

# Investment in Iraq

## (Potential Investment Opportunities )

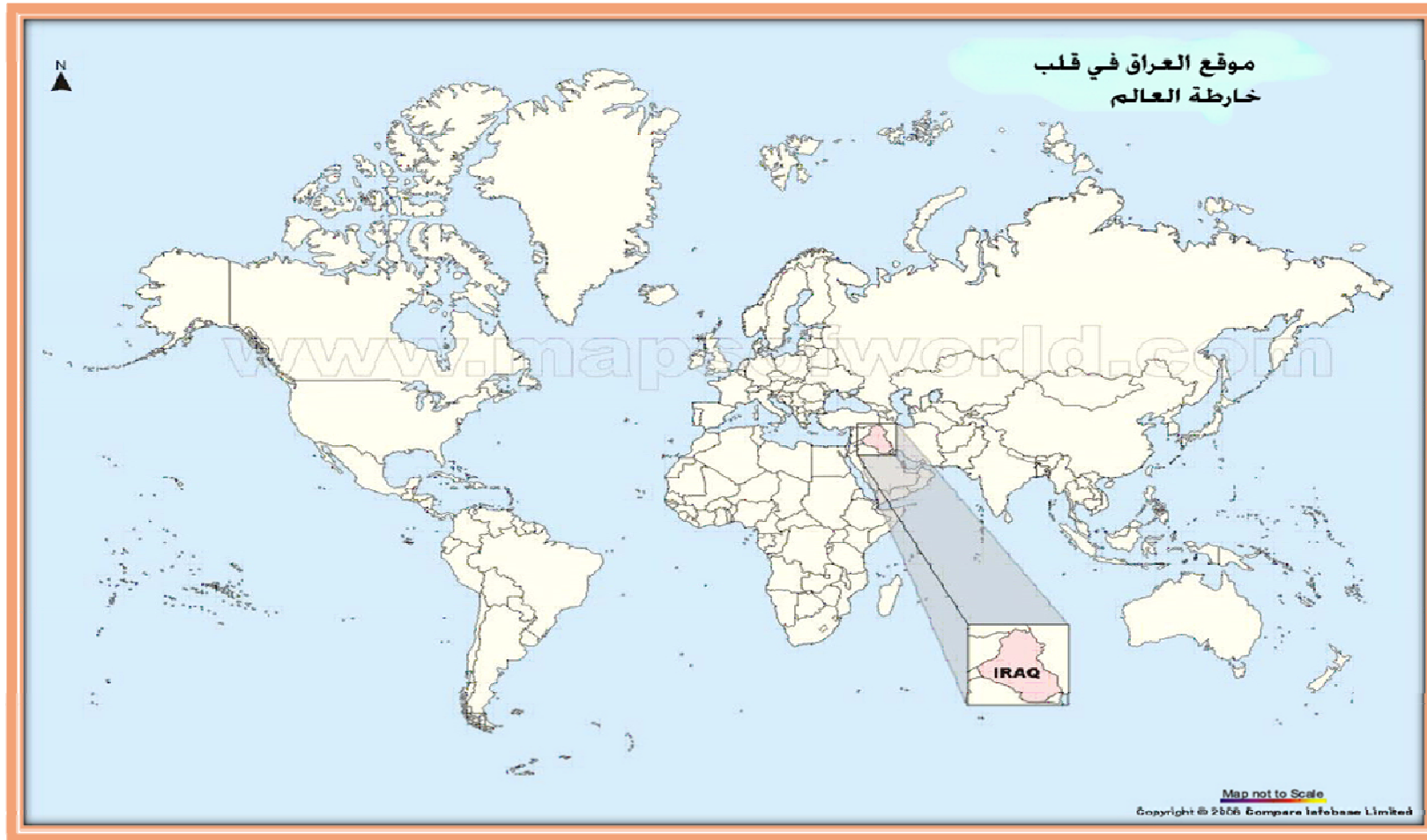
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IPF 2009 Japan



# Summary about IRAQ

- ❑ Location: South West of Asia
- ❑ It is located at east part of Arab Homeland
- ❑ It a distinguished Location on the Arab Gulf
- ❑ It represent important transportation node between Asia and the Mediterranean sea.



