



# Overview on the Iraqi economy & Invest in Iraq

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# Key Geographic and Demographic Information

- **The Republic of Iraq** is located in South West Asia, Turkey surrounds it from the North; Iran from the East; Syria and Jordan, from the West; and the Arab Gulf, Saudi Arabia and Kuwait from the South and Southwest
- **Capital:** Baghdad
- **Four Major Cities:** Baghdad, Mosul, Basrah, Erbil
- **Natural Resources:** Oil, Natural Gas, Sulfur Phosphate, Iron, Caolean Muds, Boxites, Limestone, Silica Sand
- **Population:** 30 Million (2008 Estimate)
- **Population Growth:** 3% Annually (2008 Estimate)
- **Bordered** by six countries:
  - Turkey (**North**)
  - Syria (**Northwest**)
  - Jordan (**West**)
  - Iran (**East**)
  - Kuwait (**South**)
  - Saudi Arabia (**Southwest**)



## Area

**Total** : 437,072 sq. km.  
**Land** : 432,162 sq. km.  
**Water**: 4,910 sq. km.

# Economy's Figures,

The Iraqi economy depends primarily on the oil sector which provides approximately 67% of its total domestic product and a number of other sectors that make up the remaining 33%

- **GDP:** \$ 131 Billion (2008)
- **Per Capita Income:** \$4,360.00(2008)
- **Workforce:** 7.74 Million
- **Unemployment:** 15%
- **Consumer Price Inflation:** 6 % (2009)
- **Key Agricultural Products:** Wheat, Barley, Rice, Vegetables, Dates, Cotton
- **Key Industries:** Oil and Gas, Petrochemicals, Textiles, Leather Goods, Construction Materials, Food Processing, Fertilizers, Metal Fabrication
- **Average Daily Oil Production:** 2.42 Million Barrels
- **Average Daily Oil Exports:** 1.83 Million Barrels
- **Proven Oil Reserves:** 143.1Billion Barrels
- **Proven Natural Gas Reserves:** 3.17 Trillion Cubic Meters
- **Foreign Reserve:** \$ 46.8 Billion (2009).

\* Sources: **Central Bank of Iraq (CBI) & National Investment Commission (NIC)**

# Bilateral and Multi-Party Agreements

- Iraq signed a trade agreement with the United States on August 11, 2008, designed to improve trade and investment flows between the two countries.
- Iraq is a party to the Multi Investment Guarantee Agreement (MIGA),
- Currently serves as an observer in the World Trade Organization (WTO).
- Iraq is currently party to nine separate multiparty agreements within the Arab League, as well as 32 other bilateral agreements worldwide.
- Iraq has also concluded Free Trade Agreements with the following countries:



- Under negotiations for investment agreements;



# Free Zones in Iraq

Iraq has four Free Zones:

- 1) Basra/Khor Zubar
- 2) Ninevah/Flaifil
- 3) Al-Anbar/Al-Qaem
- 4) Sulamanyia/Northern Iraq



There is an additional designated free zone in Anbar/Al-Qaem, however as of September 2009, investors and infrastructure do not exist.

## **The Free Zones law enables the following activities in Free Zones:**

- Industrial activities, including production, sales, assembly, manufacturing, and repacking.
- Warehousing for re-export and trade.
- Warehousing services.
- Transportation services.
- Banking, insurance, and re-insurance.
- Professional support services for the industrial activities listed above.

# Iraq's Banking System and Currency

- There are 43 banks licensed to operate in Iraq.
  - 36 Private banks, including (8) Islamic banks and those that are branches of foreign banks.
  - 7 banks are state-owned (Rafidain, Rasheed, Iraq Socialist Bank, Agriculture Bank, Trade Bank of Iraq, Real Estate Bank, Industrial Bank).
- Most banks have active Society for Worldwide Interbank Financial Telecommunication (SWIFT) connections and all banks are connected to the Iraq Payments System operated by the Central Bank of Iraq and therefore able to transact domestic payments.
- Iraq has (9) banks with full electronic funds transfer (EFT) capability including SWIFT, domestic payments systems, and core banking systems. These EFT capable banks have almost 200 branches throughout the country. ATMs and Point of Sale terminals are also being put in place nationwide.

# Iraq's Banking System and Currency ....cont

- **Iraqi banks with foreign shares:**
  - Commercial Bank: 49% share by Al-Ahly Al-Muttahid Bank of Bahrain
  - Baghdad Bank: 49% share by Al-Khaleej Al-Muttahid Bank of Bahrain
  - Al-Ahly Bank of Iraq: 49% share by Export and Finance Bank of Jordan
  - Adre Essalam Bank: 70% share by HSBC
  - Al-Etiman Bank of Iraq: 75% share by National Bank of Kuwait
  - 10% share by International Funding Commission
  - Al-Eqtisad Bank: 49% share by Al-Ayan Co. of Kuwait
  - Al-Mansour Bank: 60% share by National Bank of Qatar
- **Currency**
  - The unit of currency is the **Iraqi Dinar (IQD)**.
  - The exchange rate in September 2009 was \$1 USD: 1,170 IQD.
  - The Central Bank of Iraq has a policy of managed appreciation of the dinar.
  - The most widely recognized foreign currency is the U.S. dollar.



