentini, 2015, p. 6).

There is sometimes political violence that some foreign investors take into consideration when making decisions about the location and amount of investment. In the case of political violence, politicians must maintain capital and prevent their escape through certain checks, such as increases in the tax rate on investors to secure the high cost of war. Civil wars or political instability often result in changes in government or government policy, such as the confiscation of foreign assets and the breach of contracts between multinationals and former regimes. There is also the threat of terrorism and the need to eliminate it. This, therefore, always leads to governments carefully monitoring and examining private financial transactions as they may be used to finance terrorist activities (Li, 2006, p. 236-237).

As for the World Bank, the Bank has a forum to protect investors' rights and is also the center for the settlement of investment disputes, but host governments are free to withdraw from them. This situation leads to poor credibility of the host government or law enforcement (Valentini, 2015, p. 9). Sovereign underdevelopment can lead to both economic and political consequences. There are also other consequences on the lenders' side of the creditor government (or governments) that default on debt:

- ✓ Loss of reputation: These governments have been named "DADBIT" and marked as such, making it difficult for them to increase funding in future rounds.
- ✓ Capital market turmoil: In the event of default of sovereign debt, investors withdraw from the stock and bond markets.
- ✓ Real output: sovereign default is due to economic stagnation, as consumers suffer from spending, and companies hesitate to allocate resources to long-term investments.
- ✓ Political instability: Failure can also lead to a blow to the national psyche, which in turn could endanger the leadership class. The wave of unrest that swept Europe in the 1930s, with Germany, Austria, Hungary and Italy all victims allowed the emergence of the Nazis and paves the way for World War II. In short, sovereign defaults have serious and painful effects on a faltering entity that may last for long periods of time (Damodaran, 2015, p. 24-25)

- How do political institutions affect the risk environment? Democracy reduces political risk through the mechanism behind four main reasons, as outlined below:

1. Democracies aim to increase political stability. In this system too, leaders have less ability to formulate sudden policies that can harm multinational corporations.
2. Multinational corporations are able to account for the legislative process and anticipate changes in policy if policy-making in the political system is more transparent.
3. Allowing companies to influence policies through formal means in more democratic governments to promote stability.
4. The host country's international reputation: when the host government confiscates or uses policies that harm multinationals, it faces high reputation costs that are evident in political risk ratings or financial market indicators.

Political systems that reduce political risk to lower levels will attract multinational companies by reducing the cost of absorbing production (Valentini, 2015, p 4-10)

Political Risk Measures: Measurement approaches range from various classification methods (type of political structure, range and diversity of ethnic structure, civil or external strife incidents) to surveys or analyses by political experts. Most services tend to use country experts who grade or rank multiple sociopolitical factors and produce a written analysis to accompany their grades (Samara, 2012, p. 18-23).

2.1.4.4. Economic risks

The most important economic risk factors are: macroeconomic policy, trade policy, degree and mode of state participation in the economy, investment policy, property structure, inflation, budget deficit, cash supply and the development of domestic credit (TOMA & Others, 2009, p. 163-164). Economic risks may be particularly important with respect to exchange rates, economic volatility, industry structure and international competitiveness (Conkelin, 2002, p. 21) so that we can call them: interest rate risk, Economic, industry risks, competitive risks).

1. Exchange rate risk: Foreign exchange movements are of greater importance and also have significant risks, and the risk is that the government may simply lack the economic capacity to repay its loans. In the future, capital flows will be more sensitive to changes in the financial system of each country and to general economic conditions than in the past. Future increases in capital flows could translate into an increasing volatility in foreign exchange rates for some countries. Here are some other ways that managers can deal with these country risks: (Conkelin, 2002, p. 22)

- Investors should restrict capital transfers to a country to those times when the foreign exchange rate is in equilibrium.
- Borrow locally to do business locally and avoid exposure to foreign exchange rates.
- Focus on the risk of devaluation when choosing between countries as investment sites.
- The risk of foreign exchange risk may be relatively low for businesses that require little capital investment, such as investment in the service sector or the fast food industry.

- Spread the purchase price over as long a period as possible. This allows the local currency to be purchased at a lower cost if the devaluation occurs.

2. Risk of economic volatility: Banks borrow from short-term depositors and offer long-term loans to them. This exposes banks to risks that may fall rapidly in fixed asset prices, as depositors can withdraw abruptly. With massive land and stock price cuts, bank loans to real estate and equity security may suddenly be at high risk of default.

3. Industry risks: Managers should analyze the local situation of industry risks such as the strength of competitors, the potential of alternatives, the capabilities of suppliers and customers, and the risk of new entrants. It may be useful to determine the level of risk by developing a matrix in which all industry risks are assessed as secondary or serious or "stopover", in which different methods is analyzed to mitigate each risk.

4. Competitive risk: It will always be necessary for managers to consider the country's competitive factors when making investment decisions; they will help managers consider differences in risk within each country. Many countries have a high growth region with strong competitive characteristics.

- How does monetary policy affect the country's risks? Economic risk is the major change in the economic structure or growth rate that recent research in the applied economy produces a significant change in the expected return on investment. Risks arise from the possibility of adverse changes in the objectives of basic economic policy (financial, monetary or international, or the distribution or creation of wealth) or a significant change in the country's comparative advantage (such as resource depletion, industry decline, demographic transition, etc.). Economic risks often overlap with political risks in some measurement systems because they both deal with policy. Exchange rates are the local price of a unit of foreign currency. Exchange rates affect international trade and are part of the country's cyclical flow model of economic output and income. Exchange risk is an unexpected negative movement in the exchange rate (TOMA & Others, 2009, p. 163-164).

Economic theory examines the analysis of exchange rate risk over longer periods of time (more than 1-2 years). Short-term pressures, while influenced by economic fundamentals, tend to be driven by the best currency momentum assessed by currency traders. In the short term, the risks of many currencies can be eliminated at an acceptable cost through various hedge mechanisms and future arrangements. Inflation is a constant rise in the average price level which leads to a decline in the purchasing power of the country's currency. By reducing the purchasing power of money, inflation has what economists call the effects of redistribution (TOMA & Others, 2009, p. 163-164).

Economic Risk Measures: Analysts examine traditional measures of fiscal and monetary policy. For fiscal policy, they examine such factors as the size and detail of government expenditures, tax policy, and the government's debt situation. Analysts examine the impact of monetary policy and financial maturity on economic growth (inflation, money supply growth, real and nominal interest rates, and financial sector/GDP). For longer term investments, they focus on long-run growth factors (Samara, 2012, p. 18-23).

2.1.4.5. Socio-cultural risks

Corporate risk affects culture directly, not only through indirect channels such as legal or regulatory frameworks. In societies where there is little uncertainty and low tolerance in hierarchical relationships, risks also increase. When individualism is geared towards a collective trend, the risk to partners is greater, and therefore these risks are increased in societies with better formal institutions (Mihet, 2012, P. 5).

Communities differ with different institutions that organize or encourage response to institutional risks, such as government institutions, regulatory institutions, or judicial institutions. National cultural variables affect the quality of these institutions and also affect companies. There are very strong negative plankton between the distance of power and good governance, or indeed when the individual level of individuality rises, the rule of law has a better place. "Government effectiveness", "control of corruption" and "organizational quality" were best, similarly, the lower the level of authority in a country, the better its official institutions will be.

Individual cultures emphasize self-competition, freedom and entrenched individual rights and obligations, so there is also the demand for a rule of law state that provides people with a comprehensive set of rights protections such as ownership, contracting rights, etc. Cultures characterized by low tolerance for hierarchical relationships also tend to be more egalitarian. These cultures have better systems of rule of law that treat citizens equally and do not denounce them against others, giving them the same rewards or penalties for their actions. It will also strengthen the rule of law, which grants equal protection to all under the law, in all equal societies, by encouraging community members to treat each other on an equal basis (Mihet, 2012, P. 17-18).

Uncertainty, exclusivity, and distance of authority have a direct and significant impact on corporate risk and on society as a whole. As well as the indirect effects of national culture at the level of extreme risk, the overall official institution index is calculated as a weighted indicator of the quality of seven formal institutions, which is positive in all models, this indicates that the official institutions in the country are better. The variables that make up this indicator, such as organizational quality, rule of law, debt enforcement efficiency, political stability and government effectiveness, encourage companies to take on more risks because they provide a framework that protects property rights and implements contracts (Mihet, 2012, P 24).

The researchers concluded by explaining the patterns of international trust that trust lies in the growing population of either country in terms of languages, religions, genes, body types, geographical distance and income. The effects of cultural differences will be divided into four types of international flows: (information, people, products, capital) (Pankaj & Reiche, 2011, p. 3). The value in understanding the effects of culture on business is not limited to business managers. Many policy makers believe that increases in foreign activity of multinational corporations are accompanied by increases in local activity. An understanding of culture and its relationship to trade and investment would be valuable information to policymakers when identifying potential partner countries for international business. Culture obviously matters when it comes to international business (Mac-Dermott & Mornah, 2015, p. 5).

Culture or some aspects of culture may be complementary to both trade (exports) and foreign direct investment (FDI). Other aspects of culture can lead to some degree of substitution between trade and foreign direct investment, and the decision to trade or invest in goods with a foreign country is straightforward. It is often assumed that investment between foreign countries, especially culturally different countries, carries greater risks than circulation. The argument is that all things are equal. Investment in a foreign country comes with the additional cost or risk of having to absorb the business and the practical culture of that country. Failure to assimilate may lead to an escape from the investment project. But this is not always true because some differences in aspects of a country's culture may actually make it safer to invest in that country than at home. Just because they are different, they do not make them more dangerous.

Overall, all is equal; the aspects of culture that make investments safer abroad, increased profitability, reward performance will attract foreign direct investment. Or when economic opportunities exist but culture is not conducive to FDI, trade will be preferred. In essence, the impact of culture on international business is not homogeneous. (Mac-Dermott & Mornah, 2015, p. 64-65).

Language differences are a useful alternative to cultural differences. "The existence of the same language increases the volume of knowledge between the two regions by up to (28%)." While language barriers are more quantifiable, one can easily think of other, subtler ways, cultural differences impede information flows. It has been found that a common language that increases the trade of bilateral goods between the two countries and also the common language increases the trade of services by more than that. One study suggests that "direct contact appears to be three times more effective than indirect communication in promoting trade" and that linguistic diversity within the country and higher levels of literacy encourage foreign trade on foreign trade, as evidenced by the fact that people tend to control Their dialects have a hard time understanding. It has also been shown that countries that share a common debt trade more than countries that do not (Pankaj & Reiche, 2011, p. 6-7).

2.1.4.6. Financial risks

Assessing the country's ability to finance its official and commercial obligations is the overall objective of the Group's financial risk classification (ICRG). Therefore, this rating could be considered as an indicator of the likelihood of a financial crisis in the country in the coming years. The classification of financial risks in the international group consists of five sub-components: (GDP per capita, real GDP growth rate, annual inflation rate, budget budgets as a percentage of GDP, and current account as a percentage of GDP) (KAZUNOBU & others, 2011, p. 6).

Financial Risk refers to the risk that a country may not be able to repay its foreign liabilities. Without doubt, countries with high financial risk are more likely to face an abrupt financial crisis. Unlike short-term bank loans and portfolio investment, FDI cannot be easily withdrawn when the financial situation of the host country changes. Therefore, foreign firms might be very sensitive to financial risk of the host country.

As the amount of foreign debt increases relative to the borrowing country's GDP, the country's ability to repay its debt will decline and financial risk of the country will increase. multinationals may find the countries with too much foreign debt less attractive for investment, ceteris paribus. A country's foreign debt and its financial risk will to increase gradually if the country experiences large amount of chronic current account deficit for many years. The government's chronic deficit in budget balance may also lead to an increase in its foreign debt and financial risk (Kazanoba & others, 2011, p. 4).

Exchange rate instability host country may also deter FDI as it increases uncertainty in the financial plans of MNEs. A high inflation rate in of the host country may also deter foreign investment as the real local currency value of capital already invested and future return may become smaller with high inflation. High inflation can also lower the home country-currency value of FDI as the currency value of the host country is likely to become weaker against other currencies (KAZUNOBU& others, 2011, p. 5). There is also a range of risks associated with individual financial instruments: (Shares, bonds, funds, derivatives and securities are not included).

2.2. FDI IN ERBIL

2.2.1. Reviews information of (FDI) in KRG & Erbil

Developing countries urgently need foreign capital in both direct and indirect forms of investment, but one of the main economic problems facing these countries is that they do not have sufficient national savings to finance their investments. At first, they received loans from international commercial banks.

However, the debt crises of the 1980s led to the drying up of commercial bank lending, and so many countries reformed their investment policies to attract foreign capital. This is one of the easiest ways to access foreign capital without debt risk. FDI is defined as capital flows resulting from the behavior of multinational corporations, and therefore the factors affecting the behavior of multinational corporations may affect the volume and direction of foreign direct investment (Demirhan & Maska, 2008, p.358).

In the early 1990s, countries with economies in transition joined with developing countries to open more to foreign direct investment (especially high quality). The two groups of countries were often starting to be hostile or at best unreliable to TNCs in the decades following Second World War, TNCs are increasingly becoming part of the solution, not only the capital badly needed to stimulate growth and development, but also technology and skills, access to foreign markets and job creation.

