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THE USAID-TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

INVESTOR GUIDE OF BAGHDAD



NOVEMBER 2011

This report was produced for review by the U.S. Agency for International Development (USAID).
It was prepared by The Louis Berger Group, Inc.

Contract No. 267-C-00-08-00500-00

The USAID-*TIJARA* PROVINCIAL ECONOMIC GROWTH PROGRAM

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This guide provides information of the procedures required on how to establish a project or any other investment project in Baghdad province. It includes guidance on obtaining licenses and permits as well as other information useful to investors, .

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development (USAID) or the United States Government.

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ACRONYMS

CBI	Central Bank of Iraq
CPA	Coalition Provisional Authority
CPI	Commission of Public Integrity
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FZ	Free Zone
FZL	Free Zone Authority Law
GATT	General Agreement on Tariffs and Trade
GCIC	General Commission of Iraq Customs
GDID	General Directorate of Industrial Development
GDP	Gross Domestic Product
GDRER	General Directorate for Real Estate Registration
GoI	Government of Iraq
GTC	General Taxation Commission
ICI	International Compact with Iraq
IDA	Industrial Development Authority (same as GDID above)
IFC	International Finance Corporation
IG	Inspector General
ILO	International Labor Organization
IMF	International Monetary Fund
INIC	Iraq National Investment Commission
IP	Investment Promotion
IQD	Iraqi Dinar
IPPA	Investment Promotion and Protection Agency
IPR	Intellectual property rights
ISC	Iraq Securities Commission
ISO	International Organization for Standardization
ISX	Iraq Stock Exchange
KRG	Kurdish Regional Government
MENA	Middle East & North Africa
MIGA	Multilateral Investment Guarantee Agency
MIM	Ministry of Industry and Minerals
MoLSA	Ministry of Labor and Social Affairs
MoPDC	Ministry of Planning and Development Cooperation
MoT	Ministry of Trade
NGOs	Non Governmental Organizations
NIC	National Investment Commission
OCR	Office of Company Registration

OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
OSS	One Stop Shop
PIC	Provincial Investment Commission
RCC	Revolutionary Command Council
SME	Small & Medium Enterprises
SOE	State Owned Enterprise
TBT	Technical Barriers to Trade
TRIPS	Trade Related Aspects of Intellectual Property Rights
UNCITRAL	United Nation Commission on International Trade Law
USAID	United States Agency for International Development
WCO	World Customs Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

1. INTRODUCTION

BACKGROUND OF BAGHDAD INVESTMENT COMMISSION (BIC)

Baghdad Investment Commission is an independent legal entity, established by Investment Law no. 13 of 2006. Since its establishment in April, 2009, it has been striving to provide and develop an investment environment by investment-supporting legislations and openness to all ministries and investment relevant departments through its one-stop-shop which undertakes co-ordination and follow up of investment projects with relevant offices and authorities.

VISION:

Achieve comprehensive economic development in Baghdad Province, including solving the housing crisis, the elimination of unemployment and the achievement of sustainable development.

GOALS

- Focus towards strategic projects in the housing sector while seeking to increase the allocation of land for housing projects.
- Targeting industrial and agricultural projects that need employment.
- Creating a business environment that will attract migrated Iraqi capital in addition to foreign.
- Diversify the Iraqi economy.

BAGHDAD INVESTMENT COMMISSION (BIC) ORGANIZATION:

- One stop-shop & investor services Dept.
- Legal dept.
- Technical & economic Dept.
- Financial & administrative Dept.
- Public relations Dept.
- Monitoring & internal auditing Dept.
- Chairman office

GEOGRAPHY

Iraq is located in the Middle East, bordering the Arab Gulf, between Iran; Turkey; Syria; Jordan; Saudi Arabia; and Kuwait.

LAND BOUNDARIES

Total: 3,650 km; border countries: Iran 1,458 km, Jordan 181 km, Kuwait 240 km, Saudi Arabia 814 km, Syria 605 km, Turkey 352 km.