## Iraq map in the World

- ❑ Area: Around of 450 thousand km<sup>2</sup>.
- ❑ Population: about 30 million people with an annual growth rate of about of 3.1% ,, 70% in urban areas and 30% in rural areas.
- ❑ Main cities: Baghdad (the capital), Basra, Mosul, Kirkuk, Najaf, Irbil (Capital of Kurdistan region).
- ❑ Natural and ecological diversity: diversity in the demographic composition and diversity of natural and ecological aspects led to a clear diversified economic potential, particularly agricultural, tourist and cultural legacies.
- ❑ Tigris and Euphrates rivers and their tributaries are the main source of water for various uses of economic and human uses.
- ❑ National currency: Iraqi dinar. Currently , 1180 Iraqi Dinar equivalent of 1 U.S. \$.



**Topographic map of Iraq**

# Iraqi Economy

✓ Some basic indicators:

➤ GDP at current prices (million dinars)

- ❑  $1975 / 3970 = 13101$  million U.S \$
- ❑  $2000 / 50213699 = 25106$  million U.S \$
- ❑  $2007 / 107828462 = 89857$  million U.S \$

➤ Per capita GDP (dinars)

- ❑  $1975 / 337 = 1112$  U.S \$ dollars
- ❑  $2000 / 2084767 = 1042$  U.S. \$
- ❑  $2007 / 3582698 = 2985$  U.S. \$

## ➤ Sectoral distribution of GDP

Year	Industrial sector	The agricultural sector	Oil sector
1975	%6	%7	%58
2000	%9	%4.60	%83
2006	%1.50	%5.80	%55

## ➤ Production and export of crude oil

Daily rate for export (Million / barrels / day)	Total production (million tons)	Year
2.015	109.200	1975
1.760	111.609	1987
0.039	25.862	1991
1.567	106.970	1998
1.640	100.300	2007



## ➤ General Budget Status (trillion dinars)

YEAR	Expenditures	Revenues	Status of the budget
2004	32.1	32.9	+0.8
2007	33.5	52	+18.5

## ➤ Balance of payments status

Year	Status B.ID
2005	+4.378
2007	+11.758

# ➤ Employment

- ❖ Full employment of labor force over 15 years since mid-Seventies until late Eighties .
- ❖ 18% unemployment in 2005
- ❖ 15% unemployment in 2007
- ❖ 12% unemployment according to the latest survey of economic and social conditions of the household .

# ➤ Current economic policies in Iraq

After the change of political regime in Iraq in 2003 the state adopted a new economic policy based on:

- ❑ Transformation from a centrally planned economy to a market economy.
- ❑ several measures have been taken to achieve economic reform in line with the new economic philosophy of the State.
- ❑ Liberalization of foreign trade and the abolition of all trade restrictions and tariffs limited to 5% .Food and medicine are exempted from these tariffs.
- ❑ Important role has been given to private sector with a trend towards privatization of many state-owned industrial projects .
- ❑ Encouraging foreign investment and new investment law has been legislated .

- ❑ Reforms in the monetary and banking sector through granting to full independence to the Iraqi Central Bank and granting of licenses to foreign banks and flotation of a flexible exchange rate Iraqi dinar .
- ❑ Reduction of government support, particularly on petroleum products sector a step in stopping all subsidies .
- ❑ Seeking membership of the World Trade Organization.
- ❑ Diversify the Iraqi economic base through development of productive sectors (agricultural and industry) and the strengthening of the infrastructure through medium term strategies and plans aiming at reducing dependence on oil as a main source in the generation of gross domestic product and a sale source of financing the Federal budget.

# ➤ The investment environment in Iraq

- As It have been mentioned one of the most prominent economic trends after 2003 is to encourage for foreign investment to play an important role in the development of the Iraqi economy to create an appropriate investment climate to foreign investors an Investment Laws at federal and regional level have been initiated .
- The following are the main goals , benefits , garantes and exemptions of the investment law no.13 of 2006 .

