



Investor's Guide to Iraq

National Investment Commission

April 2009



Purpose of Investor Guide

The purpose of this guide is to describe the investment opportunities in today's Iraq and the investment environment potential investors will encounter when making business investments



Benefits of Investing in Iraq

To attract Foreign Investment into Iraq, generous benefits, guarantees and exemptions have been set out in Iraqi investment law, including:

- 10 years of tax exemption
- Ability to repatriate investment and profits from investment
- Ability to bring non-Iraqis into country to work on investment projects
- Guarantee to not nationalize or confiscate investment

Refer to slides 11 and 12 for additional benefits and exemptions

Table of Contents

- 1.Key Geographic and Demographic Information
- 2.Important Economic Data
- 3.The Investment Environment
- 4.Free Zones in Iraq
- 5.Iraq's Banking System
- 6.Trademark Protection
- 7.Patent Protection
- 8.Copyright Protection
- 9.Registering Companies in Iraq
- 10.Retirement and Social Security Regulations
- 11.Customs Law
- 12.Quality Standards
- 13.Nutritional Health Requirements

Appendix I. Ministry Names and Websites

Appendix II. NIC Strategic Projects Description

I. 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)



II. Important Economic Data

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

2008 Estimates

- GDP: \$ 131 Billion
- Per Capita Income: \$4,360.00
- Workforce: 7.74 Million
- Unemployment: 15%
- Consumer Price Inflation: 6.8%
- 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: 115 Billion Barrels
- Proven Natural Gas Reserves: 3.17 Trillion Cubic Meters



III. The Investment Environment

- The Iraqi economy is undergoing a rapid transformation from a centrally based economy to a free market economy in which the private sector has a leading role in the economic development of the country
- After 2003, Iraq took important steps towards enhancing the private sector through several legislative reforms which are described in the following presentation

The Investment Environment con't.

FIRST: Investment Law No.13 was ratified by Parliament in October, 2006 with the effective date of January 17, 2007

- Establishes the National Investment Commission and Investment Commissions in each of the Provinces
- Covers investment projects in the private and mixed sector
- Does not cover Oil and Gas exploration and production and investment in the banking and insurance industries
- Specifies \$250,000 USD as the minimum level of capital investment according to investment regulations No. 2/2009
- Regulates domestic and foreign investment through several mechanisms as follows

The Investment Environment con't.

A. The National Investment Commission (NIC) leads the effort to attract and regulate investment

- The NIC is comprised of the following:
 - Legal and Administrative Department
 - Economic Department
 - Promotion and Information Department
 - The “One Stop Shop” Department to expedite investment licenses
- Formulates national investment strategies and policies governing investment projects
- Lays out plans, regulations, and guidelines to implement the policies
- Monitors the application of the guidelines and regulations
- Oversees Federal strategic investment projects

The Investment Environment con't.

B. Strategic Projects

- Investment Regulation No. 2 for the year 2009 specified the strategic projects which the NIC is required to oversee; twelve categories of projects are detailed in this regulation which are listed in Appendix II
- All projects not on the strategic project list fall within the authority of the investment commissions within the Provinces

For a more detailed description of these projects, see Appendix II

C. Established the Investment Commissions in the Regions and Provinces which have the authority to grant investment licenses, promote investment, open local branches in their area and formulate local investment plans in consultation with the National Commission to ensure that the local plans do not conflict with the Federal Investment Plan

The Investment Environment con't.

D. Specified Benefits and Guarantees for Investors

1. Ability to invest capital brought into Iraq with related earnings in an exchanged currency after settling all obligations and debts to the Iraqi Government and all other parties
2. Permission to trade stocks and bonds listed on the Iraqi Stock Exchange
3. Ability to lease land for the life of the investment project or for a term no longer than 50 years. Extensions can be requested and obtained from the NIC for additional years based on need and economic considerations
4. Permission to insure the investment project with any Iraqi or foreign company which is considered suitable
5. Ability to open accounts for the licensed project in Iraqi and/or or foreign currencies with Iraqi or foreign banks
6. Permission for foreign investors and non-Iraqi employees of investment projects the right to reside in Iraq and to have unimpeded freedom of entry and exit
7. Protection from confiscation or nationalization of any part of an investment project covered by the investment law excluding legally obtained judgments against the project
8. Provision for non-Iraqis working for the investment projects to transfer their salaries and other compensation outside Iraq in accordance with the law after paying their obligations and debts to the Iraqi Government and other parties
9. Any amendment to this law will not have any retroactive effect on the guarantees and exemptions and rights decided thereupon

The Investment Environment con't.