AREA OF IRAQ

Total: 437,072 sq km; land: 432,162 sq km; water: 4,910 sq km.



FACTS ABOUT BAGHDAD PROVINCE

The city of Baghdad is the capital of Iraq and the center of Baghdad Governorate. It has a population of approximately 7 million people. Baghdad is the largest city in Iraq and the second largest city in the Arab world. It is also considered as a significant economic, administrative and intellectual centre in the country.

Dijla River runs through Baghdad and splits it in half with Karkh (the western side) and Risafa (the eastern side). It was constructed during the reign of the Abbasid Caliph, Al-Mansoor from 762 through 764 AD in the sixth decade of the 2nd century, who made it the capital of Abbasid Caliphate and under the Abbasids, Baghdad garnered an outstanding reputation and became the most important scientific centre in the world and a place that housed scientists and scholars for centuries.

Baghdad is situated 90 kilometres to the north of ancient Babylon and several kilometres to the northwest of Madaen (Ctesiphon), the capital of Persian Empire and the main centre of the country until construction of Baghdad at the beginning of Abbasids time. The importance of the city's location lies in abundance of water, low risk of floods and so that it underwent a major expansion, gained more power and recently became easily interconnected through bridges across Dijla River. Old Baghdad had several names like AlMadina AlMudawara (round city), Zawraa and Dar Essalam (city of peace).

As regards the capitals of the neighbouring countries, to the west, Damascus is situated 750 kilometres, Amman 800 kilometres, Beirut 830 kilometres, AlQuds 875 kilometres and Cairo 1290 kilometres. To the south, Kuwait is situated 545 kilometres and Riyadh 980 kilometres. To the east, Tehran is situated 700 kilometres and to the northwest, Ankara is 1250 kilometres.



Facts on Baghdad Governorate:

- Area: 4.555 square kilometers
- International borders: N/A
- Administrative divisions:
 - Risafa Qadha
 - Qadha's centre
 - Baghdad AlJadida sub-district
 - Karada sub-district
 - Palestine sub-district
 - Karkh Qadha
 - Qadha's centre
 - Mansoor sub-district
 - Ma'moon sub-district
 - Kadhimiya Qadha
 - Qadha's centre
 - Dhat AlSalasil sub-district

- AlAdhamiya Qadha
 - Qadha's centre
 - AlFahama sub-district
 - AlRashidiya sub-district
 - Allstiklal sub-district
 - AlZohoor sub-district

- AlSadr (1) Qadha
 - Furat sub-district
 - AlSiddiq sub-district

- AlSadr (2) Qadha
 - AlMunawara sub-district
 - Abnaa AlRafidain sub-district

- Madaen Qadha
 - Qadha's centre
 - Wihda sub-district
 - Jisr sub-district
 - Nahrawan sub-district

- Abu Gharib Qadha
 - Qadha's centre
 - AlNasr and AlSalam sub-district
 - Agargoof sub-district

- Mahmoodiya Qadha
 - Rashid sub-district
 - Yousifiya sub-district
 - Latifiya sub-district

- Taji Qadha
 - Sab' AlBoor sub-district
 - Taji sub-district
 - Hamamiyat sub-district

- AlTarimiya Qadha
 - Mishahda sub-district
 - Abaichi sub-district

- **Population density**

Although Baghdad city comprises nearly 17% of Baghdad Governorate's area, the largest percentage of population (83%) resides inside the city while the remaining 17% resides in the other areas.

Based on the findings above, it is clear that population density is high within the municipality boundaries of the capital and that most land plots are utilized for housing and various economic activities.

The high population density inside the capital made the city an important economic centre in Iraq where many promising opportunities for investment exist especially in the trade sector where numerous big commercial markets exist.

It has been noticed that most world capital cities expanded and large cities were built around them due to the increase in population. The current tendency in Iraq is to spur investments in the six districts surrounding the capital.