# Goals

- ❑ **This law aims at the following:**
- ❑ **First:** To promote investment and transfer modern technologies in order to contribute to the process of developing and enhancing Iraq, and expanding and diversifying its production and service base.
- ❑ **Second:** To encourage the Iraqi and foreign private sector to invest in Iraq by providing the required facilities for establishing investment projects and enhancing its competitive capacities in the local and foreign markets for projects included in this law.
- ❑ **Third:** To develop human resources based on market demands and provide work opportunities for the Iraqis.
- ❑ **Fourth:** To protect the rights and properties of investors.
- ❑ **Fifth:** To expand exports and improve the balance of payments and the balance of trade of Iraq.

# Benefits

- ❖ The investor shall enjoy the following benefits:
  - ❑ **First:** The investor shall have the right to take out the capital he brought into Iraq and its proceeds in accordance with the provisions of this law and pursuant to the instructions of the Central Bank of Iraq in an exchangeable currency after paying all his taxes and debts to the Iraqi Government and all other authorities.
  - ❑ **Second:** The foreign investor shall have the right to:
    - ❑ Exchange shares and bonds listed in the Iraqi Stock Exchange.
    - ❑ Form investment portfolios in shares and bonds.
  - ❑ **Third:** Renting or leasing lands needed for the project for the term of the investment project, provided that it does not exceed 50 years renewable with the agreement of the Commission, and provided that the nature of the project and its benefit for the national economy is taken into consideration when determining the period.
  - ❑ **Fourth:** Insuring the investment project with any foreign or national insurance company it deems suitable.
  - ❑ **Fifth:** Opening accounts in Iraqi or foreign currency or both at a bank inside or outside Iraq for the licensed project



# Guarantees

This law shall guarantee the following for the investor:

- ❑ **First:** Priority in recruitment and employment shall be given to Iraqi workers. The right to employ and use non-Iraqi workers in case it is not possible to employ an Iraqi with the required qualifications and capable of performing the same task in accordance with guidelines issued by the Commission.
- ❑ **Second:** Granting the foreign investor and non-Iraqis working in the investment projects the right of residency in Iraq and facilitating his/her entry and exit to and from Iraq.
- ❑ **Third:** Non-seizure or nationalization of the investment project covered by the provisions of this law in whole or in part, except for projects on which a final judicial judgment was issued.
- ❑ **Fourth:** Non-Iraqi technicians and administration employees working in any project shall have the right to transfer their salaries and compensations outside Iraq in accordance with the law after paying their dues and debts to the Iraqi government and all other entities.

# Exemptions

- ❑ **First:** The project that has obtained an investment license from the Commission shall enjoy exemption from taxes and fees for a period of (10) ten years as of the date of commencing commercial operations in accordance with the areas of development defined by the Council of Ministers at the suggestion of the National Commission for Investment based on the degree of economic development and the nature of the investment project.
- ❑ **Second:** The Council of Ministers shall have the right to propose draft laws to extend or grant exemptions in addition to the exemptions stipulated in paragraph (**First**) of this Article, or provide incentives, guarantees or other benefits to any project or sector or region and for the years and percentages it deems appropriate in accordance with the nature of the activity, its geographical location and its contribution to manpower employment and its effect on driving the economic development, and for considerations of national interest.
- ❑ **Third:** The National Commission for Investment has the right to increase the years of tax and fees exemption in a way directly proportional to the increase in the Iraqi Investor share in the project to reach fifteen years if the Iraqi Investor share in the project was more than 50%.
- ❑ **Fourth:** Spare parts imported for the purposes of the project shall be exempted from fees if the value of these parts does not exceeded (20%) twenty percent of the fixed assets value, provided that they are not be used for any other purpose.
- ❑ **Fifth:** Hotels, tourist institutions, hospitals, health institutions, rehabilitation centers and educational and scientific organizations projects shall be granted additional exemptions from duties and taxes on their imports of furniture, furnishings and requisites for renewing and updating purposes at least once every four years, provided that these items are brought into Iraq or used in the project within (3) three years from the date of the approval decision of the Commission on the import lists and their quantities, and provided that these items are not used for purposes other than the imported purposes.