Therefore, many developing countries and countries in transition have been replaced by restrictive policies and institutions and previous control with new ones aimed at attracting foreign direct investment. Thus, the prohibitions and restrictions on the entry of foreign direct investment have been reduced to varying degrees, as well as improved standards of treatment and protection of foreign investors and the relaxation or relaxation of restrictions on their operations. Given the competitiveness of countries in attracting foreign direct investment, they often implement incentive programs for TNCs. It also included the establishment of investment promotion agencies and export processing zones for this purpose (UNCTAD, 2009, p. 5).

We also see an increase in the number of RTAs at the other time. According to WTO reports, there are (474) RTAs effective July 2010. It is well known that the proliferation of RTAs has been done in conjunction with a trend towards transformation Content of RTAs. These efforts have shifted from focusing on trade in commodities only to a broader range of areas such as trade in services, intellectual property, and business and investment.

Most of the previous BITs have problems to allow the settlement of investor-State disputes, which have been included in most bilateral investment treaties as well as in the RTAs negotiated since the mid-1990s. The second institutional variation concerns the way in which BITs and RTAs make liberalization commitments available (Busse & Roy & others, 2010, p. 3-4).

In general, developing countries reluctant to adhere to their FDI policies in multilateral agreements are increasingly addressing issues related to the protection and treatment of FDI in international treaties and, as a result, the massive growth of such international agreements. By the end of 2008, more than 2,670 bilateral investment treaties and more than 270 other international investment agreements, such as free trade agreements or economic integration agreements, had been concluded with investment provisions. All countries are parties to at least one international agreement. The number of BITs is still rising, and by the end of 2009, a total of 2,750 bilateral investment treaties (Busse & Roy& Others, 2010, p. 1-2).

At the conclusion of IIAs, developing countries seek to make the regulatory framework for foreign direct investment more transparent, stable, secure and predictable so as to be more attractive to foreign investors. There is, however, a recurring question about the degree to which IIAs have been achieved, whether their goal of promoting more FDI is actually in place. In addition, new types of IIAs have emerged, which also include trade and other issues, and many countries have renegotiated bilateral investment treaties to further improve investment conditions (UNCTAD, 2009, p. 6).

2.2.1.1. Current Regional Policies and their situation

The (KRG) is a federal territory according to a constitution elected by the Iraqi people and has many advantages in all economic, political, social and so on. This region developed its economy and democratic institutions during the period of self-government, which began in October 1991 despite the existence of economic embargoes by America and Iraq (E. Soderberg, 2015, p. x-xiv). According to (KRG Planning Ministry) reports, there was a significant growth in the economic situation in 2004-2009), reflecting the increase in total public revenues and increased government support for various economic sectors, thus increasing the per capita income by (42.7%) (KRG, 2011, p. 16).

The revenues of the oil sector were used to expand infrastructure in Iraqi Kurdistan, to support construction projects and to establish a number of universities. Iraq's Kurdistan has established good relations with Turkey and Iran. However, Baghdad suspended its allocation to the budget of the (KRG) in February 2014 in response to disputes related to the export of Kurdish oil. Progress was more threatening when it attacked the (DAEISH) or (ISIS-Islamic State Organization in Iraq and Syria) in August 2014 (E. Soderberg, 2015, p. 8-13).

I will try to find some information and scientific theories, for the purpose of a deeper understanding of regional policies in general and especially in the (KRG). According to the theories of the new classic model, venture capital arises from two main sources:

1) External capital flows from exports, grants, external investors, repatriated profits.
2) Domestic capital flows from the use of assets, dividends, savings, employment and social capital. It also all non-financial human contributions to production or services provided by society, government and business (J. Stimson & Others, 2006, p. 4-10).

Regional policy is the redistribution of its character and the possibility of deliberate redistribution used for the purpose of convergence. Regional development policy expands to include all those who have any influence on the choice of regional policy objectives and tools. Regional efficiency generally implies a diminishing role for the State, leaving more room for market behavior, while strengthening regional efforts to expand State participation (Koczіszky, 2009, p. 27-35).

As discussed in the highest in the KRG was a significant growth in the economic situation in the period 2004-2009, development and growth in all tangible trends and even increase in per capita income in the KRG is the largest, to illustrate this broad growth, there are some comprehensive information about: (KRG, 2011, p. 17)

- ✓ Government investments during this period increased by 92.1% and there was a marked increase in domestic and foreign investments (about $ 12.491 million).

✓ Public expenditure increased and sustained growth in all activities and sectors (from ID 2,036,767 million in 2005 to ID 9,541,308 million in 2008, an annual growth rate of 51.7%). (Table 2.1) shows these figures:

Table 2.1 - Total Public Expenditure 2005 – 2009 (ID-million)

Total Public Expenditure 2005 – 2009 (ID-million)					
Year	2005	2006	2007	2008	2009
Total expenditure	2036767	2322886	7847660	9541308	8283172

Source: Ministry of Finance/KRG

By monitoring the development of public revenues, we will see a steady and steady increase during the period 2007-2009 from ID 181,178 million in 2007 to ID 375,129 million in 2009, or 46.88%. (Table 2.2) shows these figures:

Table 2.2 - Total Public Revenues 2005 – 2009 (ID-million)

- Total Public Revenues 2005 – 2009 (ID-million)				
Year	2007	2008	2009	Total
Total revenues	181178	223609	375129	779916

Source: Ministry of Finance/KRG

After 2003 a major expansion aimed at strengthening the role played by the private sector in economic activities in addition to the increasing role played by market forces in the management of the economy. The number of private banks increased from (16-24) during 2004-2009. This increase in the size of capitals increased to about ID 2,012.280 billion by the end of 2009.

- ✓ Education coverage increased from (91.6%) to (94.3%) for persons aged 6 to 11 years. This medium-level technical coverage rose to (27.25%) in 2009. Education coverage for the 18 to 23 age group increased from (4.9%) in 2003 to (14.7%) in 2009.
- ✓ The large increase in the number of students increased in 2009 the number of teachers is 12: 1 to 19: 1 this year (KRG, 2011, p. 17-18).
- ✓ Significant increase in the number of universities from 3 to 18 universities, the number of government colleges and teachers from 35 to 81 colleges.
- ✓ The illiteracy rate decreased from (27.4%) of the total population aged 10 years and over to (18.4%) in 2009. That the number of workers in the agricultural sector represents 9.7% of the total workforce.
- ✓ The increase in the electricity sector in 2009 increased to (228%) compared to the increase in 2004. However, the Ministry of Electricity figures indicate a deficit of about 30% compared to the total demand for electricity.
- ✓ The birth rate is (2.99%), higher than the global average of (2.6%). This increase is also due to relative stability, coupled with a slight increase in infant mortality.
- ✓ Urban population accounted for (77.6%) of the total population, compared with (22.4%) in rural areas until the end of 2007.
- ✓ The working-age population (15-64) was (58%) of the population in 2009 and unemployment was (17.86%).
- ✓ The Ministry of Housing and Local and Foreign Investment Projects implemented total housing units and 41,000 units in 2009.

Private sector investment in tourism has increased significantly, reflecting the increase in the number of hotels from 64 hotels in 2007 to 167 hotels and 59 hotels in 2009 (KRG, 2011, p. 18-19).

2.2.1.2. Development and Strategic challenges

According to the special report of the Ministry of Planning Kurdistan Regional Government there is a wide range of immediate and future challenges to the economy of Kurdistan region in general and regional economic development in this region in particular, we seek to express briefly: (KRG, 2011, p. 41-42)

- ✓ There is a lack of economic structures, and any deficit in these structures reflects their contribution to GDP. There is also no clear vision of strategic planning in relation to the preparation of the state budget.
- ✓ The region's economy has failed to generate adequate employment because of the decline in investment spending out of total public expenditure, leading to unemployment among working age.
- ✓ That nearly half the population of consumers and the rest of producers are responsible for supporting themselves.
- ✓ The weak competitiveness of plant and animal production, particularly of major crops and products at the foreign and local levels, affects the demand for food security on the basis of domestic production.
- ✓ The weakness of domestic and foreign investments in the industrial sector in general and in manufacturing industries in particular, which makes domestic industrial production unable to compete clearly with imported goods (KRG, 2011, p. 61).
- ✓ Financial allocations and funds are insufficient to improve the quality of education provided, address the inequitable distribution of education between urban and rural areas, as well as address insufficient capacity for existing buildings and educational levels to provide full and sustainable education opportunities (KRG, 2011, p. 41-42).
- ✓ Inadequate allocations and a limited budget for research and development leading to a weak link between scientific research and social and economic development programs.
- ✓ The increase in population growth has led to an increase in the demand for services in the health sector. Therefore, the sector continues to suffer from a lack of sanitation facilities and lack of health and medical personnel (KRG, 2011, p. 61).
- ✓ Several indicators point to the growing problem of housing due to the growing deficit, and on the other hand, most of the existing rural housing units need to be restored and developed.
- ✓ The financial resources used in the tourism sector and the number of private investment companies that contribute to tourism are very low. There is also a severe shortage of individuals with limited capabilities that are incompatible with large-scale tourism and cultural investment projects (KRG, 2011, p. 20-25).

- ✓ Social values and social traditions are undoubtedly responsible for determining the roles of women, leading to a decline in women's participation in economic activities and ultimately to a decline in economic development (KRG, 2011, p. 61).
- ✓ Institutions and non-service organizations lack a comprehensive vision to improve the social and economic conditions of vulnerable groups, adversely affecting their policies, plans, programs and initiatives, and will not be able to respond effectively to the problems and challenges of the vulnerable.
- ✓ A limited number of developed regions (cities and regional centers) dominate most economic activities, services, basic infrastructure and less developed regions.
- ✓ Underperformance of finance management and the need for introducing changes into the government financial system, aimed to adjust revenues and public expenditures, coupled with proper economic and social guidance, commensurate with the set development goals priorities (KRG, 2011, p. 49).
- ✓ Lack of clear strategic planning of state budget, especially goal prioritization, due to applying the conventional method (line-item budget) which tends to address immediate needs only (KRG, 2011, p. 49).
- ✓ General trend with respect to public expenditure structure in favor of the operating expenditures at the expense of investment expenditures, resulting in an increase of effective overall demand, and rigidity of the production system flexibility. This situation made imported goods thrived at the expense of locally produced goods.
- ✓ Insufficient capacity to create job opportunities, caused by reduced investment expenditures against overall public expenditure, which led to spread of unemployment among labor eligible groups, posing a major challenge (KRG, 2011, p. 20-25).
- ✓ Certain components of government subsidies resulted in some cases in severe disruption of public expenditure structure, over and above the disruptions sustained in the operating expenditure structure itself, which overloaded the budget with unproductive expenditures, according to economic criterions.
- ✓ Decline in the percentage of revenues out of overall public revenues. This trend was further aggravated by the ineffective tax policy, which had relatively undermined its social and economic significance as well as minimized its contribution to development

funding, stimulating private sector activities and reducing the acute disparity in income distribution (KRG, 2011, p 20-25).

2.2.1.3. KRG strategy

Several preconditions may be necessary to create a competitive environment to support regional development and investment. These include: a competent workforce, effective institutions, and sophisticated infrastructure, finance and logistics systems. An important factor in maintaining the development of the regions is to bridge the leakage of capital flows that can result from the heavy reliance on imports for production and consumption, the export of profits and savings elsewhere, and the loss of human capital. To achieve more sustainable regional economic development, it is important to reduce income leakage by creating greater investment opportunities and focusing on the development of import substitution industries.

For States and regions to achieve the results and growth of sustainable development, there is a need for government and business to strike a balance between policies and strategies. These include: (Stimson & others, 2006, p. 4-10) (Focus on increasing productivity, Competitiveness and reduction of inputs to production, Traffic and logistics systems, Waste reduction and reuse, Increased resources and resource utilization, Development of demand-focused and export-focused economies).

However, economic systems should not only be given priority to support regional development. There is also a need to focus on: (Development and maintenance of social, cultural and knowledge capital, Risk management, improved management) (Stimson & others, 2006, p. 15-17). The KRG adopts the Strategic Plan for (2012-2017) on a wide range of objectives for the development of the economic and social sectors. A large number of quantitative and qualitative indicators have been derived from these objectives that will be used to achieve them. The most important indicators are: (GDP growth, the financial sector, population, labor force, employment, agricultural and water resources, energy, industry, education, higher education, health, empowerment of women and youth, vulnerable groups, environmental sustainability, a set of laws on financial management and finally the role and participation of the private sector).

The government is seeking to grow GDP by (7%) per year, agriculture growth by at least (15%), manufacturing growth (5%), tourism (7%), and increasing contribution of GDP to domestic and FDI to (20%) and egg group of other efforts. The financial sector seeks to rationalize non-core operating expenses to increase investment spending from total public expenditure at a gradual rate of (50%) per year and link the preparation of the state investment budget with development priorities (KRG, 2011, p. 25).

The government has also tried to create 100,000 jobs a year to reduce unemployment from (17%) to (4%) by the end of 2016, increase labor productivity by up to (4%) per year, balanced distribution of labor force and increase investment allocations in rural areas and reduce migration to cities and provide 5 of the annual resettlement of migrant workers from rural areas through the development of a balanced employment policy. The government seeks to store water from river flows by building four dams, increasing the annual use of agricultural land by 10 percent, protecting 80 percent of arable land from desertification and damage, and increasing the production of basic crops (wheat, barley and vegetables by 8 percent annually) Per year increase in livestock, livestock production and productivity (KRG, 2011, p. 25-27).