- **Climate**

The climate is hot and dry in summer, cold and damp in winter while both spring and autumn, are shorter and the climate is mild. The daily average temperature is 41 °C from May to September. The temperatures might reach 49 °C during the day in both July and August. In winter, the average temperature during the day is 13 °C and rarely reaches under freezing point. Annual rainfall is almost confined to the period from December to April and no rainfall occurs in summer.

- **Demographic indicators (of Baghdad)**

Population	7180889	(2009 estimates)
Male	3621085	(2009 estimates)
Female	3559804	(2009 estimates)
Urban inhabitants_	6225475	(2009 estimates)
Rural inhabitants	955414	(2009 estimates)
Percentage of people under age of 15	41.8%	(2008 estimates)
Percentage of people between the age of 15-24	20.5%	(2008 estimates)
Percentage of people between the age of 25-64	35.3%	(2008 estimates)
Percentage of people over age of 65	2.9%	(2008 estimates)
Annual population growth average	3.5%	

- **Main industries:** oil refining, light industries, financial services, processing of foods, drinks and tobacco, furniture, printing, chemical material, plastics, electrical appliances and bottling
- **Potential areas of investment:** financial services, private education, tourism, health care, retail sale and information technology
- **Education and learning:** Baghdad has four universities including University of Baghdad (established in 1957), AlMustansiriya University (established in 1963), University of Technology (established in 1974) and Nahrain University. In addition, other private

universities and colleges exist in Baghdad. Also, there are more than 1000 primary schools, hundreds of intermediate and secondary schools, several vocational, commercial and Islamic academies, many technical institutes and teachers' training institutes.

- **Infrastructure:** Baghdad city has a significant network of roads, air traffic and railways. Baghdad International Airport is the largest airport and is located 16 km to the west of city center.

The state-owned railroads start at Baghdad and connect the city with Basra and Um Qasr in the south, Kirkuk and Erbil in the northeast, Mosul in the north and Qaem of Anbar in the west. Baghdad is also a regional highways network that connects the city to Turkey, Syria, Jordan, Iran, Kuwait and Saudi Arabia.

- **Tourist areas:** Baghdad was established by the Abbasid Caliph, Abu Jaafar Al-Mansour in 749 AD at the beginning of Abbasid era. Since inception and until 1258 AD, it was the most important commercial and cultural centre in the Islamic World. For a long period, Baghdad is known for ancient remains, museums, religious shrines and other tourist destinations that attract visitors. In 1258 AD, Baghdad was ruined by the Mongols who looted many quarters, destroyed schools and institutions and massacred most of Baghdad's inhabitants.

The city houses several museums the most important of which is the National Museum which shows the historical objects and monuments of Mesopotamia civilization. In 2003, some ancient manuscripts were stolen but most of these relics are still displayed. The other important museums include the National Museum for Modern Art and the Iraqi Museum for Pioneering Artists.

Baghdad also has several Islamic well-known mosques and shrines as well as Christian churches and cathedrals.

ECONOMY

Iraq has undergone a difficult period of both oppression and upheaval over the past three decades. Ravaged by wars and unsafe security situation after 2003,, the country's economy and infrastructure have languished and fallen into disrepair.

Decreased insurgent attacks and an improved security environment are helping to spur economic activity, particularly in the retail sector. Broader economic improvement, long-term fiscal health, and sustained increases in standard of living still depend on the government passing major policy reforms. Iraq's economy is dominated by the oil sector, which provides over 90% of government revenue and foreign exchange earnings. Oil exports have returned to levels seen before 2003 and government revenues have rebounded along with global oil prices since mid-2009. Iraq is making modest progress in building the institutions needed to implement economic policy. Iraq has held serious discussions with both the IMF and World Bank for new programs that would help further strengthen Iraq's economic institutions. The Iraqi government is seeking to pass laws and undertake economic, legislative, and administrative reforms to strengthen the economy and improve the business environment

GDP: \$134.0 billion at purchasing power parity (2010 est.)