E. Allowed Exemptions

1. A project which has obtained an investment license from the NIC will enjoy exemption from taxes and fees for the period of ten years as from the date of start up of commercial operation
2. The NIC is required to increase the number of years of exemption from taxes and fees in direct proportion to the percentage increase of Iraqi investor participation in the project. The increase in years of exemption may reach a maximum of 15 years if Iraqi ownership exceeds 50%
3. Imported assets for an investment project are exempt from import fees provided that the assets shall have entered Iraq within three years of the date of the issuance of the license
4. Investment projects in hotels, tourist establishments, hospitals, health clinics, rehabilitation centers, educational and scientific organizations are granted additional exemptions from import fees of necessities required for modernization and renewal once every four years, provided that the necessities are used in the project within three years of the grant of the import license and that the items imported are not used for other than the intended purpose

The Investment Environment con't.

F. Obligations of the Investor

- To inform the NIC of the start up date of the commercial operations of the investment project
- To maintain proper accounting records which will be audited by a licensed chartered accountant
- To submit the economic feasibility studies and all technical studies to include all related maps of the project
- To maintain special records for the imported materials
- To preserve the environment
- To adhere to Iraqi laws, proper quality control standards, and the submitted work schedules

The Investment Environment con't.

G. Procedures to grant investment licenses and to establish projects

- The “One Stop Shop” department in the NIC shall be responsible for the issuance of the investment license in accordance with the following steps required of the investor:
 1. The investor submits a request to the NIC indicating a desire to invest and the area of intended investment
 2. This request for a license shall be submitted on a standard form which can be obtained from the NIC directly or on their website
 3. Submit a satisfactory credit recommendation from a certified bank
 4. Provide the details of the investment project and its economic feasibility
 5. Submit a time table for executing the project
- In return, the NIC shall execute the investment license in a period of time not exceeding 45 days from the date of submittal after obtaining the approval of those ministry sections that are required to review project submittals

The Investment Environment con't.

H. Investment on the Iraqi Stock Exchange (ISX)

- The 2006 Law of the Investment No. 13 permits non-Iraqis to trade stocks and bonds listed on the ISX and to form investment funds to own stocks and bonds
 - The ISX has begun to install an electronic trading system to provide better transparency and rapid dissemination of information
 - These upgrades are designed to encourage private investment and provide liquidity for those investments by listing their securities on the exchange
 - In addition, a proposed law creating the law and regulation for a stock market commission has been drafted

The Investment Environment con't.

Second: Iraq's Bilateral and Multi-Party Agreements

A. Investment Guarantees and Protection Agreements

- Iraq has 9 multiparty agreements within the Arab League
- Iraq has 32 bilateral agreements worldwide

B. Iraq's Free Trade Agreement

- Iraq has free trade agreements with Algeria, Egypt, Jordan, Lebanon, Oman, Qatar, Syria, Sudan, Tunisia, UAE and Yemen
- Iraq signed a trade agreement with the United States on August 11, 2008 designed to improve trade and investment flows
- Iraq is a member of the Multi Investment Guarantee Agreement (MIGA)
- Iraq currently serves as an Observer in the World Trade Organization

IV. Free Zones in Iraq

The Free Zones (FZ) Law:

- The FZ law No. 3 of 1998 allows industrial, commercial and service project investment in the FZ
- Goods imported and exported from FZ are exempt from all taxes and duties except when imported through customs
- All capital, interest and income generated from project investments are exempt from taxes and duties throughout the project's timeline, including the construction and start up phases
- Application for FZ projects requires submitting a request and paying 100 USD fee to the Free Zones Board

Iraq has four Free Zones:

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

The Free Zone Law enables the following activities in the Free Zones:

- 1) Industrial (production and sales) activities and assembling, manufacturing and repacking
- 2) Warehousing--re-exporting and trading
- 3) Warehousing services and various types of transportation
- 4) Banking, insurance and re-insurance
- 5) Supporting complementary and professional activities and services

V. Iraq's Banking System

The current banking system in Iraq consists of 43 banks in addition to the Central Bank

- The banks are distributed according to the ownership between seven governmental banks and 30 private banks including 7 Islamic banks and 6 licenses given to foreign banks
- Banking investments are governed by the Law of the Central Bank of Iraq, No. 56 of 2004 and the Law of the Banks, No. 94 of 2004.
- The minimum capital requirement to establish a bank in Iraq is 100 billion ID (~85 million USD)

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

VI. Trademark Protection

- Investors register trademarks with the Trade Marks Registrar, Ministry of Industry and Minerals
- The government protects some internationally recognized trademarks even if not registered in Iraq
- Investors may transfer ownership and grant a license for use of a registered trademark
- Iraqi laws protect registered trademarks for ten years, with the possibility to extend for ten additional years (must re-apply during 10th year)
- Trademark owners may apply for renewal during the final 6 months of the trademark validity

VIII. Patent Protection

Approvals on registering industrial designs and models are obtained for new or novel individual designs or models.