In the five-year plan, the government also seeks to secure the total oil and natural gas products in the region, rehabilitate the economically viable public companies, privatize the remaining companies, establish a fund to finance and support small and medium-sized enterprises that help industry and increase per capita electricity and supplies to meet the growing demand for electricity.

In the area of education and higher education, the Government must enable all 6-year-olds enrolled in compulsory education to attend school and ensure that (60%) of the students has an intermediate school diploma. Establish a regional guidance system to measure the level of primary and secondary education for post-secondary students and (10%), cover higher education for more than (25%) and provide the necessary tools to enable (90%) of university graduates and institutes to obtain an international driving license. In the area of health, the Government is committed to increasing the number of doctors, hospital beds and family health centers, as well as reducing infection rates by

(40%), cancer by 50%, reducing maternal mortality and providing reproductive health services (KRG, 2011, p. 27-28).

To empower women to promote development and increase their contribution to economic activity through their financial and moral empowerment and to change society's attitude towards violence against women through education reform, as well as to provide human rights programs with concepts that promote values, equality and equal opportunities.

The Government also seeks to reduce unemployment by targeting young people in particular, taking into account rural areas and gender, increasing the number of youth and entertainment centers and covering all governorates to provide young people with appropriate education and useful and constructive activities. It is necessary to address the consequences of poor performance, the burden of government policies, the reduction of attention to the different social sectors of vulnerable groups, the adoption of appropriate measures or the modification of the current system during the two years, and the commitment to implement the poverty reduction strategy (KRG, 2011, p. 28-31).

Increase services to families of martyrs and victims of genocide through the number of outpatient treatment opportunities for patients and those in need of medical care and other privileges granted to them. Allocate a large budget and pay more attention to the development of services and infrastructure in the provinces and rural areas commensurate with the size and degree of deprivation of the population. Environmental sustainability requires the government to increase the distribution of drinking water through secure networks, reduce the proportion of waterborne diseases, reduce water pollution from industrial wastewater, increase the safe disposal of radioactive and hazardous waste, especially medical and pharmaceutical waste, and reduce pollution.

The government is seeking to issue the law concerning the declaration of assets and interests in relation to the ministerial pain holders in order to obtain a degree and officials and issuing instructions regarding the establishment of the General Civil Service Council and activating its role in the development of government work and the problems of civil service management. As well as to strengthen decentralization of the management of development facilities, private sector participation in provincial and district plans and programs, and the adoption of a national employment policy in the first year of the strategy (KRG, 2011, p. 28-31).

2.2.1.4. KRG Priorities-Current Targets

The (KRG) seeks to achieve the strategic objectives adopted to achieve more and more progress and development in economic and other fields, this based on the previous details and according to a report issued by the Ministry of Planning as follows:

1) The required investments are estimated at $ 25 billion during this strategy. A total of $ 17 billion will be funded from the federal budget, in addition to private sector investment (domestic and foreign) of $ 8 billion five years.

2) Regarding the priorities of investment, agriculture, construction, housing, transport, communications and storage, electricity and capacity building were considered appropriate priorities by men, because men are the ultimate goal of any development. Improving the economic environment and promoting balanced development at the regional and sectorial levels, improving the business environment and supporting occupational safety and security.

3) Promote investment, with the aim of supporting comprehensive economic development policies, increase trade volume and export support (KRG, 2011, p. 31-32).

4) Develop the government's financial management, and review the methods used to prepare the state budget. This also applies to institutional development, legal and administrative reform, monitoring of plans and follow-up procedures. Strengthen financial management, monitoring and control, develop practical mechanisms to ensure transparency, and promote savings through credit activities. About the bank sector's the government seek to laying the foundations of competition between banks and supporting banks capitals and encouraging the establishment of branches of foreign banks (KRG, 2011, p. 31-32).

5) Institutional reforms at the sectorial level, focusing on capacity-building, in particular on the importance of developing different levels of education; using modern technology; focusing on the economic values adopted by the Strategy; the issue of

principles of autonomy, rule of law, accountability, transparency, The development of the public sector is guided by these principles and basic rules (KRG, 2011, p. 61).

6) The path of the strategy to achieve its objectives also entails the use of modern technologies and knowledge, benefiting from regional and international experiences, as well as increasing knowledge and benefiting from the knowledge economy to serve strategic objectives (KRG, 2011, p. 31-32).

7) Empower youth groups and increase their effective participation in issues that support development processes, align the supplied and required manpower, evaluate the actual development process as well as ensure their quantitative and qualitative trends at the same time.

Selection and support of sectors that absorb large numbers of labor force (labor-intensive and low-capital production and use methods such as construction, construction, and services) to address the troubled workforce and distribution structures between commodity and non-commodity sectors and unemployment (KRG, 2011, p. 61).

2.2.2. SUMMARY OF INVESTMENT LAW (IRAQ & KRG)

2.2.2.1. Summary of the Iraqi Investment Law

There is considerable competition among most countries to attract foreign investment and provide a suitable climate for it. Iraq is one of the countries that is striving to this end. The enactment of the appropriate laws is one of the most important engines to attract these investments (Al-Budairi, 2006, p. 147-148).

The Iraqi Council of Representatives approved Law (No. 13-2006) to encourage investments and transfer of modern technologies to contribute to the development of Iraq and to expand its production and service base and diversify it. In the following, I try to clarify some of the basic provisions of this law (goals, advantages, guarantees, etc.):

1) Article (29) of this law excluded from its provisions investment in oil and gas extraction and production as well as investment in the banking and insurance companies.

2) Article 2 The objectives of this law are specified in detail and we mention these objectives in short terms as follows: Encouraging investments and transferring modern

technology to develop Iraq, enhancing competitiveness, contributing to encouraging the Iraqi and foreign private sector to invest, Providing job opportunities for Iraqis, protecting the rights and property of investors, expanding exports, enhancing the balance of payments and trade balance of Iraq). These objectives are commensurate with Iraq's investment needs in all industrial, financial, service and tourism fields to promote and develop the Iraqi economic reality (Ahmed & Khudair, 2010, p. 148-150).

3) This law also includes many advantages and guarantees for the investor according to articles (10-11-12-15) regardless of nationality, as follows: Rental of land required for the project or the Stretch with a period not exceeding (50) years renewable, insurance on the project In the case of any national or foreign company, the investor has the right to take out his capital and return it to Iraq after paying all the financial obligations to the Iraqi government, exemption projects approved from taxes and fees for 10 years as well as exemption of assets and spare parts Imported from the fees that do not exceed 20% of the value of the purchase of assets (Al-Budairi, 2006, p. 147-152).

The foreign investor is entitled to trade in the Iraqi stock market with the shares and bonds listed therein. The investor has the right to employ and employ non- The inability to use an Iraqi according to the controls The granting of the right to reside in Iraq and facilitate the entry and exit of foreign investors and workers in investment projects, and have the right to transfer their salaries and compensation abroad, not to confiscate or nationalize the investment project (Ahmed & Khudair, 2010, p. 152-154).

2.2.2.2. Obstacles and problems Iraqi investment law

This law faces a number of problems and challenges, some of which stem from the imbalances of the Iraqi economy, while some are related to the contradictions of the legal texts. I try to present the most important obstacles facing of this law:

1) Security instability, high inflation, weak financial and banking sector, financial and administrative corruption.

2) The bureaucracy and administrative routine of the legal legislations necessary to facilitate the investment process at various stages. There is also a problem in the level of

investment culture in the minds of officials in the Authority, which has a major role in disrupting the economic decision supporting the investment process.

3) A great debate between economists and legal texts related to the subject of land ownership has created great contradictions that later formed fears among investors. Some support the land ownership of the investor and others aspire to increase the legal period for rent, especially in residential projects.

Thus, it is clear that the privileges, guarantees and facilities provided by the Iraqi General Investment Law are suitable for activating the investment activity in the country in order to receive foreign investments and coexistence with them, but it is strict in some areas, especially with regard to ownership, partnership and tax exemptions. This law is still in its application, so it requires additional time for the purpose of assessing the depth of the decision levels. This does not prevent the marking of some gaps in the decision, especially in the field of land ownership in full and not temporary. It remains to be noted that the Iraqi legislator did not overlook the role of the local investor and encourage the private sector and work on the development and training of human resources within the country in order to build a strong local economy capable of finally to play its role effectively (Al-Budairi, 2006, p. 154-155).

2.2.2.3. Summary of the KRG Investment Law

The Investment Law in the Kurdistan was issued in 2006 and No. 4 by the (KRG) to encourage investment and remove any legal obstacles that prevent the investment of national and foreign capital in various projects that contribute to the economic development process in this region. It contains 25 articles in four chapters, including: general provisions; exemptions and obligations; investment hierarchy; licensing and arbitration (Heshmati, 2007, p. 28).

The general section of the provisions contains 4 articles that define definitions, areas of investment, treatment of foreign investors and allocation of land plots. Article 2 of this law is concerned with the fields of investment approved by the Commission to invest in the region in one of the sectors: manufacturing and electricity, agriculture, agriculture, animal and forestry, hotels and tourism and leisure projects, health and environment, scientific and technological research, Banks and insurance companies, infrastructure projects (construction, construction, housing, roads and bridges, railways, airports, irrigation and dams), free zones and contemporary commercial markets, education at all stages within the educational policy of the region, And all services related to the said sectors, as well as any project in any other sector, the Council shall decide to approve its inclusion in the provisions of this Law (Heshmati, 2007, p. 29-30).

Article 3: In the case of a foreign investor, Article 3 provides that he shall treat the investor and foreign capital as the investor and the national capital. The foreign investor shall have the right to own the entire capital of any project he establishes in the territory. A fourth article comes to the investor to buy and lease land and real estate necessary to establish and expand the project within the limits of this area, and also has the right to buy or rent for the investment project residential and non-productive cars as required by the project (Heshmati, 2007, p. 29-30).

Each of the exemptions and obligations of the investor in the second chapter, which contains 5 articles And Article (5) sets out all procedures for FDI policy in incentives, i.e. tax and tax exemptions for investment projects, as follows: (KRG Investment law, 2006).

Article (5) of this law exempts the investor or the project from all taxes and non-customs duties for a period of (10) years, Machinery, equipment, machinery and machinery imported to the project shall be exempted from taxes and duties and the requirement to obtain import licenses. The spare parts imported for the project shall also be exempted from taxes and duties provided that their value does not exceed 16% of the value of the machinery and equipment. It shall also include the machinery, machinery and mechanisms necessary for the expansion of the project.

The imported raw materials shall be exempted from customs duties for a period of (5) By the Investment Authority; the investor shall have the right to import all the needs of his project in accordance with the provisions of this law. More exemptions for the investor according to Article VI are: granting incentives and additional facilities for investment projects held in the less developed regions of the region and also joint projects between the national investor and foreign, also grant projects investment services especially hotels, hospitals, tourist cities, universities and schools additional exemptions Of the fees for the purchase of furniture, furnishings and supplies for the purposes of modernization and renewal once every (3) years.

The legal guarantees are included in Article 7, in which the investor has the right to insure on his investment project by any foreign or national insurance company that he considers appropriate. The investor shall use the local and foreign labor required for the project, giving priority to the local labor force. The non-Iraqi employees of the project shall be entitled to transfer their dues and wages abroad, to return their capital abroad when the project is liquidated or disposed of, to transfer its investment in whole or in part to another foreign or national investor or to assign the project to an associate with the consent of the Commission, opened in favor of his licensed bank accounts in national currency or foreign or both of the banks in the region, taking into account the applicable laws regarding the boards of directors of joint stock companies, the investor has the right to maintain the confidentiality of technical and economic information on the project and keeping investment initiatives (KRG Investment law, 2006).

Article 8: The obligations of the investor in paragraphs 8 and 8 shall be as follows: Definition of the scope of his investment in respect of the projects completed by him and his financial status and the contracts executed by him. Inform the Commission of the completion of the project and its commencement of providing services or actual production. The necessary information on the different aspects of the project for the purposes of the Authority, keeping records of the imported materials for the project exempt from customs duties in accordance with the provisions of this law, maintaining the safety of the environment, security and public health and adherence to the standardization and control systems The quality in accordance with international standards, training and qualification of local employment in the project.

If the investor violates the provisions of this law or one of the clauses of the contract concluded between him and the competent authorities, the Investment Authority shall issue a warning and request an immediate suspension of the activity causing the violation, and shall be given an appropriate period to remove the violation and its effects. In the case of the investor's insistence on not stopping and removing the effects of the violation, the Investment Authority has the right to recover the land from him and acquire the facilities built on it by the investor and its value is due to take off, bear the payment of the value of the new investor to whom the land is allocated to complete the project. There are also procedures in case the investor pays the land allocated to his project, either part or sub-part, or used it for other purposes for which it was allocated without the approval of the Commission (KRG Investment law, 2006).