GDP - per capita \$3,800 at purchasing power parity (2010 est.)

GDP - composition by sector: agriculture: 9.7%, industry: 63%, services: 27.3% (2010 est.)

Labor force: 8.5 million (2009 est.)

Unemployment rate: 15.3%, (2009 est.)

Population below poverty line: 25% (2008 est.)

Inflation rate (consumer prices): 4.2% (2009 est.)

Budget: revenues \$52.8 billion; expenditures \$72.4 billion (2010 est.)

Agriculture - products: wheat, barley, rice, vegetables, dates, cotton; cattle, sheep, poultry

Industries: petroleum, chemicals, textiles, leather, construction materials, food processing, fertilizer, metal fabrication/processing

Industrial Production Growth Rate: 4.8% (2010 est.)

Electricity (2009 est.):

- Production – 46.39 billion kWh
- Consumption – 52 billion kWh
- Electricity Imports – 5.6 billion kWh

Oil (2009 est.):

- **Production:** 2.399 million bbl/day
- **Exports:** 1.91 million bbl/day
- **Imports:** 116,900 bbl/day

Oil - proved reserves: 115 billion bbl (1 January 2010 est.)

Natural Gas (2008 est.):

- **production:** 15.66 billion cubic meters
- **Consumption :** 9.454 billion cubic meters

Natural Gas - proved reserves: 3.17 trillion cubic meters (1 January 2010 est.)

2. THE INVESTMENT ENVIRONMENT

INTRODUCTION

Iraq is now on the path to establishing laws and regulations intended to attract foreign investment and rebuild the economy.

Substantial progress has already been made to remove some of the obstacles to open up the market and to develop an investor-friendly business environment. Inflation had been substantially decreased and the value of the currency has been stabilized. Iraq has an open trade and investment regime with a focus on strengthening the private sector.

The government has made rejoining the international community a key part of its economic development strategy, and investment will play a key role. Iraq's National Development Strategy for 2005-2007 and that for 2007-2010 and the Economic Development Plan 2010-2014 as well as the International Compact with Iraq articulate this new direction. Several goals outlined in these strategies include ensuring private sector growth through creation of a favorable legal environment, fostering a transition to a modern free market economy, and integrating Iraq into the global economy.

OPENNESS TO FOREIGN INVESTMENT

Several laws that went into effect since 2003 improved Iraq's business environment and changed the legal regime with respect to attracting foreign investment, giving foreign investors national treatment with regard to their investments:

- Trade Liberalization Policy Law No. 54 of 2004
- The Central Bank Law No. 56 of 2004
- Law No. 64 of 2004, Amending Company Law No. 21 of 1997
- Interim Law on Securities Market No. 74 of 2004
- Law No. 80 of 2004, Amending Trademarks and Descriptions Law no. 21 of 1957
- Patent, Industrial Design, Undisclosed Information, Integrated Circuits And Plant Variety Law No. 81 of 2004
- The Banking Law No. 94 of 2004
- Insurance Regulatory Law No. 10 of 2005
- Investment Law No. 13 of 2006
- Kurdistan Region Investment Law No. 4 of 2006
- Private Investment In Crude Oil Refining Law No. 64 of 2007

PREVAILING IRAQI INVESTMENT LAWS AT A GLANCE

The new Iraqi investment law No.13 of 2006 passed by the Iraqi parliament in October 2006 and came into force on January 17, 2007, regulates the national and foreign investment

process in Iraq. Investments less than USD 250,000 or equivalent in IQDs are not covered by this law.¹

The Iraq Kurdistan Region Government (KRG) has also issued its own investment law for the Region under number 4 for 2006.