# Ten reasons why to Invest in Iraq,

- 1- Superb strategic location - a gateway to the region.
- 2- Numerous green and brownfield opportunities across multiple sectors, about 750 Oppots. worth \$600 Billion.
- 3- Unmet needs of a diverse domestic market.
- 4- Increasing middle class creating demand for new products and services.
- 5- Educated, talented and available workforce.
- 6- Competitive wages and operating costs.
- 7- Strong investment incentives, tax exemptions and guarantees offered.
- 8- Low corporate tax rates.
- 9- Ample opportunity for local partnerships.
- 10- Abundant and untapped natural resources.

# NIC - Investment Law 13, 2006.

## Benefits and Guarantees for Investors:

- Projects receive a 10 year exemption from taxes and fees, increasing to 15 years if the project is at least 50% Iraqi owned (Art. 15)
- Assets and materials imported for the project will not be subject to taxes or fees as long as they are brought in within three years of the date that the project commences, or three years from the date that an expansion or renovation of the project commences. Additional exemptions apply to Hotel projects. (Art. 17)
- Protection from nationalization of projects by the Iraqi Government (Art. 12)
- Companies may hire non-Iraqi workers, who may repatriate their salaries (Art. 12)
- Employees have the right to reside and travel to and from Iraq unimpeded (Art. 12)
- Companies may repatriate capital brought into Iraq (Art. 12)
- Companies may invest in the Iraqi Stock Exchange and create stock portfolios (Art. 11)
- Companies may insure projects internationally (Art. 11)
- Companies may open a bank account in Iraq (Art. 11)
- Projects are protected from and retroactive amendments to the law (Art. 13)

# Investment Law 13, 2009 Amendment

## Modifications;

- Foreign investors now permitted to own land exclusively for housing projects.
- The NIC may assign land that has been given to it by other Ministries to housing developments projects.
- Investors working on any other type of project may hold a lease of up to 50 years.
- Additionally, the Amendment makes the following changes:
  - Details the organization and support to the PICs,
  - Secures privileges for public and private partnerships, especially those partnering with State Owned Enterprises, and
  - Waives the authority of Law 32, 1986 for all investment projects.

# Investments Opportunities by sector (1)

- **Oil and Gas (10)** (Non-extraction oil and gas industry (refineries and various petrochemical plants))
- **Electricity (31)**  
**Current Electricity Demand:** 13,000 MW est. - Summer 2009  
**Existing Power Generation Capacity:** Approximately 6,000 MW  
**Capacity of Identified Future Plants:** 24,000 MW  
**Value of Additional Electricity Investments Needed:** 4.5billion USD / year over four years.
- **Housing and Constructions (75)**  
**Population growth rate:** At the projected growth rate, almost 2 million housing units will be needed  
**Private sector involvement:** The government estimates that 85% of home building will be carried out by the private sector

# Investments Opportunities by sector (2)

- **Telecommunication (6)**

Installed Fiber: **Approximately 60,000km**

National GSM Providers: **Zain, AsiaCell, Korek**

Cell Subscribers: **Approximately 20 million**

Fixed Line Density (2003): **3%**

- **Health (50)**

Ministry of Health Budget: **\$4 B USD (2009)**

Hospitals: **208 State Owned, 80 Private**

Clinics: **Approximately 2000**

- **Industry and Manufacturing (68)**

Primary Ministry Responsible: **Ministry of Mining and Manufacturing (MIM)**

Number of MIM SOEs: **67**

Number of MIM Factories: **220 among the 67**

# Investments Opportunities by sector (3)

- **Agriculture (48)**

**Agriculture in the economy:** 9-11% of GDP, 2nd largest contributor after oil

**Agriculture employment:** almost 30% of the labor force

**Agriculture imports:** 80% of total food consumed, costing \$1.4 B

- **Banking and Finance**

**Banking system:** The current banking system in Iraq consists of 43 banks, in addition to the Central Bank.

**Electronic funds transfer (EFT) capabilities:** The nine Iraq banks with full EFT capable banks have almost 200 branches throughout the country.

**Iraqi Stock Exchange (ISX):** The ISX launched its electronic trading system in April 2009 and has 91 companies listed with the average trading volume approximately \$10 M USD per week.

# Investments Opportunities by sector (4)

- **Higher Education**

**Infrastructure reconstruction:** As of 2004, 84% of the higher educational infrastructure was severely damaged.

**Iraqi Education Initiative (IEI):** The Government of Iraq (GoI) allocated \$54 million to launch the IEI and in 2010, more than 300 students will begin master's and PhD programs in the U.S.

**Repatriation:** 100 Iraqi expatriates inquire every month about the possibility of returning home to resume their teaching careers.

- **Tourism, retail and entertainment(150)**

Rehabilitation of cultural sites, hotel construction and amusement park

- **Transportation (24)**

Land, sea and air transportation projects

**THANK YOU**

**Q & A**