2.2.2.4. Strengths and weaknesses in KRG law

There are a number of strengths in this law that has been briefly discussed:

- ✓ Selection of investment areas that include key economic sectors and priority of agriculture, manufacturing, services as well as various facilities and infrastructure for development.
- ✓ Article 3 stresses the second force of the law on non-discrimination in capital from its source.
- ✓ Allocation of land plots is the third and most important factor relating to land. This is a vital decision factor that effectively prevents investors from taking the first step to consider establishing a business.
- ✓ The fourth main factor is tax and customary exemptions in Articles 5 and 6, as well as in accordance with Article 7. Legal guarantees provide for insurance, employment, repatriation of profits, transfer of funds and security matters.
- ✓ The investor's obligations and legal procedures in the case of the offense described (Articles 8 and 9) are a sixth positive factor due to the Investment Law.
- ✓ The specific procedures for licensing, the risk of arbitration and the final judgment on the transfer of dual investment laws are considered uniform (Heshmati, 2007, p. 30).

There are a number of weaknesses in this law that has been briefly discussed:

- ✓ Lack of emphasis on transfer of technology, skills and management as an integral part of FDI requirements and incentives for investment projects.

- ✓ There is misuse of land allocation or simply to benefit from the offer without serious efforts to implement development projects that deserve support and thus lead to destabilization of economic development and stability in the region.
- ✓ In the field of registration and protection of intellectual property rights there is a lack of articles of this law, which negatively affect the flow of foreign investment.
- ✓ Oil revenues have led to an increase in the absorptive capacity of the government and individuals in general and have consequently led to the destruction or reduction of domestic production.

The government should strengthen the domestic investment law by charging fees for products and services that could be available locally, while only encouraging the import of capital embodied in technology (Heshmati, 2007, p. 31).

2.2.2.5. Comparison of investment laws in Iraq & KRG

We have already discussed the laws of Iraq and the KRG law for investment; we have to compare them to shed more light on them as follows:

- ✓ In Iraqi law, the Investment Authority is the body responsible for investment, while the Investment Authority in the KRG under the supervision of the Supreme Council for Investment is responsible.
- ✓ In terms of tax incentives, the investor exempts under the Iraqi law from taxes and fees for a period of five years from the date of commencement of commercial operation in percentages ranging from (25% - 100%) by region - 25 Development, But exemption from all taxes and non-customs duties for a period of (10) years from the date of actual production according to the KRG law.
- ✓ In Iraqi law, the investor is entitled to a long term lease for a period of (50 years) renewable and no right of ownership. The foreign investor also has the right to own the immovable property as a shareholder, founder or partner in Iraqi companies. However, in the KRG, it is entitled to own the land except for land containing (oil, gas and precious or heavy mineral wealth).
- ✓ In accordance with the Iraqi law, the investor has the right to invest in all sectors except oil and gas extraction and production. According to the KRG law, the right to

invest in all sectors (banks, insurance companies, industry, agriculture, hotels and tourism projects, scientific research technology, transportation, Education at all stages).

- ✓ The investor is guaranteed by an Iraqi law of inadmissibility of confiscation and insurance, in the KRG law there are penalties and the return of land from the investor when the contract violates the two sides.
- ✓ Under Iraqi law, these obligations and laws apply only to foreign direct investment and foreign direct investment. In KRG law, investment in free zones is also mentioned.
- ✓ Iraqi law defines (50%) of the national employment of the investor, but in the KRG law there is no determination of labor.
- ✓ The foreign investor has the right to extract the capital that he entered into Iraq and his revenues and work are transferable after payment of his obligations and debts in accordance with Iraqi law, as well as the right of non-Iraqi technical and administrative staff to transfer their salaries and compensation from Iraq.

Either in accordance with the law of the KRG the right to transfer the profits and returns of investment abroad and liquidation of investment or the sale of a share of it after the investor leads to legal obligations to third parties in addition to all the rights we discussed in Iraqi law (Al-Budairi, 2006, p. 150-151).

2.2.3. REGIONAL DEVELOPMENT OF INVESTMENT (KRG-Erbil)

2.2.3.1. Before 2014

The new investment law for the KRG issued in 2006 issued with the aim of encouraging investment in this region. As the law seeks to seek more sources of both national and foreign capital by removing legal obstacles to investment, take several incentive measures in the form of land and other facilities, tax exemptions and duties, as well as regulations to encourage investment activities.

All the auxiliary factors in the law lead to positive results, but there is a need for law enforcement regarding intellectual property protection as a major factor to increase the flow of technology. The financial market and its function and supporting small business processes through various support programs, as well as building research capacity through resource allocation are the factors that help development in general (Heshmati, 2007, p. 28-29)

According to the (FDI Magazine, 2011) Erbil, the capital of the KRG is one of the five cities best possible opportunities for investment in the Middle East. The security situation and the Investment law in the KRG help the growing foreign investment in Erbil, invested 20 countries in this region (Turkey, Lebanon and Egypt), also compete in the Kurdistan region of investment 7300 foreign companies and 11 thousand local companies in 2011.

Kurds seek "knowledge, experience and technology" that will contribute to the long-term development of the Kurdistan Regional Government, announced the KRG that it controls "45 billion barrels of oil reserves," This figure will make one sixth of the KRG one of the largest reserves of oil in the world." Investments in housing and development in this region have been high, the Kurdistan industry, education and tourism are other sectors subject to investment Kingdom of Bahrain A joint venture that contributes to investment in Erbil through 100 British companies that help develop the region in the areas of "trade, investment, agriculture, education and health care." The KRG has developed advances in information technology, cell phone services, and electricity growths are available - Still lagging behind (Sharifi, 2016, p. 23-28).

There is some view that the 80% of all goods for sale in the KRG are from Turkey and there are plans for a new bridge and five new crossings on the borders of Iraqi Kurdistan with Turkey to ease the bottleneck in transport, both sides. Erbil and Sulaimani now have modern international airports. Electricity production has increased steadily since 2008, almost doubling between 2011 and 2012.

Three mobile operators have global communications licenses for the global system in Kurdistan (Soderberg, 2015, p. x-xiv). I am trying to facilitate understanding of the volume of investments through the information obtained from the (Investment Board, Department of Information & Studies) in the governorates of (Duhok, Sulaimaniye and Erbil) through the total of the capital that invested in each of the years discussed above or (2007-2017). Therefore, the table is based on all the information on the volume of investments (National, foreign and joint) by the three governorates in the KRG.

The total foreign investment in these governorates in the USA $ is (6166414477) and the joint investment also (4101688957 $) and local investments in these provinces (35786077113 $) in the US dollar, which means that the total of these investments is equivalent to (46052380547 US $). (Table 2.3) shows the volume of investments (foreign, joint and national) and the total volume of all investments in these years:

Table 2.3 - Investment by Type – capital in Dollar in KRG

Investment type	Erbil	Sulaimaniye	Duhok	Total	% Total Investment
Foreign	4,790,993,177	34,965,270	1,342,938,430	6,168,896,877	13.52%
Joint	918,066,503	2,485,571,382	698,051,072	4,101,688,957	8.99%
National	20,218,437,672	11,053,153,591	4,085,353,412	35,356,944,675	77.49%
Total	25,927,497,352	13,573,690,243	6,126,342,914	45,627,530,509	100%

Source: researcher

The total investment of (foreign and joint) is equivalent to (22.30%) of the total investment in these governorates or in the KRG. But in these data we have the total of capital that invested also in 2006 and that make difference in data, so i decrease the (482023547 US $) as the capital that invested in 2006. The total budget for 2013 amounts to (13 milliards US $), which is a significant amount for the development of the region in general, about 45% of which is for reconstruction and development in all sectors. The total investment in this year about (12 milliards US$) billion dollars, and the 50% of this amount is the (foreign and joint) investment in this year. As we see that the budget of the government is increasing further in 2013 and the volume of investment is also growing faster than expected, these figures indicate the largest growth and development during these years in the KRG.

2.2.3.2. Some more information about investment in (KRG & Erbil)

There are some figures and statistics that refer to the flow of investments to the KRG of Iraq in general, and got all the figures and statistics in the (Council of Investment, Studies and Information Management) of the KRG, so I tried to put the figures in a new way to enable a quick understanding of investment in the KRG, And the situation that is currently going through investments in Erbil during the years (2006-2017) and also the factors that affected these things. In the (Table 2.4) we look for other information, namely the numbers of the (foreign, joint and national) projects in any of the years discussed above, and the total sum of all projects in the fragmented years of these years and the capital invested in any year is another information in the information.

Table 2.4 - Annual Investment of Capital by Type (in million $) in KRG

Year	National	Joint	Foreign	Total	Capital in million $	By capital %
2007	42	7	2	51	3,814.820	8.40%
2008	54	4	5	63	2,030.836	4.50%
2009	65	2	5	72	3,674.665	8.05%
2010	93	2	5	100	4,730.526	10.40%
2011	65	4	7	76	3,339.335	7.20%
2012	116	3	11	130	6,138.105	13.45%
2013	110	5	5	120	12,094.800	26.50%
2014	75	1	2	78	3,962.877	8.70%
2015	30	1	2	33	3,935.290	8.60%
2016	29	2	3	34	1,798.692	3.95%
2017	15	0	1	16	107.587	0.25%
Total	694	31	48	773	45,627.530	100%

Source: researcher

There is an investment in 48 foreign projects, 31 joint ventures and 694 national projects. The total number of projects (foreign and joint) completed in these years is 79 projects out of a total of 773 projects. The total capital that invested in those years are about (45,627.530) in million USA $ ion all of the projects. The following (Table 2.5) shows the information and data on the capital invested by investors in (Duhok, Sulaimaniye and Erbil) governorates in the KRG by sector and number of projects during this period (2006-2017). I try to show the percentage of capital invested in each sector to find that investment in the sector is really good and in the sector, is not enough, and also to know the strengths and weaknesses of investment in these sectors.

Table 2.5 - Investment by Sector – Capital (in million $) – area in KRG

Sector	Project number	Capital in dollar	Area in hectare	Capital %
Agriculture	29	687,052,066	906.25	1.50%
Art	4	12,137,467	4	0.03%
Banks	3	753,702,661	0.5	1.65%
Communication	5	220,890,942	1.75	0.48%
Education	23	716,475,008	333.5	1.58%
Health	45	916,943,662	65.75	2.0%
Housing	167	14,409,215,296	6,114.5	31.60%
Industry	198	16,751,645,038	2,482.25	36.70%
Service	7	91,775,715	30	0.20%
Sports	23	92,717,615	34.75	0.20%
Tourism	139	6,614,377,118	1,451.5	14.50%
Trading	128	4,256,393,412	2,204.5	9.33%
Transportation	2	104,204,000	56.25	0.23%
Total	773	45,627,530,000	5,474,613,686.5	100%

Source: researcher

First, we see that the sectors (industry, housing, tourism and trade) are among the strongest sectors of investment, with a total of 92.13%. Secondly (services, sports, transport, arts and communications) sectors are the weakest investment sectors and the total proportion of them (1.14%). Finally, In the sectors of (agriculture, education, health and banking) the total investment rate was (6.73%). Regarding the numbers and percentages, we discussed, we see that investment in a range of sectors is not consistent with international ratios and therefore the shortage of investment in these sectors can change into problems in the future. There is a strong urge to solve the problems related to housing, also to reduce unemployment through the provision of concerns in the sectors of industry and tourism; especially there is work to expand trade.

In the following table (Table 2.6) I will present the volume of investments in Erbil Governorate, where this governorate is the research sample, reviewed the investment information by showing the total number of investment projects that started in each of the above years (2007-2017) and disassembled them in terms of types of investment (foreign, joint & national) and the total capital that invested in this Governorate.

Table 2.6 - Investment by (No. of Project, Capital, Area in Ha, Ratios) in Erbil

Investment type	No of project	Capital	Investment ratio %	Area in hectare	Area ratio %
Foreign	35	4,790,993,177	18.48%	974	12.42%
Joint	12	918,066,503	3.54%	574.25	7.32%
National	293	20,226,171,929	77.98%	6293.75	80.26%
Total	340	25,935,231,609	100%	7842	100%

Source: researcher

As shown in the total table, foreign investments in this Governorate in US$ are (4,790,993,177 US$) and the number of foreign projects (35) projects, joint investment

(918,066,503 US$) and the number of projects (12) projects, but the total of national investment is a (20,226,171,929 US$) and the total projects (293), which means that the total investment in the Governorate equivalent to (25,935,231,609US$) and the total projects (340). The total investments (foreign and joint) amounted to (22.02%) of the total investments in this Governorate and the total number of projects is (47) project.

The next table (Table 2.7) has shown the number of projects in any year of the years "between" (2007-2017) by types and in total of projects, so the capital of the investment that invested by investors in any years.