Iraqi Investors in the industrial sector can apply to the Ministry of Industry and Minerals/Industrial Development Authority pursuant to Law No. 20 of 1998, Industrial Investment Law for Private and Mixed Sectors as amended.²

➤ **PRIVILEGES AND GUARANTEES OF INVESTMENT LAW NO. 13 OFFERED TO INVESTORS**

Major privileges and guarantees offered to investors under the Investment Law No. 13 of 2006 include:

- Repatriation in hard currency of profit and capital brought into Iraq.
- Trading in the Iraqi Stock Exchange market.
- Leasing land needed for the project or using it on condition that the term does not exceed a period of 50 years that can be renewed.
- Insuring the investment project at any national or foreign insurance company.
- Opening accounts in Iraqi Dinar or foreign currency or both at Iraqi banks or at banks outside Iraq.
- Obtaining residency and facilitating investors' entry to Iraq and departure from Iraq.
- Non-confiscation or nationalization of the investment project.
- Non-Iraqi workers have the right to transfer their salaries and indemnities outside Iraq.
- Exemption from fees and taxes for ten years beginning with the date of starting the project. This period is renewable. Also, furniture and assets needed for expanding and modernizing the project are exempt from import duties.
- Exemption period may be extended up to 15 years in case of foreign and Iraqi partnership taking into consideration that Iraqi investor's participation should not be less than 50 % of the project capital.

INVESTOR COMMITMENTS

- Informing the commission of the date of starting work on the project.
- Maintaining accurate book-keeping checked by an authorized auditor Iraq.
- Presenting economic and technical feasibility studies with maps related to the project and all other documents required by the Commission.
- Keeping a record of imported materials, protecting the environment, and commitment to qualitative control systems.
- Complying with Iraqi laws and the action plan methodology presented by investors.

1. According to Article 1 (Third) of the Investment Statue No.2 of 2009.

2. Provisions of Law No. 20 for 1998 cover only Iraqi Industrial Investors, but an amendment law has been drafted to include the coverage of foreign industrial investors by the said law as well.

- Commitment to implement the work schedule provided by the investor.
- Training of its Iraqi employees.

AREAS OF INVESTMENT

The law opened most areas of investment to Iraqi and foreign investors. Exceptions are the extraction and production of oil and gas, and the banking and insurance sectors. Investment in oil, banking, and insurance, are covered by laws other than Investment Law No. 13 of 2006.

The law permitted foreign investors to own land and real estate for the purpose of the establishment of housing projects and the establishment of companies or participation in companies which have real estate among their assets.

➤ PRIVILEGES AND GUARANTEES OF INDUSTRIAL INVESTMENT LAW NO.20 OFFERED TO INDUSTRIAL INVESTORS

- Industrial projects existing before the date at which this law came into force (with its 4th amendment) shall be exempted from all taxes and duties (except for income tax and fees imposed on the production of cigarettes, beer and liquors) including the share of the workers determined according to the Law of Distribution of Corporate Profits No. 101 of 1964, for a period of ten years, taking into account provisions of Paragraph Third of Article Eight of the said law..
- Industrial projects which obtain the incorporation license after the enforcement of this law shall be exempted from all taxes and duties (except for income tax and fees imposed on the production of cigarettes, beer and liquors) including the share of the workers determined according to the Law of Distribution of Corporate Profits No. 101 of 1964 for a period of ten years as from the date of obtaining the incorporation license,.
- Also, project's annual profits are exempt of income tax for a period of five (5) years, in accordance with percentages ranging between 10% and 30% of net profit, depending on the degree of development of the region where the project is erected from the first year profit is achieved after being licensed, or from the date of entry into force of this Act for the existing projects and half of these percentages in the next five years as follows:
 - Individually owned projects or those belonging to companies (except for joint stock companies)
 - 10% in developed cities,
 - 20% in less developed cities, rural areas and remote villages
 - Projects belonging to joint-stock companies (except for joint stock companies of the mixed sector):
 - 15% in developed cities,
 - 25% in the less developed cities and rural areas and remote villages
 - Mixed sector companies:
 - 20% in developed cities
 - 30% in the less developed towns and rural areas and remote villages.