# Coverage

All areas of investments shall be subject to the provisions of this law except:

- ❑ First: Investment in Oil and Gas extraction and production.
- ❑ Second: Investment in banks and insurance companies sectors.

# Opportunities and potentialities available to foreign investors

- Iraq is characterized by diversified investment opportunities available due to .
- ❑ Availability of potential development in various fields of agriculture, industry services and infrastructure, energy, tourism, housing...etc .
- ❑ Availability of qualified and experienced manpower .
- ❑ Deterioration of most Iraqi infrastructure and projects due to direct influence of successive wars and absence of rehabilitation and modernisation schemes .
- The following are the most potential investment opportunities in various economic activities and sectors :

# 1. in the field of agriculture

## ▶ Agricultural potentials

- ❑ The availability of around 44.5 million acres which of cultivable land constitute approximately 25% of the total area of Iraq
- ❑ The actual cultivated land rounds between 17-23 million acres, which represents about 50% of the arable land.
- ❑ 23 million acres of cultivable land is within irrigation area .
- ❑ 13 million acres depends on irrigation systems at present of which 8-8 million acres within Tigris River basin and its tributaries .
  - ❑ 4.0 million acres within Euphrates river basin .
  - ❑ 0.4 million acres within Shatt Al – Arab basin .
- ❑ The total reclaimed land in whole or in part up to 2008 amounts for 4.1 million acres.
- ❑ Land to be reclaimed at 4.8 million acres.

## Plant production (million tons):

Wheat	2.2
Barley	0.750
Rice	0.4
Maize	0.4

## Livestock(million):

Sheep	6
Goats	0.7
Cows	1.2
Buffalo	0.1

# Water Resources

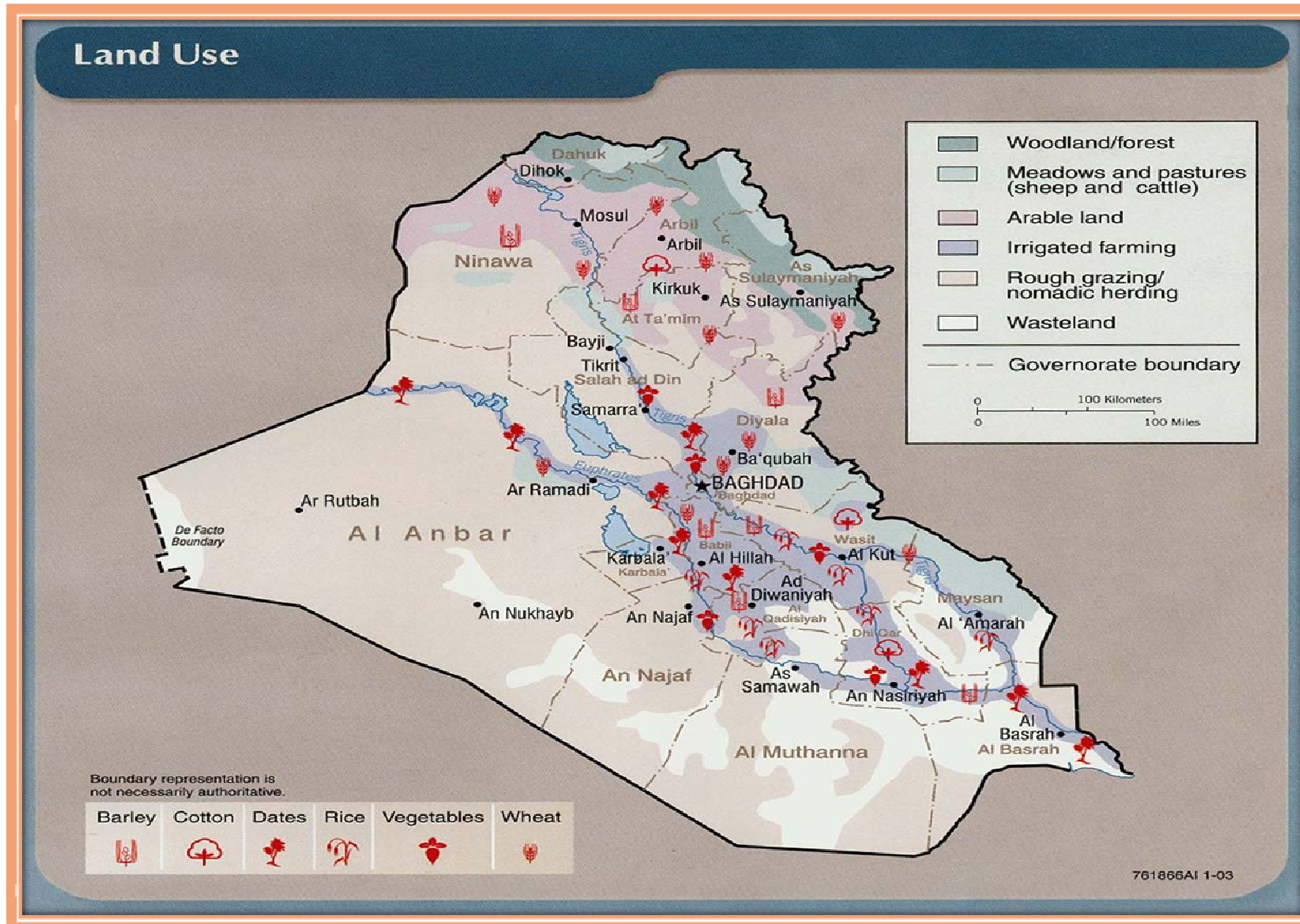
River	General average (billion m <sup>3</sup> )	Nonwet year (billion m <sup>3</sup> )		Wet year (billion m <sup>3</sup> )	
		Year	Value	Year	Value
The Tigris and its tributaries	49.5	1999	18.5	1969	69.5
Euphrates	27.4	2001	9.5	1969	63.3