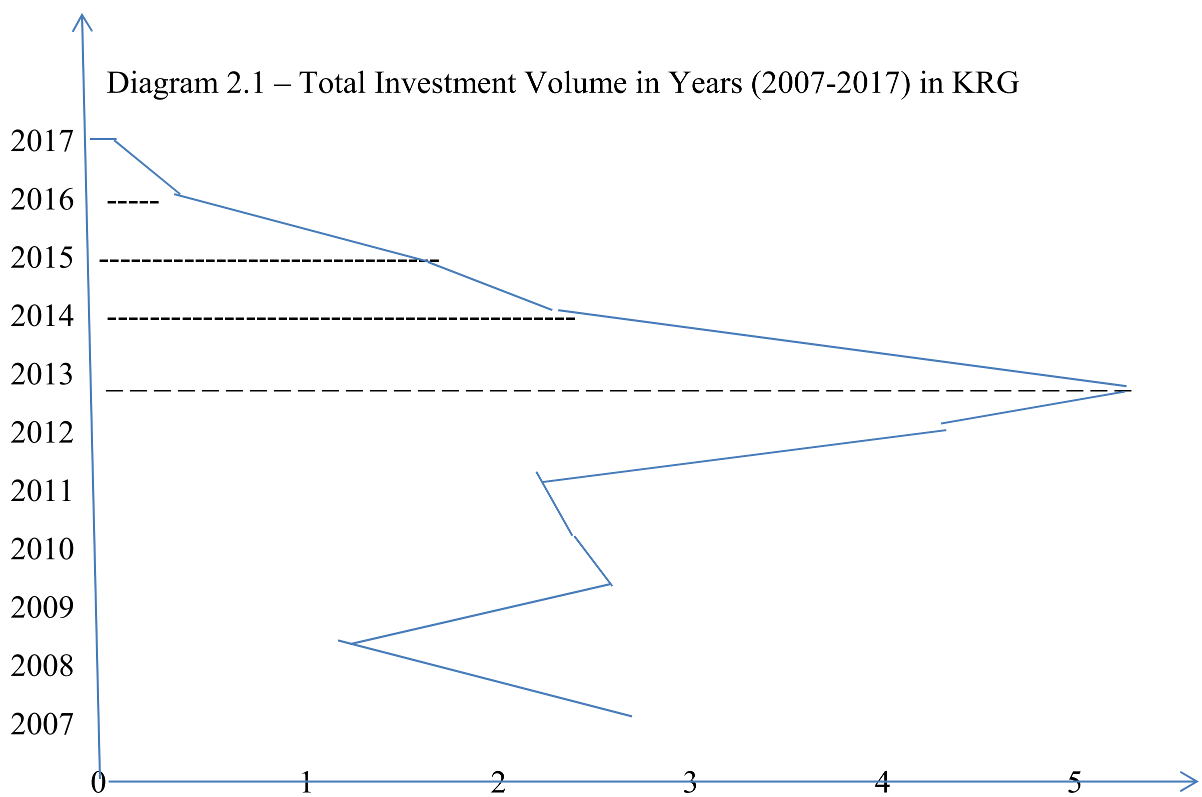
Table 2.7 - Annual Investment of Capital by Type (in million $) in Erbil

Year	National	Joint	Foreign	Total	Capital in million $	By capital %
2007	22	5	2	29	2897.150	11.17%
2008	24	2	5	31	1129.983	4.36%
2009	34	-	5	39	2680.341	10.34%
2010	60	-	4	64	2271.162	8.76%
2011	23	2	4	29	2116.770	8.16%
2012	37	-	8	45	4391.591	16.94%
2013	44	1	2	47	5541.133	21.37%
2014	24	1	2	27	2324.356	8.97%
2015	13	-	1	14	2199.415	8.48%
2016	8	1	2	11	342.695	1.32%
2017	4	-	-	4	40.635	0.13%
Total	293	12	35	340	25,935.231	100%

Source: researcher

The current ratio of capital investment in any year and the total percentage and investment of the years has been shown. As we see investment score have normal move to motivation and regular development in (2007-2017), in 2012 investment jumped in to double-digit investment jumped from its position in (2011) or (4391.591 US$), rising of investment is in 2013 to (5541.133) dollars, but in 2014 or in the crisis year, investment returned to the level of (2010) and come down to 40% of his ratio. The downward trend of investment in the years to come to an extent not expected (40.635) is equivalent to 0.13% of the total investment in the research years (lowest ratio of the investment), but the other tables shows the information about the ratio of (foreign and joint) investment. I will try to explain or sketch the investment situation in Kurdistan Region in the years of research by Diagram, In the diagram (Diagram 2.1) the vertical line has shown the years of investment that started in (2007) until (2017) and the horizontal line is the total of investment that invested in this years and the total investment amounts has shown in Milliard US$ (the data is the total of the investment).

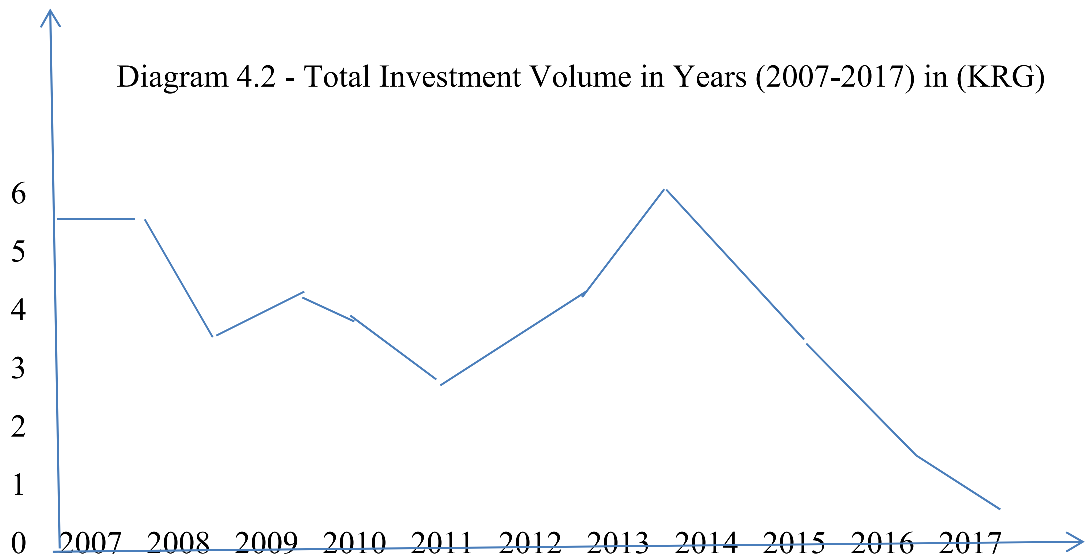
Diagram 2.1 – Total Investment Volume in Years (2007-2017) in KRG



Source: researcher

We see that the investment has go upward from 2008 until 2013, but it comes downward after 2013. But for the more purpose of understanding I draw the new diagram in other way, the next diagram (Diagram 2.2) is shows the same information and data by the changing of the vertical and horizontal lines, the horizontal line has shown the years of investment and the vertical line is shown the total of investment that invested in year (the data is the total of the investment in milliard US$).

Diagram 4.2 - Total Investment Volume in Years (2007-2017) in (KRG)



Source: researcher

The investment has started in (2897.150 US $) and upward to (5541.133 US $) in (2013), next it comes down to zero in 2017. In the following table (Table 2.8), there is a set of information and data on the number of projects in the years (2007-2017) in Erbil governorate, the size of capital invested by investors in Erbil governorate in the same years. The percentage of capital invested in each sector is determined as a percentage of total investment in order to determine the size of the development of different sectors as well as to know the strengths and weaknesses of investment in these sectors.

Volume Investment in different sectors in the province of Erbil close to the size of investment in the total provinces in the Kurdistan Region and the existence of little difference, for this purpose, the sectors are divided into three groups according to the size of their investments. The first group of sectors (industry, housing, tourism and trade) is among the strongest investment sectors, accounting for (46%). The other sectors (services, transport, arts and communications) are the weakest investment sectors and the proportion of these sectors (97%).

Table 2.8 - Investment by Sector – Capital (in million $) – Area in Erbil

Sector	Project number	Capital in dollar	Area in hectare	Capital %
Agriculture	16	243,291,709	734	0.95%
Art	4	12,317,467	4	0.05%
Banks	3	753,702,661	0.5	2.91%
Communication	2	127,895,000	0	0.49%
Education	8	231,593,737	111.25	0.89%
Health	30	732,051,217	56.5	2.82%
Housing	81	10,057,536,699	3899	38.79%
Industry	83	6,073,102,009	1058	23.42%
Service	3	8,989,160	2	0.03%
Tourism	69	4,422,292,041	549.5	17.06%
Trading	39	3,160,249,691	1371.5	12.19%
Transportation	2	104,204,000	56.25	0.40%
Total	340	25,927,391	7842	100%

Source: researcher

Investment in sectors (agriculture, education, health and banking) is not enough. Ttotal investment rate in these sectors is (7.57%). I discussed there is a great interest in the first group sectors, but there is a significant shortage in the second group, the third group also has a weak and inappropriate investment volume, but the investment rate in the group is the third more than the second group.

Table 2.9 - Foreign and Joint Investment Capital (in Million $) in Erbil

Year	Capital of investment		Total 0f capital	Total in ratio %
	Foreign	Joint		
2007	735.000	201.707	936.707	16.40%
2008	273.044	87.635	360.679	6.31%
2009	128.703	-	128.703	2.26%
2010	358.752	-	358.752	6.28%
2011	193.724	346.417	540.141	9.47%
2012	587.106	-	587.106	10.29%
2013	2,415.407	274.896	2,690.303	47.12%
2014	66.200	1.750	67.950	1.20%
2015	3.548	-	3.548	0.06%
2016	29.445	5.599	35.044	0.61%
2017	-	-	-	0.00%
Total	4,790.929	918.004	5,708.933	100%

Source: researcher

There is some information and other figures on the total investment in any of the relevant years to research with the quality of investment in terms of foreign capital or joint, and finally the total of these two investments in any year with the percentage of any year in the total investment in the years (2007-2017). Note that in the first three years (2007-2009) the volume of investment is unstable and has a downward trend, while in the years (2010-2013) investment is upward. The investment in (2013) the is in the summit and its rate is (47.12%) and the capital that used in (2013) was (2690303 US $) out of a total of (5,708,933 US$), it is (50%) of total investment in 11 years.

2014 is the year of financial and political crisis in which the security situation in Iraq deteriorated as the general and especially in areas where there is a war with (ISIS). There is a significant decline in investment volume in Erbil from (47.12%) to (1.20%) in 2015 and 0.00% in the year 2017, The (Table 2.9) is shown that information that I explain them in. the following diagram (Diagram 2.3) shows the quantity and quantity of investment in any research years, the horizontal line is the years of research and the vertical line is the total amount of investment in the year in (billions of US dollars). As we note in the second year of the beginning of the investment, foreign investment in Erbil will decline until 2009 and 2010 until 2013, achieving a major achievement in the volume of investment. We also see a significant change in the volume of investment in this year towards the top; a significant change is again declining in the year after 2014, and continues to decline year after year to zero (zero investment) in 2017.

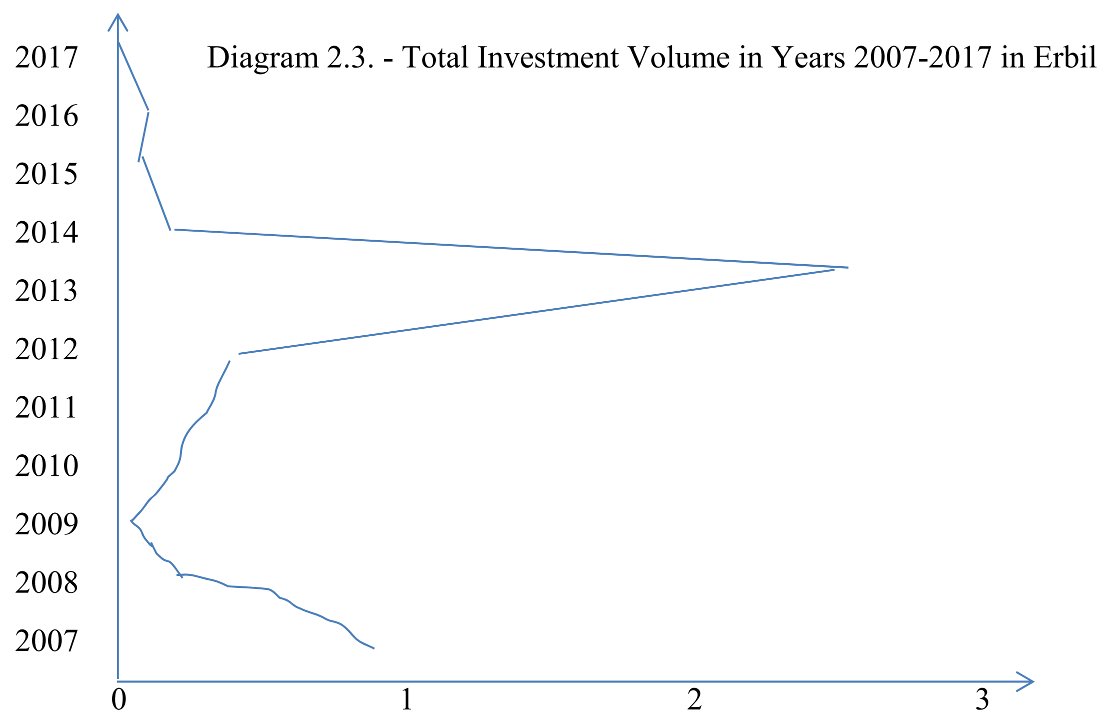
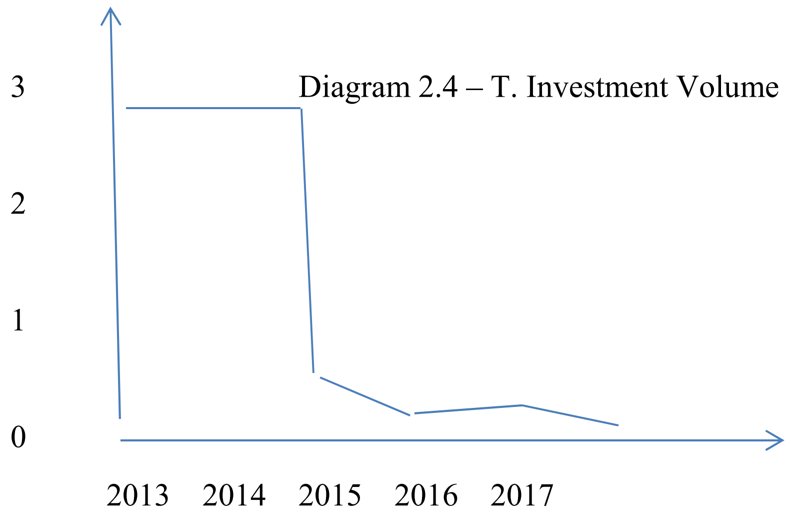


Diagram 2.3. - Total Investment Volume in Years 2007-2017 in Erbil

Source: researcher

For more clarity in this case of contraction in investment in Erbil, we should note the following diagram (Diagram 2.4) that showing the status of investment in 2013 and the other year (2017), in which the column is the amounts of investment per year in billions of US dollars and the horizontal line are years of contraction.