- Reserves withheld from project profits which are devoted to the development or expansions are exempt from income tax at the rate of (25%) of the total annual profits (before tax) maximum.
- Relevant government agencies shall allocate state-owned lands needed for the industrial project, within the basic cities masterplan, and supply them with necessary services and lease them to the project owner for a period that ends with validity date of the licence of incorporation not taking into account the provisions of law on the Sale and Lease of State Property No. (32) for 1986.
 - machines include the expansion and development of land and buildings necessary exemptions and privileges contained in the law for ten (10) years from the date of the actual production of direct.
- Machines for the expansion and development, land and necessary buildings are covered with exemptions and privileges contained in the law for ten (10) years from the date of the actual production.
- If the investor owns an agricultural land or has the right to use it, then he can establish an industrial project on it provided that the environmental conditions required are met and that the project is not harmful to health.

INVESTMENT COMMISSIONS IN IRAQ

The law stipulates the formation of two kinds of investment commissions in Iraq: The National Investment Commission is responsible for the formulation of the national policy for investment, the development of plans and controls, and monitoring the application of same. It is exclusively responsible for strategic investment projects of federal nature³. The chairman has the rank of Minister. The board includes in addition to the chairman, his deputy, and 4 public sector officials, three representatives from the private sector chosen by the prime minister.

Because Iraq adopted a federal structure through the law on the formation of regions, the investment law has also provided for the establishment of commissions at the regional and governorate level. The regional and governorate commissions will have the power to grant investment licenses (except for strategic projects of federal nature), encourage investment, and open local branches in areas under their jurisdiction in consultation with the National Investment Commission. The local investment plans must not contradict the federal investment plans.

All Iraq's fifteen governorates (provinces) within the federal government⁴ have already established their provincial investment commissions (PIC). The Kurdistan Region has its own Investment Board in Erbil with two branch offices in the other 2 provinces, Dahuk and Sulaymaniyah. The Kurdistan Investment Board was established according to Investment Law No. 4 of 2006 issued by the KRG covering investments in the Kurdistan Region only.⁵

There is also the Industrial Development Authority under the Ministry of Industry and Minerals concerned with the development of small and medium industrial enterprises (SMEs) for both the private and mixed sectors based on the Law of Industrial Investment No.

3. See definition of Strategic Investments in Article 4 (Second) of the Investment Statute No. 2 for 2009.

4. Iraq consists of 18 governorates (provinces) 15 within the federal government and 3 within the Kurdistan Region.

5. For Kurdistan Investment Law incentives go to www.kurdistaninvestment.org.

20 of 1998 (as amended). Therefore, submission of Iraqi Industrial Investors applications is centralized and it must be done at MIM's Industrial Development Authority in Baghdad.⁶

For more information on the industrial and investment opportunities available in this area, visit the website of the Ministry of Industry and Minerals (www.industry.gov.iq/investments) and the website of the National Investment Commission (www.investpromo.gov.iq).

Also, visit Baghdad Investment Commission website (www.baghdadic.gov.iq).

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

The new Gol investment law allows for foreign investors to trade in shares and bonds listed in the Iraqi Stock Exchange (ISX). It also allows foreign investors to form investment portfolios. The ISX is governed by law # 74 of 2004 Interim Law on Securities Markets. From June 2004 till March 2009 Trading transactions and buy and sell orders were written manually on grease boards in trading sessions. This system did not allow for full transparency in terms of timing of market participants or knowledge of who has placed the bid. Electronic Trading started on April 19, 2009 in cooperation with NASDAQ-OMX. The ISX operates under the oversight of the Iraq Securities Commission, an independent commission. The automation of the ISX will provide much greater transparency as well as pave the way for foreign investment on the exchange. In addition, a new permanent securities law is being drafted as well as rules and regulations for the Iraq Securities Commission (ISC).

As of December 20, 2010, the number of listed companies at the ISX reached 85 with an average trading volume of about USD 5 - 7 million weekly.