maximum storage capacity available is 33.7 billion m<sup>3</sup>

# Available investment opportunities in agricultural sector

- ❑ Cooling stores , canning plants, wholesale markets.
- ❑ Utilization of semi - desert land through utilization of modern techniques of irrigation .
- ❑ Investment in projects of integrated animal production , dairy and food industries. Fish farming.
- ❑ Integrated poultry projects.
- ❑ Agro-industries and agricultural machinery and equipment.
- ❑ Exploitation of (lakes, marshes, and rivers) for the fishery activities .





## Potential of agricultural investment in Iraq

## 2. In industrial field

### ▶ Industrial potentials:

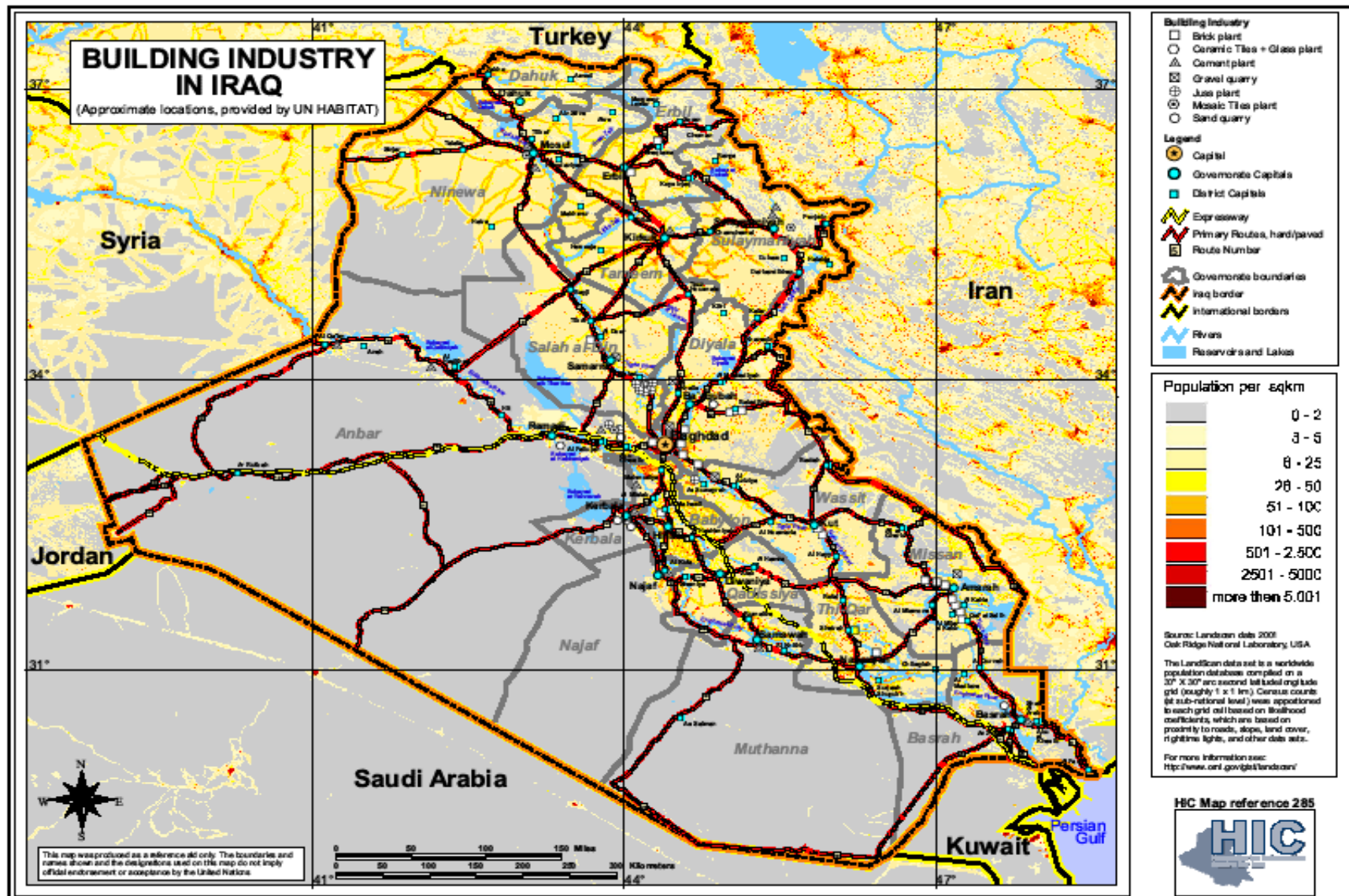
- ❑ Huge reserves of oil and gas .
- ❑ Large phosphate reserves .
- ❑ Large reserve of sulfur
- ❑ large reserves of sand and gravel and selekiats .
- ❑ Soils suitable for construction industries.
- ❑ The larg industrial existing base both in public and private sectors which need rehabilitation and moderisation .

# Available investment opportunities in the manufacturing sector:

- ▶ The creation of new industries in various industrial branches and, in particular:

- Chemical and petrochemical industries.
- Liquidation and refining industries.
- Construction materials industry.
- Textile industries.
- The food industry.
- Engineering industries.

- ❑ Rehabilitation and modernization of existing industrial enterprises and state-owned, through a contract with international companies on the basis of participation in management and production in accordance with public companies law No. (22) of 1997 .
- ❑ The establishment of industrial parks and areas of economic development .