Diagram 2.4 – T. Investment Volume in Years 2007-2017 in Erbil



Source: researcher

2.1.1.1.Going to crises

Iraq's economy shrank in 2014 as a result of the suspension of oil payments by Baghdad, lower energy prices, and the collapse of investor confidence due to the provocative invasion. The economic crisis has been aggravated by military and humanitarian spending in the war against (ISIS). There was an agreement between the Government of Iraq and the Territory in 2004 approved by the Iraqi Council of Representatives to pay (17%) of Iraq's revenues to the KRG, and the agreement was (17%) according to the proportion of the resident population in the KRG compared to the total population of Iraq.

According to the agreement, the Iraqi government must pay about (12 billion $) in 2014, but in February 2014, the Iraqi government refused its commitment to the resolution, and stopped payments to the KRG due to the economic crisis or after political differences in interpretation from Iraq Constitution and also because of repeated violations of (55) clauses of the Iraqi constitution by the federal government in Baghdad (E. Soderberg, 2015, p. 8-10).

Therefore, the KRG is obliged to sell oil so that it can pay monthly salaries to employees and public sector employees, as well as to pay investment loans to investors and other problems. The (KRG) has started to product oil in (250000) barrels per day and now levels of production about (570,000) barrels per day.

As we mentioned earlier in (Chapter 3, 3.4.4) political risk arises from events such as wars, internal and external conflicts, regional conflicts and revolutions that lead to changes in government and terrorist attacks throughout the world (Hotty & McAller, 2002, p. 4). Political risk is measured as a broader category of economic or financial risks, and political risk in particular affects the country's ability and willingness to meet its financial obligations. There is also the threat of terrorism and the need to eliminate it. Therefore, it always leads to governments carefully monitoring and examining private financial transactions where they can be used to finance terrorist activities (Lee, 2006, p. 236). Political systems that reduce political risks to the lower levels will attract multinationals by reducing the cost of absorbing production (Valentini, 2015, p. 4)

After the (ISIS) war in Iraq and in the (KRG) in particular, the confidence of investors fell down, because the (ISIS) won a great deal and managed to occupation of a group of large oil fields in Iraq, especially the oil fields in Mosul Governorate and (doora refinery in Salahuddin Governorate) and (Baiji refinery in the Kirkuk Governorate). There are also some projects that fully destroy by them in the Governorates and cities that fall in their hands, and (ISIS) also destroyed the destruction of houses, mosques, churches, religious centers, civilizational, tourist, etc.

The total destruction that has caused the war of the terrorist organization in Iraq has caused great concerns among investors regarding their capital and the projects they have adopted. Investors' fears are the real ones because they are calling for a large terrorist organization and carrying out any terrorist act and any human crime.

As mentioned above, all these concerns have had a significant impact on business and investment worldwide. As a result, the factors mentioned in the (KRG) and in Erbil as capital are affected by an effect that will not be expected. Foreign and joint investment will be reduced to 0% and internal investment to close to 0% in 2017.

CHAPTER THERE

REASERCH METHODOLOGY & AN EMPPIRICAL STUDY

3.1. REASERCH METHODOLOGY

3.1.1. Literature review

There are many researchers and professors who touched on the subject of foreign direct investment, both from the theoretical side or standard, and they are esteemed, who make sincere efforts towards understanding the problems and plankton that affect the (FDI) or Assistant factors for him. The following are some examples of these studies:

- al-Zahrani, Bandar Bin Salim; 2004, the foreign direct investment and its role in economic growth in the Kingdom of Saudi Arabia Standard study period (1980-2000) Note Master (non - published), department of economics at King Saud University.
- Heshmati, Almas; Davis, Rhona; December 2007, The Determinants of Foreign Direct Investment Flows to the Federal Region of Kurdistan, University of Kurdistan Hawler, Discussion Paper No. 3218.
- Alfaro, Laura & Chanda, Areendam & Kalemli-Ozcan, Sebnem & Sayek, Selin; (August 2006), How Does Foreign Direct Investment Promote Economic Growth? Exploring the Effects of Financial Markets on Linkages.
- samara, Stav; Thessaloniki, October 31st,2012, Foreign Direct Investment and Country Risk: What kind of Interaction, MA in Politics and Economics of Contemporary Eastern and South Eastern Europe, Department of Balkan, University of Macedonia.
- Organization for economic co-operation and development, December 2001 & April 2002. Foreign Direct Investment for Development, MAXIMISING BENEFITS, MINIMISING COSTS, (CIME).

3.1.2. Research problem

In the last 50 years the world has seen the fast Competition for developing economies, some countries are able to make a good development. This topic is the main reason for those who thrill and other countries for the transfer and development in all aspects of the economy, makes this development all countries are forced to search for the causes, factors and methods that can help them.

One of the main reasons is the Attracting foreign direct investment to their country or to the regions and for this purpose we need to know all causes and methods and needs that can help us to posh the companies and multinational corporations to send FDI to the country or the regional that we took about them. Certainly, with all the positive factors that help foreign direct investment process, there are many factors that impact is non-positive or negative on each investment process, and we have to know all of these factors in order to help us to identify all risks that investment is facing.

The fundamental problem is depending to the contestant countries, are they capable of providing the necessary supplies and tools for investment or investor guarantee, and then we can on administration risk or in other words, we are able to manage investment risk. About the time I chose for my research, I tried to evaluate the years after the installation of the law of investment in KRG. In August 2006, the Kurdistan Parliament approved the investment law for this province, so I chose every year of the years (2007-21/08/2017) time research.

3.1.3. Research questions

In lighting of the above we have a lot of questions, but in this research we are trying to answer the following questions:

1) What is the foreign direct investment (FDI)? What are the main theories explained that?
2) What is the reality of foreign direct investment in the Kurdistan region of Iraq in terms of the investment climate?
3) Are (KRG) to achieve success (FDI) and (Iraqi law and the law of the KRG) is an assistant for that matter?
4) What is the main risk for foreign direct investment in the Kurdistan region of Iraq? Or negative factors that threaten this process?

3.1.4. Research goals

- ✓ What are the most important positive factors that influence and help (FDI) in the Kurdistan region of Iraq?
- ✓ Is the government of the Kurdistan region in a positive benefit from foreign direct investment? Is the (KRG) successfully attracting investors?
- ✓ Is (FDI) in the Kurdistan region of Iraq to rise to the level required?
- ✓ What are the problems experienced by foreign direct investment in the Kurdistan region of Iraq?

3.2. DESCRIPTION COMMUNITY

Firstly, I have to say that (Why I have chosen the Erbil as a case study?) many characters are pushed me to do it, and I can be meaning them at the downing points:

1) Erbil is the capital of (KRG) and is the biggest city in Kurdistan.
2) As we see in (Table 2.3) the (20,218,437,672 USA $) is invested by national investors in Erbil in research years and the full invested in (KRG) is (35,356,944,675 USA $), it means the (57.1%) of national investment was invested in Erbil.
3) The (table 3.1) shows that (55.59%) in total (foreign & joint investment) are invested in Erbil, which is the capital that invested in research time in Erbil is (5,709,059,680 USA $). As stated in each of the previous three points, Erbil is the best area for the case study process of my research.

Table 3.1 -The Total Capital (Foreign & Joint Investment) in Governorates (KRG)

Governorate	Foreign	Joint	T. FDI investment	Total %
Erbil	4,790,993,177	918,066,503	5,709,059,680	55.59%
Sulaimaniya	34,965,270	2,485,571,382	2,520,536,652	24.54%
Duhok	1,342,938,430	698,051,072	2,040,989,502	19.87%
Total	6,168,896,877	4,101,688,957	10,270,684,834	100%

Source: (BOF)

3.3. COMMUNITY BORDER AND THE REASERCH SAMPLE

The research community is the Erbil Governorate in the ten years (2007-2017). In the ten years that distinguish (2007-2017) total (42) projects found by foreign investors, all the projects adopted by (31) foreign partners from a group of countries. Therefore, the research samples are the views of business owners to invest in Erbil as investors, legal counsel in the partner, project managers, General Engineer in projects and investment authority. The total number of people who have the right to participate in the questionnaire reaches (120-125) people. We took the sample by 30% of the total number of these persons and the required number of persons who were interviewed up to (37) persons in (16) companies.

3.4. RESULTS OBTAINED FROM THE QUESTIONNAIRES

In order to understand more about the situation of investment in the KRG of Iraq and simplify its meanings and access to more information, we attended a questionnaire of four sets of questions. The first group consists of the case and name of the investor companies and their experience and Other bibliographies, these questions were divided into two sections, the first section of the information of the partners and their questioning is optional and the second section has three questions that fall in (Table 3.2):

Table 3.2 - Bibliographic Info

	Gender	type of age	education level
N Valid	37	37	37
Missing	0	0	0
Std. Deviation	.22924	.6575959	.595276704

Those companies are work in difference sectors and also have difference experience. The overwhelming majority of the people working in this field are men (94.6%) (Table 3.3).

Table 3.3 - Gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	35	94.6	94.6	94.6
Female	2	5.4	5.4	100.0
Total	37	100.0	100.0	

The persons are between (40-60) years old are (56.8%) and (27.0%) of them aged Between (20-40) and the total of these two groups reach about (83.8%), but the Cumulative Percent of the group of (40-60) is about (83.8%) (Table 3.4).

Table 3.4 - Type of Age

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-40	10	27.0	27.0	27.0
40-60	21	56.8	56.8	83.8
More than 60	6	16.2	16.2	100.0
Total	37	100.0	100.0	

All persons have a university certificate majority (Bachelor and Higher Education) equivalent to (86.5%) and the remaining graduates of the institutes (Table 3.5).

Table 3.5 - Education Level

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Institute	5	13.5	13.5	13.5
University	24	64.9	64.9	78.4
High education	8	21.6	21.6	100.0
Total	37	100.0	100.0	

Second questions group are about the Investment law (Iraq & KRG), which are (11) questions about the Pros and Cons of those laws. To more understand the questions, I give the number to the questions and the question with the number are in end of my research. So I divided them to two type; type (A) are allowed for Iraq and KRG (No. 1-5), but type (B) is just to KRG (NO. 6-11). Group (A) are shown in (Table 3.6) and (37) person are filled the questions; there are (Std. Deviation) for all questions and all of them are more than (.50).

Table 3.6 - Group A, Investment Laws

Q	1	2	3	4	5
N Valid	37	37	37	37	37
Missing	0	0	0	0	0
Std. Deviation	.55750409	1.47093972	.50224720	.51987524	.77401492

(56.8%) in the Persons are complete the question (1) are strongly agreeing with my opinion in questioner and also (40.5%) are agree, it means the total (97.3%) are support my opinion in questionnaire (Table 3.7).

Table 3.7 - Q.1 Group A. Laws

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	21	56.8	56.8	56.8
Agree	15	40.5	40.5	97.3
Indifferent	1	2.7	2.7	100.0
Total	37	100.0	100.0	

About (Q.2) is about Iraqi Investment Law (No. 13 - 2006) and (78.4) are (agree or strongly agree) with the low, it means the law is useful but there are many problems that I spoked about them in past chapters (Table 3.8).

Table 3.8 - Q.2, Group A

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	19	51.4	51.4	51.4
Agree	10	27.0	27.0	78.4
Indifferent	1	2.7	2.7	81.1
Disagree	1	2.7	2.7	83.8
Strongly Disagree	6	16.2	16.2	100.0
Total	37	100.0	100.0	

So, in (Q.3) I asked about the (KRG) Investment Law (No. 4 - 2006) and the ability of this law, (56.8%) are strongly agree and others are agreeing with my question, it means (100%) of persons are agreeing with the KRG law (Table 3.9).

Table 3.9 - Q.3, Group A

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	21	56.8	56.8	56.8
Agree	16	43.2	43.2	100.0
Total	37	100.0	100.0	

In (Q.4) I asked that the Iraqi law and KRG law to investment are assistant to achieve foreign investment and there are big agreeing to this question, total of (Agree& Strongly agree) is about (97.3%) and just (2.7%) are indifferent. (Table 3.10)

Table 3.10 - Q.4, Group A

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	12	32.4	32.4	32.4
Agree	24	64.9	64.9	97.3
Indifferent	1	2.7	2.7	100.0
Total	37	100.0	100.0	

Also, I had to know about the joint investment, I asked about it and just (2.7%) are disagree, 89.2% are agree or strongly agreeing with me (Table 3.11).