EXPROPRIATION AND COMPENSATION

Iraqi law affords protection to foreign investors from expropriation. Article 23 (Second) of the new Constitution prohibits expropriation in Iraq, unless it is "for the purpose of public benefit in return for just compensation." The constitutional provision further stipulates that this provision shall be regulated by law. Although this provision offers protection to foreign investments, a law has yet to be considered. Article 12 (Third) of the new Iraqi investment law also guarantees, "non-seizure or nationalization of the investment project covered by the provisions of this law in whole or in part, except for a project on which a final judicial judgment was issued."⁷

DISPUTE SETTLEMENT

While the law of domestic arbitration is fairly well developed in Iraq, international arbitration is not sufficiently supported by Iraqi law. Iraq is a signatory to the Arab League Convention on Commercial Arbitration (1987) and the Riyadh Convention on Judicial Cooperation (1983), but it has not signed or adopted the two most important legal instruments for international commercial arbitration: The United Nations New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (1958) (commonly called the New York Convention) and the attendant rules and procedures established by the UN Commission on International Trade Law (UNCITRAL).

⁶ The provisions of this law cover Iraqi industrial investors only. But, the MIM is making tremendous efforts to amend this law to include foreign investors in addition to other amendments.

⁷ The Iraqi National Investment Commission has become a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

Dispute resolution is laid out in Article 27⁸ of the new investment law, which details the rights of Iraqis and foreigners with respect to Iraqi law. Domestic arbitration is also provided for in Articles 251-276 of the Iraqi Civil Procedure Code. Arbitration agreements must be in writing. Panels of arbitrators are available through the Iraqi Union of Engineers, the Iraqi Federation of Industries, and private arbitrators.

BILATERAL INVESTMENT AGREEMENTS AND REGIONAL COOPERATION

Iraq is signatory to thirty-two bilateral, and nine multilateral agreements within the Arab League, with respect to Investment Promotion and Protection (IPPA). There are also existing bilateral agreements with India, Iran, Japan, Jordan, Kuwait, Mauritania, Republic of Korea, Sri Lanka, Syria, Tunisia, Turkey, the United Kingdom, Vietnam and Yemen amongst others. In addition, Iraq has bilateral free trade area (FTA) agreements with UAE, Oman, Qatar, Algeria, Egypt, Jordan, Lebanon, Syria, Tunisia, Yemen, and Sudan. On July 11, 2005, Iraq and the U.S. signed a Trade and Investment Framework Agreement (TIFA) as a first step toward creating liberalized trade and increasing investment flows between the U.S. and Iraq.

Apart from the relevant provisions of national legislation, and in addition to the above mentioned, Iraq is a signatory to or a member of many other bilateral and multilateral agreements).

FREE TRADE ZONES AND PORTS

The Free Zone Authority Law No. 3/1998 (FZL) permits investment in Free Zones through industrial, commercial, and service projects. This law operates under the Instructions for Free Zone management and the Regulation of Investors' Business No. 4/1999. Under the Free Zone Authority Law, goods imported and exported from the FZs are exempt from all taxes and duties, unless imported into Iraq. However, this exemption does not apply to the Reconstruction Levy (CPA Order No. 54). Capital, profits, and investment income from projects in the FZ are exempt from all taxes and fees throughout the life of the project, including in the foundation and construction phases. The application process for an investor involves submitting an application and a fee of US\$100 to the Free Zone Authority. The investor must sign a lease within 30 days of lease approval.

ACTIVITIES PERMITTED IN FREE ZONES

- Industrial activities (both production and consumer), assembly, installation, sorting and refilling processes;
- Storage, re-export and trading operations;
- Service and storage projects and transport of all kinds;
- Banking, insurance and reinsurance activities; and
- Supplementary and auxiliary professional and service activities. Prohibited activities include actions disallowed by other laws in force, such as weapons manufacture, environmentally-polluting industries and those banned by the place of origin of the investor.