An industrial design or sample is not considered novel in the following cases:

- 1) If it was exhibited or described or its use was described to the public before submitting the application for registration for a patent in Iraq
- 2) If it was exhibited or described after applying for registration in a country dealing with Iraq on reciprocity basis
- 3) If it was exhibited in national or international fairs, or the industrial design or model was exhibited to the public in a scientific conference or journal during a period of not more than 6 months before the date of applying for registration in Iraq
- 4) If it includes non-elementary differences with respect to a previous industrial design or model or it was registered to a product of another type that is different from the one for which an industrial design or model was previously registered

IX. Copyright Protection

- The Iraqi author rights laws attempt to meet the current international standards and WTO requirements
- The Intellectual Ownership Board of the Ministry of Culture oversees registering author rights
- Currently, this law applies to authors of novels and literature and of works of art and science
 - The author is considered the person to whom the book is attributed
 - The protection covers the person who translated revised the book
- If the book was a novel of another person's, then the authorship rights attribute to the author unless agreed otherwise
- Short stories or other literature, videos or scientific books may not be published in newspapers or fictions without permission of the author
- Financial rights guarantee the author lifelong protection and another 50 years past their death
- Newly created Iraq legal rights grant protection to artists of exclusive performances and rights in public broadcasting and novel forms of communication, according to international standards

X. Registering Companies in Iraq

The 1984 Law of Trade, No. 30 regulates all activities of private and public sectors for Iraqi investors

- Trade is defined as the business activities aiming at interest through a series of sectors to include import/export trade, manufacturing, logistics, construction, tourism, banking, insurance, purchase and sale of stocks and bonds, and contracting

There are three steps to register a company:

1) Determine the Type of Company to Register

Companies according to the law of 1997 are divided into the following categories:

a. Stock Company--Private and Mixed:

- Stock companies may to be founded by no less than 5 individual or corporate entities and can sell shares for public subscription
- The shareholders' responsibility for the company's liabilities is at the nominal value of the shares they own
- Iraqi law requires incorporating insurance, re-insurance and money investment companies in the form of stock companies
- Founding shareholders must deposit their shares of the company's capital into an authorized Iraqi bank
- Money investment companies can invest in financial securities in Iraq. They are subject to the provisions of the Companies Law as a stock company, but their transactions are monitored by the Central Bank of Iraq

Registering Companies in Iraq con't.

b. Individualized Project:

- An individualized company may be incorporated by a single person
- The individual owner undertakes unlimited personal responsibility for all the company's obligations
- The individualized company in Iraq is known as the "Individualized Project"

c. Joint Company:

- The joint company is incorporated by 2 to 25 investors, either individuals or corporate entities
- The owners have shares in the company's capital

d. Simple Company:

- The simple company is incorporated by 2 to 5 investors either individuals or corporate entities
- Each provides capital with either cash or in-kind contributions
- The Companies Law requires that incorporation certificates of the simple company must be registered with the Notary Public
- The owners of the simple company must deposit a copy of the incorporation instruments, to include names of shareholders and their numbers of shares, at the Iraqi Companies Registrar at the Ministry of Trade

Registering Companies in Iraq con't.

e. Limited Company--Private or Mixed:

- The Companies Law states that the number of a limited company's founders is no less than 2 and no more than 25
- The founders can be individuals or corporate entities and are responsible for the company's liabilities at the nominal value of the shares they own
- The majority of the companies registered in Iraq are limited companies
- It is permitted to incorporate a mixed company by the agreement between a single artificial person, or more, of the State sector and a single person, or more, of other sectors
- If the contribution of the State sector drops below 25%, it is then considered a private company

2) Meet Required Registration Procedures

- a. Register a trade name with the relevant trade chamber or the union of trade chambers
- b. Submit a signed contract by the founders, stating the name of the company, the activities and its capital
- c. Deposit the capital of the company, in ID, at an Iraqi authorized bank and notify the Companies Registrar
- d. Pay the required fees to the Companies Registrar
- e. Submit the subscription certificate, signed by the founders, and the company's feasibility studies
- f. Define the commercial and technical activities of the incorporating company to be included in the contract for incorporation

Registering Companies in Iraq con't.