Table 3.11 - Q.5, Group A

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	27.0	27.0	27.0
	Agree	23	62.2	62.2	89.2
	Indifferent	3	8.1	81	97.3
	Disagree	1	2.7	2.7	100.0
	Total	37	100.0	100.0	

In the (B) group I have (6) questions about the KRG investment law and the Strengths point of this law, total the persons that answer to my questions are agree or this agree with the questions (Table 3.12).

Table 3.12 - Group B, Investment Laws

Q	6	7	8	9	10	11
N Valid	37	37	37	37	37	37
Missing	0	0	0	0	0	0
Std. Deviation	.87508043	.49167239	1.25741047	.91942664	1.06683557	1.49924906

Question (6) is about the sectors are approved by the (BOI) for FDI, I asked that those sectors are important for investment, and (93.6%) are agree or strongly agreeing with the sectors. Small group about the (5.4%) are strongly disagree (Table 3.13).

Table 3.13 - Q.6, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	27.0	27.0	51.4
	Agree	25	67.6	67.6	94.6
	Strongly Disagree	2	5.4	5.4	100.0
	Total	37	100.0	100.0	

All investors are need something to foreign investment, one of this need is a (pilot of land) for setting the projects. The (BOI) of the (KRG) in accordance to the investment law have to identify and allocate the plot of land for the investment project and the (100%) are answered that this step have benefit for them (Table 3.14).

Table 3.14 - Q.7, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	23	62.2	62.2	62.2
	Agree	14	37.8	37.8	100.0
	Total	37	100.0	100.0	

The taxes and drawings in all countries are effect to investment, there are some (taxes and drawings) to the investment in (KRG). I asked that those taxes are well suited to encourage (FDI) and (67.5%) are (agree or strongly agree) with me, however the totally (24.3%) are (disagree or strongly disagree) with this step (Table 3.15)

Table 3.15 - Q.8, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	24.3	24.3	24.3
	Agree	16	43.2	43.2	67.6
	Indifferent	3	8.1	8.1	75.7
	Disagree	6	16.2	16.2	91.9
	Strongly Disagree	3	8.1	8.1	100.0
	Total	37	100.0	100.0	

The (KRG) has exempted the Foreign companies from certain taxes and fees, especially drawings on imported raw materials, these exemptions encourage foreign investment in this region. When I spoked about the benefit of this design, I saw that there are big agreeing to this step and the total present that not agree with that step are about (5.4%), however (89.2%) are agree or strongly agreeing (Table 3.16).

Table 3.16 - Q.9, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	20	54.1	54.1	54.1
	Agree	13	35.1	35.1	89.2
	Indifferent	2	5.4	5.4	94.6
	Disagree	1	2.7	2.7	97.3
	Strongly Disagree	1	2.7	2.7	100.0
	Total	37	100.0	100.0	

According to the (KRG) investment law, the foreign investor has the right to use local and foreign manpower, giving the preliminary to the local labor, but does not specify any percentage. But the Iraqi law determines the share of local labor by 50%. Than the most investors or about (83.8%) are agree or strongly agreeing with this step and it useful to them (Table 3.17).

Table 3.17 - Q. 10, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	29.7	29.7	29.7
	Agree	20	54.1	54.1	83.8
	Indifferent	3	8.1	8.1	91.9
	Strongly Disagree	3	8.1	8.1	100.0
	Total	37	100.0	100.0	

About the legal obstacles and administrative routines to FDI in the (KRG), bog part of questioner's persons is agreeing or strongly agreeing (59.4%), whoever the (29.7%) are disagree or strongly disagreeing (Table 3.18).

Table 3.18 - Q.11, Group B

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	29.7	29.7	29.7
	Agree	11	29.7	29.7	59.5
	Indifferent	4	10.8	10.8	70.3
	Disagree	4	10.8	10.8	81.1
	Strongly Disagree	7	18.9	18.9	100.0
	Total	37	100.0	100.0	

To more information the (Table 3.19) is made by me and it shown the totally presently answers. (87%) are agree or strongly agreeing to all (11) questions that I asked them, but it refused by the (8.5%) of the persons that answered the questioner.

Table 3.19 - Questions About Investment Law (Iraq, KRG)

Q	Strongly agree		Agree		Indifferent		Disagree		Strongly disagree	
	No	%	No	%	No	%	No	%	No	%
Total	167	41%	187	46 %	18	4.5%	12	2.9%	23	5.6%

The third group deals with issues of (security and war), We know that war and security are the issues that have the greatest impact on investment and investors. (Table 3.20)

Table 3.20 - Third Group, Security and War

		12	13	14	15	16
N	Valid	37	37	37	37	37
	Missing	0	0	0	0	0
Std. Deviation		1.72248860	1.07594501	.72077702	.60528206	.50224720

The third group have five questions starting with the war in Syria, we have to know that the problems and internal war in Syria could affected the volume of FDI in Erbil. There is (54%) are strongly (disagree or disagreeing) with this subject, but just (45.9%) are (strongly agree or agreeing). It means the majority are rejected the effect of Syria war to Erbil investment (Table 3.21).

Table 3.21 - Q.12, Syria War

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	9	24.3	24.3	24.3
	Agree	8	21.6	21.6	45.9
	Disagree	5	13.5	13.5	59.5
	Strongly Disagree	15	40.5	40.5	100.0
	Total	37	100.0	100.0	

I had asked the question about The Islamic world problems and his affect to the volume of foreign investment in Erbil, there are (78.4%) agree or strongly agreeing to my idea, just (5.6%) are refused it. So, it means the majority are excepted my opinion about this effect to volume of investment in Erbil (Table 3.22).

Table 3.22 - Q.13, Islamic Effects

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	19	51.4	51.4	51.4
Agree	10	27.0	27.0	78.4
Indifferent	6	16.2	16.2	94.6
Strongly Disagree	2	5.6	5.6	100.0
Total	37	100.0	100.0	

As we have observed in the last three years, the terrorist organization (ISIS) attacked some areas in (Iraq and KRG) and then controlled large areas. These developments affected the security and safety in Iraq and in (KRG). In the third question I asked about the impact of the bad security situation on FDI in Erbil (Table 3.23).

Table 3.23 - Q.14, ISIS Attacked

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	27	73.0	73.0	73.0
Agree	7	18.9	18.9	91.9
Indifferent	2	5.4	5.4	97.3
Disagree	1	2.7	2.7	100.0
Total	37	100.0	100.0	

Mosul is the second largest city in Iraq. He has occupied this city by (ISIS) and displaced about two million people from Mosul and other areas to Erbil and other cities. This process affects the Iraqi economy and also the path of FDI in Iraq. Certainly, this question has an impact on the foreign investment in Erbil, we ask this question to the respondents and (94.6%) of them agree or strongly agreeing with the lack down of investment after these events (Table 3.24).

Table 3.24 - Q.15, Displaced People

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	59.5	59.5	59.5
	Agree	13	35.1	35.1	94.6
	Indifferent	2	5.4	5.4	100.0
	Total	37	100.0	100.0	

When the (ISIS) attacked the cities of (Mosul and Kirkuk), they occupied the oil fields and refineries in these cities. We see the answer of the investors about the effect of this proses and as we see (100%) are agree or strongly agreeing with me to decrease of (FDI) for this reason (Table 3.25).

Table 3.25 - Q.16, Mosul and Kirkuk

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	16	43.2	43.2	43.2
	Agree	21	56.8	56.8	100.0
	Total	37	100.0	100.0	

The last group of questions is about other factors that reflect to investment in Iraq and KRG, it consists in (11) questions about the (economic, finance, banks and exchange and .... etc.

Table 3.26 - group A

		17	18	19	20	21	22
N	Valid	37	37	37	37	37	37
	Missing	0	0	0	0	0	0
Std. Deviation		.55884910	.66666667	1.10214097	.85160156	.49774265	1.46480225

In the beginning I divide this group into two groups, group (A) are questions about internal factors or internal systems that affect the (FDI) process in Erbil (Table 3.26) and the group have (6) questions, the second group or (B) are the external and global factors. I asked about the reality of (FDI) in the (KRG) and his ability in terms of investment climate, (97.3%) are agree or strongly agreeing to the (KRG) good ability to investment and there are no persons that disagreeing to this subject (Table 3.27).

Table 3.27 - Q. 17, Reality of FDI

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	51.4	51.4	51.4
	Agree	17	45.9	45.9	97.3
	Indifferent	1	2.7	2.7	100.0
	Total	37	100.0	100.0	

In particular, the impact of macroeconomic variables on FDI flows within the study area, 89.2% of respondents questioned that macroeconomic changes have an impact on investment volume (Table 3.28).

Table 3.28, Q.18 - Impact of Macroeconomic

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	16.2	16.2	16.2
	Agree	27	73.0	73.0	89.2
	Indifferent	2	5.4	5.4	94.6
	Disagree	2	5.4	5.4	100.0
	Total	37	100.0	100.0	

In question number (19) I asked that the financial system in the (KRG) is an assistant for (FDI), about (73%) are agree or strongly agreeing to my opinion and just (8.1%) are refused it (Table 3.29).

Table 3.29 - Q, 19, Financial System

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	7	18.9	18.9	18.9
Agree	20	54.1	54.1	73.0
Indifferent	5	13.5	13.5	86.5
Disagree	2	5.4	5.4	91.9
Strongly Disagree	3	8.1	8.1	100.0
Total	37	100.0	100.0	

The bank system is too important for the help economical proses and investment, I asked about the Banks in Erbil and the provision of services for the process of foreign investment by banks in Erbil, (97.3%) are strongly agree or agreeing to the banks system (Table 3.30).

Table 3.30 - Q.20, Banks in Erbil

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	17	45.9	45.9	45.9
Agree	18	48.6	48.6	94.6
Disagree	1	2.7	2.7	97.3
Strongly Disagree	1	2.7	2.7	100.0
Total	37	100.0	100.0	

Social and cultural traditions affect foreign direct investment in any country, but their impact can be negative. I have looked at the negative effects of these traditions in Erbil on FDI through a question to investors and (100%) agree or strongly agreeing that in Erbil these traditions do not adversely affect foreign investment (Table 3.31).

Table 3.31 - Q.21, Social and Cultural

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	15	40.5	40.5	40.5
	Agree	22	59.5	59.5	100.0
	Total	37	100.0	100.0	

So, I had to know the effects of increase in imports problems to the volume of foreign investment in Erbil, (62.2%) are agree or strongly agree with the question and that means that the increase in imports make a problem to investment (Table 3.32).

Table 3.32 - Q.22, Increase in Imports

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	29.7	29.7	29.7
	Agree	12	32.4	32.4	62.2
	Indifferent	5	13.5	13.5	75.7
	Disagree	2	5.4	5.4	81.1
	Strongly Disagree	7	18.9	18.9	100.0
	Total	37	100.0	100.0	

Part (B) is the last group of my questioner and I have (5) question in this part about the external and global factors to FDI in Erbil, there are not any missing and the (Std. Deviation) is between (.50819116 - 1.38741664) (Table 3.33).

Table 3.33 - External and Global Factors

Q	23	24	25	26	27
N Valid	37	37	37	37	37
Missing	0	0	0	0	0
Std. Deviation	.66666667	1.25022520	.50819116	1.36229801	1.38741664

Macroeconomic variables are the greatest factor to develop in any country, there are big effect from them to FDI. I asked about the effect of them in Erbil to the foreign investment, (89.2%) are agree or strongly agreeing with the effect of this factors (Table 3.34).

Table 3.34 - Q.23, Macroeconomic Variables

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	16.2	16.2	16.2
	Agree	27	73.0	73.0	89.2
	Indifferent	2	5.4	5.4	94.6
	Disagree	2	5.4	5.4	100.0
	Total	37	100.0	100.0	

There is an agreement between the federal government in Baghdad and the KRG in Erbil, and approved by the Iraqi parliament about the oil payments and all the financial under the supervision of the (USA), but Baghdad suspend those payments in (2014) till now. I asked investors that is this step one of the reasons of them fears, the most of them or (86.5%) are agree or strongly agreeing with me (Table 3.35).

Table 3.35 - Q.24, Suspension of Oil

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	21	56.8	56.8	56.8
	Agree	11	29.7	29.7	86.5
	Indifferent	1	2.7	2.7	89.2
	Strongly Disagree	4	10.8	10.8	100.0
	Total	37	100.0	100.0	

There is more effect to investment from global economy developments in all countries, I tried to know the effect of this factor to the foreign direct investment in Erbil, about the (97.3%) are agree or strongly agreeing that there is effect (Table 3.36).

Table 3.36 - Q.25, Global Economy

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	29.7	29.7	29.7
	Agree	25	67.6	67.6	97.3
	Indifferent	1	2.7	2.7	100.0
	Total	37	100.0	100.0	

I asked is there any effect from the changes in foreign exchange rates to the FDI in Erbil, the (75.7%) of persons are accept this effect (Table 3.37).