## Potential industrial investment in Iraq

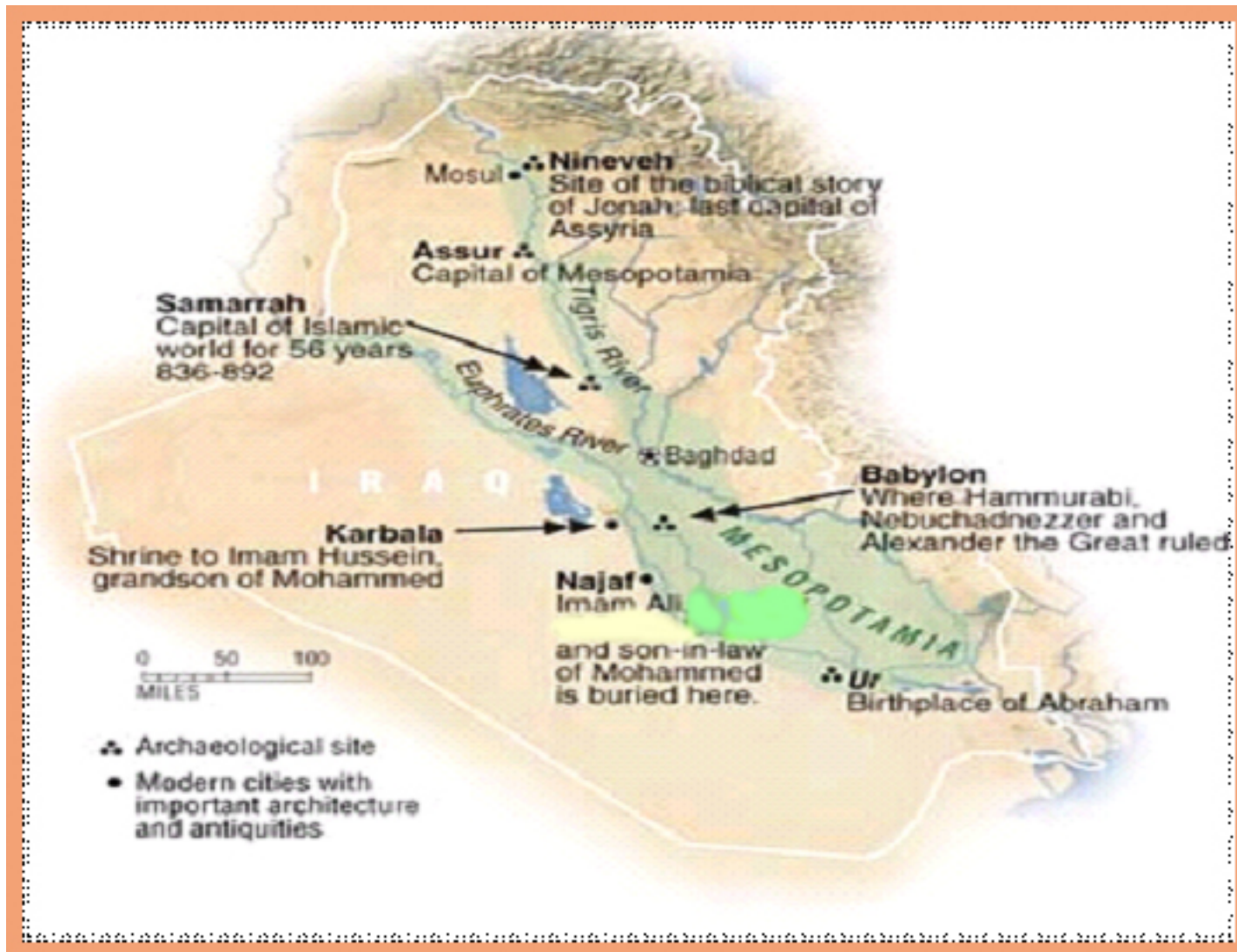
# 3. in the field of tourism

## ▶ Tourism potential

- Natural
- Historical and heritage
- Religious

# Investment opportunities in the tourism sector:

- ❑ Recreational tourism projects and related activities, particularly in the Kurdistan Region ( hotels, tourist complexes, tourist cities..etc )
- ❑ Tourism projects, particularly in the religious cities of Karbala, Najaf, Samarra, and Kathimia in Baghdad.



the potential tourist and archaeological  
in Iraq



# 4. In the sector of housing

- ❑ Estimated housing deficit in Iraq range between 1.5 – 3 million units, according to assumptions of available studies in this field.
- ❑ There is room for a very large investment in Housing sector and related activities.



Map as one of the indicators of overcrowding housing crisis and the need for serious investment in the residential sector in Iraq

# 5. In the field of communications

- Mobile phone companies