- g. Employ a legal advisor (attorney) for the company from the Bar Association in writing
- h. Employ a chartered accountant from the Chartered Accountants and Auditors Association
- i. Appoint an Executive Manager
- j. Obtain approval of the Minister of Interior for all foreign shareholders

Only stock companies, mixed and private, may issue shares liable for public circulation. The founders of the mixed stock company must have more than 30% but less than 55% of the nominal capital. The other shares are to be floated to the public within 30 days as of the approval by the Companies Registrar. If the Companies Registrar finds that the registration papers mislead the investors, he then refers the matter to the Financial Securities Board

3) Receive Approval of Registration Request

- Two months for the stock company
- 20-25 days for all other types of companies

XI. Worker's Retirement and Social Pension Organization

- All companies before commencement of their activities, must register with the Minister of Labor/Worker's Retirement (WR) and Social Pension Organization (SPO)
- They must deposit funds to pay the deductions for social security based on the number of employees and their estimated pay for three months
- The investor obtains a receipt voucher from the Ministry certifying the payment amount as well as the social security number issued to the company
- The primary step of registration with the Ministry of Labor and obtaining the receipt voucher requires at least a week and additional fees may be incurred during this process
- Social security dues shall be paid on a quarterly basis
 - Social Security payments equal 17% of an employee's wages
 - Employers contribute 12%
 - Employees contribute 5%
 - Payments are made by the employers to the WR and SPO by certified check

XII. Customs Law

- The Customs Law, No. 77 of 1955 initiated the rate of customs tariff imposed on goods imported to Iraq
- This Law was suspended and replaced by the imposition of a 5% reconstruction fee on the value of goods imported to Iraq excluding: Food products, medicines, clothes, books and transit goods
- Iraq operates on a harmonized customs system



XIII. Quality Standards

- The Central Organization of Standardization and Quality Control is the sole body responsible for monitoring product standards in Iraq
- This organization inspects local goods according to health and safety parameters
- Iraq is also a member of the International Organization for Standardization which provides technical assistance with patents and intellectual ownership rights

XIV. Nutritional Health Requirements

- The Ministry of Agriculture inspects all agricultural products and livestock and issues health certificates for livestock
- The Ministry of Health inspects and issues health certificates for manufactured food products

Appendix I. Ministry Names and Websites

Ministries	Website
National Investment Commission	www.investpromo.gov.iq
Ministry of Industry and Minerals	www.iraqindustry.com
Ministry of Electricity	www.moelc.gov.iq
Ministry of Agriculture	www.moagr.com
Ministry of Housing	www.moch.gov.iq
Ministry of Trade	www.motiraq.org
Ministry of Tourism	www.tourisimiq@yahoo.com
Ministry of Communications	www.iraqmoc.net
Ministry of Health	www.moh.gov.iq
Ministry of Transport	www.motrans.gov.iq
Amanat Baghdad	www.bm.gov.iq
Ministry of Municipality & Public Works	www.mmpwirq.com

Appendix II. NIC Strategic Projects Description

Investment Regulation No.2 for 2009 has defined the National Investment Commission's strategic projects as follows:

- Projects related to infrastructure with capital no less than \$50 Million or the Iraqi Dinar equivalent
- Common projects between more than a single territory or non-territorial province
- Projects related to the extraction of Natural Resources, considering what is stated in Article 29 for the Investment Law
- Projects established under an agreement of which the Republic of Iraq is a party
- Projects in the engineering, mineral, petrochemical and medical industries and the manufacturing of various types of vehicles provided that the capital of each are not less than \$50 Million or the Iraqi Dinar equivalent
- Projects that develop historic and archeological sites
- Transportation projects such as roads, seaports, airports and railways, provided that the capital of each project are not less than \$30 Million or the Iraqi Dinar equivalent
- Power projects of 30 megawatt capacity or more
- Irrigation, reservoir, and dam projects that irrigate no less than 20 thousand donums of land
- Communications Projects
- Projects of not less than \$1 Billion or the Iraqi Dinar equivalent
- Any strategic projects put forth by the Cabinet

Any other investment initiatives not having to do with the projects listed above will be executed by the Provincial Investment Commissions