Table 3.37 - Q.26, Foreign Exchange

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	12	32.4	32.4	32.4
	Agree	16	43.2	43.2	75.7
	Indifferent	3	8.1	8.1	83.8
	Strongly disagree	6	16.2	16.2	100.0
	Total	37	100.0	100.0	

My last question is about the rise in stock prices in the Iraqi stock market, I had to know his affect to the volume of foreign investments in Erbil, the most person or (70.3%) are agree or strongly agreeing with it (Table 3.38).

Table 3.38 - Q.27, Stock Prices

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	13	35.1	35.1	35.1
	Agree	13	35.1	35.1	70.3
	Indifferent	5	13.5	13.5	83.8
	Strongly disagree	6	16.2	16.2	100.0
	Total	37	100.0	100.0	

I saw that the total (85.5%) are agree or strongly agreeing with my (11) questions about other factors that effect to the FDI in Erbil (Table 3.39).

Table 3.39 - Other Factors That Reflect to Investment

Q	Strongly agree		Agree		Indifferent		Disagree		Strongly disagree	
	No.	%	No.	%	No.	%	No.	%	No.	%
Total	145	35.6%	203	49.9%	23	5.7%	9	2.2%	27	6.6%

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

From the above I analyzed the data and the results of the questionnaires, as well as the analysis of what we witnessed in the economic and administrative situation in the Kurdistan region of Iraq, we have a set of conclusions regarding the economic situation, which constitute many problems for the KRG. The most prominent problems are (Economic contraction, a significant decline in investments in general and especially in foreign investment), there is a summary of the conclusions regarding the crises and factors facing the region in 2014 and beyond, the most prominent of which are:

1) The suspension of oil payments and all the financial payments approved by the Iraqi Parliament after the agreement between Baghdad and Erbil under US supervision, by the central government in Baghdad (the payments must be 17% of the total revenue of Iraqi federal government).

2) The cost of the (ISIS) war in Iraq and in the Kurdistan region is enormous, and according to the constitution of Iraq, the central government must pay these costs as part of the costs and expenses of sovereignty, but the Iraqi government has not fulfilled its obligations to the KRG financially and even militarily.

3) On the other hand, the KRG is struggling to provide relief, resettlement and protection to some 2 million refugees and internally displaced persons who have sought refuge in the KRG of Iraq.

4) The decline in world oil prices in November 2014 was significantly affected by revenues of the (KRG), which reached a 70% decline in revenues this year. On the other hand, there is a budget deficit of $ 1 billion in 2013, and it was (6.5 billion $) in 2014 and about (12.5 billion $) by 2015.

5) There are also budget overruns of $ 4 billion to support fuel and electricity in 2014 and years before by the KRG.

6) The bureaucracy affects licensing to start a business, requiring approvals from multiple ministries. Insufficient data make it difficult for companies to assess potential opportunities and costs (Nancy E. Soderberg, 2015, p. 10-13).

7) The KRG legal system is ineffective and has no clear timetable for legal procedures, insufficient dispute settlement mechanisms, and the regulatory burden of integrating systems in Erbil and Sulaymaniyah is challenging (Nancy E. Soderberg, 2015, p. 10-13).

There are also political differences affecting the economy and investment, most notably differences over the administrative and political style of the government in Kurdistan.

Recommendations

There is no doubt that every country in which the KRG of Iraq is struggling with human capital, labor market, financing conditions, and infrastructure. It is therefore necessary to develop plans and special program to facilitate economic and living matters in general, and investment matters in particular and for this purpose we seek to make some recommendations:

1) The Iraqi KRG lacks a comprehensive highway system, which is essential for trade and transport and therefore it is necessary to improve road networks and maintain roads.

2) Iraq's KRG needs more efficient management of electricity generation, transmission and distribution. Families continue to suffer reductions of up to (8-12) hours per day, depending on seasons or cold and warm temperatures.

3) The specific economic and administrative conditions in the region make the public sector the main employer of public resources and the sole source of employment. As well as the rapid expansion of the public sector without training programs that turn the sector into a bureaucratic and inefficient institution, thus marginalizing its role in the development of the economy.

4) The government funds investment projects in the fields of infrastructure such as roads, parks, hospitals, universities, schools, utilities, housing and public offices in general. The regional policy of the Government has been unable to actively promote joint ventures for the gradual transfer of technology to local institutions (Hishamati, 2007, p. 43)

5) Improving the transparency of investment legislation by defining a single reading of the concept of legislation. There is a strong need for greater clarity and transparency in government work and in a statistical database. It must be here on the Internet to consolidate its sources and assign it to a single official body, especially in (economic, financial and investment projects).

6) There is a sharp deficit in revenues of the KRGI, and there is no government budget law since (2014) until now. To this end, the Government should seek to expand financial revenues, including taxes, administrative fees, customs revenues, etc., in order to support or assist the economic situation in the region and thus support the investment situation.

7) That the FDI according to the scientific definition of the introduction of capital in cash and in kind from the state investor to the host country in order to obtain the concession granted to him and otherwise is not considered an alien investment. In Iraq in general and in the KRG we must find (legislative, economic and security) to encourage foreign companies to invest in (Iraq & KRG), but we have to pass the barrier or barriers of fear of foreign investment in their economies. We must also rely on the experiences of the countries that preceded us in this field (Al-Azzawi, 2013, p. 27-28)

8) Therefore, we have to attract the Iraqi immigrant capital and secure the necessary conditions and requirements by amending the investment law (No. 6-2006) in the Kurdistan region of Iraq, there is no doubt that this law is more flexible than Iraqi law (No. 13-2006) My recommendations are: (Providing more guarantees, flexible and appropriate incentives, freedom of transfer of profits and capital, facilitating administrative procedures or creating a single net, an efficient and efficient financial market in the time and place required for investment, free zones to attract FDI in high technology sectors which the country needs It is chronologically and technically lagging behind the existence of subsidized infrastructure services) (Al-Azzawi, 2013, p. 27-28).

9) There is a wide range of procedures for Democracy system and there is considerable progress in this area by the government, not also the problems and social consequences in this region. But we need more movement towards democracies in the region, especially in the (political, judicial authority and administrative power).

10) There are many investments in each sector, but more than two-thirds of investments are in the housing sector. We have stressed that there is an urgent need to invest in the three main sectors: industry (especially heavy and medium industry, ago-industry, health sector).

11) To draw a clear strategy for foreign investment in which there is a kind of balance between the interest of the investor and the national interest, and also identify the areas that enter the foreign investment again, but requires how to enter without the door is open for all areas, that is not call for all investments, Plans and programs of development required in (Iraq and especially the KRG).

12) Rehabilitation of public sector employees and management reform through the fight against administrative corruption and bureaucratic procedures.

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APPENDICES

1) The KRG policies are suitable for attracting foreign investment.
2) The Iraqi Investment Law (No. 13 - 2006) is the real guarantee of the rights and duties of the foreign investor in Iraq.
3) The (KRG) Investment Law (No. 4 - 2006) is the real guarantee of the rights and obligations of the foreign investor in the KRG.
4) (Iraqi law and KRG law) is an assistant to achieve foreign investment.
5) The presence of a partner for foreign investment in the parent country or joint investment is a positive point.
6) The sectors are approved by the Investment board in the (KRG) for foreign investments are important sectors of investment.
7) The investment board of the (KRG) in accordance to the investment law have to identify and allocate the plot of land for the investment project, Foreign investors benefit from this step.
8) The taxes and drawings imposed by the (KRG) under the legislative laws are well suited to encourage foreign investment.
9) The (KRG) has exempted the Foreign companies from certain taxes and fees, especially drawings on imported raw materials. These exemptions encourage foreign investment in this region.
10) According to the (KRG) investment law, the foreign investor has the right to use local and foreign manpower, giving the preliminary to the local labor, but does not specify any percentage. But the Iraqi law determines the share of local labor by 50%.
11) There are legal obstacles and administrative routines to foreign investment in the (KRG).
12) The problems and internal war in Syria have affected the volume of foreign investments in Erbil.

13) The Islamic world problems are affected the volume of foreign investment in Erbil has been adversely.
14) The deterioration of the security situation because of the ISIS war and political fears in the wake of these situations, are the main reasons for investors' fears of investing their capital in the (KRG).
15) The occupation of the city of Mosul (the second largest city in Iraq) by a terrorist organization (ISIS) is one of the main factors in the decline of foreign investment in the (KRG).
16) The occupation of oil fields in the provinces (Mosul and Kirkuk) by a terrorist organization (ISIS) is one of the main factors in the decline of foreign investment in the (KRG).
17) The reality of (FDI) in the (KRG) in terms of investment climate is good.
18) There is an impact of macroeconomic variables on FDI inflows within the study area.
19) The financial system in the (KRG) is an assistant for foreign investment.
20) Banks in Erbil generally help the process of foreign investment.
21) Social system, traditions, culture in (KRG) have not negatively affected to foreign investment.
22) The increase in imports problems has affected the volume of foreign investment in Erbil.
23) The decline of global prices of oil is one of the most important negative reasons for foreign investment in the (KRG).
24) The suspension of oil payments and all the financial payments approved by the Iraqi parliament after the agreement between Baghdad and Erbil under the supervision of the (USA), by the central government in Baghdad is one of the reasons of investors’ fears.
25) Recent developments in the global economy have affected the volume of foreign investment in Erbil.
26) Changes in foreign exchange rates have affected the volume of foreign investment in Erbil.

27) The rise in stock prices in the Iraqi stock market has affected the volume of foreign investments in Erbil.

Questionnaires Form

Dear participant:

The following questionnaire is designed to obtain information. As a partial pursuance of requirements for the degree of master, the researcher conducts a thesis entitled **(Managing investment risk in regional development, Erbil as a case study)**. Please, fill in the questionnaire with necessary and careful information which will play an important role in completing the research. Besides, your answers will be treated with complete confidentiality and used only for academic purposes.

Part one: Some info about company:

1	Company name	
2	position of data completion officer	
3	Mother country of company	
4	founding year of company	
5	Company experience	
6	phone number	
7	post address	
8	Email address	

Part two: Biography

Please lay (×) as the answer into squares:

1. Gender: Male ( ) Female ( )

2. Age: 00- 20 ( ) (20-40) ( ) 40-60 ( ) More than 60 ( )

3. Education Level: Primary school ( ) High school ( ) Institute ( ) University ( ) High education ( ) Others ( )

Investment law (Iraq & KRG)	strongly agree	agree	indifferent	Dis agree	strongly disagree
The KRG policies are suitable for attracting foreign investment					
The Iraqi Investment Law (No. 13 - 2006) is the real guarantee of the rights and duties of the foreign investor in Iraq.					
The (KRG) Investment Law (No. 4 - 2006) is the real guarantee of the rights and obligations of the foreign investor in the (KRG)					
The sectors are approved by the Investment board in the (KRG) for foreign investments are important sectors of investment.					
The investment board of the (KRG) in accordance to the investment law have to identify and allocate the plot of land for the investment project, Foreign investors benefit from this step.					
The taxes and drawings imposed by the (KRG) under the legislative laws are well suited to encourage foreign investment					
The (KRG) has exempted the Foreign companies from certain taxes and fees, especially drawings on imported raw materials. These exemptions encourage foreign investment in this region.					
According to the (KRG) investment law, the foreign investor has the right to use local and foreign manpower, giving the preliminary to the local labor, but does not specify any percentage. But the Iraqi law determines the share of local labor by 50%. These articles of law help you to bring your skills and experiences to the region.					
(Iraqi law and KRG law) is an assistant to achieve foreign investment					

The presence of a partner for foreign investment in the parent country or joint investment is a positive point.					
There are legal obstacles and administrative routines to foreign investment in the (KRG)					
Security and war					
The problems and internal war in Syria have affected the volume of foreign investments in Erbil.					
The Islamic world problems are affected the volume of foreign investment in Erbil has been adversely.					
The deterioration of the security situation because of the ISIS war and political fears in the wake of these situations, are the main reasons for investors' fears of investing their capital in the (KRG)					
The occupation of the city of Mosul (the second largest city in Iraq) by a terrorist organization (ISIS) is one of the main factors in the decline of foreign investment in the (KRG).					
The occupation of oil fields in the provinces (Mosul and Kirkuk) by a terrorist organization (ISIS) is one of the main factors in the decline of foreign investment in the (KRG)					
Other factors					
The reality of (FDI) in the (KRG) in terms of investment climate is good					
The decline of global prices of oil is one of the most important negative reasons for foreign investment in the (KRG)					

The suspension of oil payments and all the financial payments approved by the Iraqi parliament after the agreement between Baghdad and Erbil under the supervision of the (USA), by the central government in Baghdad is one of the reasons of investors' fears in the (KRG)					
There is an impact of macroeconomic variables on FDI inflows within the study area					
The financial system in the (KRG) is an assistant for foreign investment					
Banks in Erbil generally help the process of foreign investment					
Social system, traditions, culture in (KRG) have not negatively affected to foreign investment					
Recent developments in the global economy have affected the volume of foreign investment in Erbil					
Changes in foreign exchange rates have affected the volume of foreign investment in Erbil					
The rise in stock prices in the Iraqi stock market has affected the volume of foreign investments in Erbil					
The increase in imports problems has affected the volume of foreign investment in Erbil					

PERSONAL INFORMATION

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	College	Administration & Finance
	Department	Administration
Language Skills	Kurdish	Mother Tongue
	English	Good
	Turkish	Good
	Arabic	Good
	Persian	Very good
Work Experience:	Owner & General Manager	Tarshouka Company for Trading & Tourism