8. Article 27 of the Investment Law No. 13 states: "Disputes arising between parties who are subject to the provisions of this law shall be subject to the Iraqi law unless otherwise agreed....."

CURRENT FZ LOCATIONS

- Basra/Khor al- Zubair Free Zone: This one million square mile zone is located 40 miles southwest of Basra on the Arabian Gulf at the Khor al-Zubair seaport and has been in operation since June 2004;
- Ninewa/Falafel Free Zone: this 400,000 square meters zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan and the Basra ports; and
- Al-Qayim Free Zone; this zone is being developed in two stages near the Iraqi-Syrian border. It is close to roads and railways that reach Turkey, Basra, and Jordan. The zone's first phase is limited to commercial and service activities.

IRAQ'S BANKING SYSTEM

HISTORICAL BACKGROUND

Rafidain Bank, the biggest Iraqi state-owned bank was founded in 1941 and was originally a privately-owned bank. By the early 1960s the following banks were represented in Baghdad: Ottoman Bank; the Eastern Bank (British owned); the British Bank of the Middle East; Federal Bank of Lebanon; National Bank of Pakistan; Arab Bank; Intra Bank (Lebanon); and the Iraqi banks, Rafidain, Commercial Bank, Credit Bank and Bank of Baghdad. In 1964 a wave of nationalizations took place and banks were seized and merged into four groups – Rafidain, Commercial, Bank of Baghdad and Credit Bank. In 1970 a further consolidation took place, with banks merged into either Rafidain or Commercial, and in 1974, the Commercial group was put under the Rafidain banner, leaving the country with one state-owned bank. On January 1, 1989, the Rasheed Bank was spun off from Rafidain.

Following the Gulf War of 1991, the government once again allowed the establishment of private banks. Indeed, the motive for establishment of these banks was an attempt to reach some of the vast majority of small businesses in Iraq. The state-owned banks alone were allowed to lend to state-owned enterprises.

STATE-OWNED COMMERCIAL BANKS

As mentioned above, Iraq nationalized its commercial banks in 1964. In 1974, four commercial banks were merged into one – Rafidain -- which had a commercial banking monopoly until Rasheed bank was established by the government. Before the Gulf War, Rafidain was the Arab world's largest commercial bank with total assets of USD 47 billion.

Public sector banks include also four special-purpose banks: The Real Estate Bank; the Agriculture Bank; the Iraq Bank (formerly the Socialist Bank) and the Industrial Bank. These four specialized banks have become commercial banks as well. After 2003 another state-owned bank, the Trade Bank of Iraq was established.

PRIVATE BANKS

In addition to 6 foreign, there are (30) Iraqi private banks licensed and in operation, 7 of which operate on Islamic banking principles⁹. By contrast, there were eighteen private banks licensed and operating in the country in 2003, most of them having opened their doors in the early 1990s.

⁹ See CBI's website – www.cbi.iq

Six foreign banks have been licensed by the CBI – T.C. Ziraat Bankasi of Turkey (the state agricultural bank), Bank Mili Iran (the national bank of Iran), Byblos Bank (Lebanese), the Arab Banking Corporation (ABC) from Bahrain. ABC maintains an office in Baghdad but is not engaged in retail banking operations, Intercontinental Bank and Beirut and the Arab Countries Bank are operating in Erbil.

After the second Gulf War in 2003, the expectation was that, as the situation in Iraq stabilized, and as foreign investment in the banking sector took place, there would be closures of weaker banks and a series of mergers to create larger, more competitive private banks. In fact, despite a certain degree of post-conflict euphoria, foreign investment in the banking sector has been limited to few banks, and there were no mergers.

No bank mergers have taken place. Although some private banks remain small, they have managed to increase capital to satisfy the IQD 50 billion (USD 42.735 million)¹⁰, requirement mandated by the Central Bank of Iraq (CBI).

The CBI has recently decided to raise the minimum capital requirement of banks to IQD 250 billion and asked existing banks to adhere to this within three years (by 2012).

In Kurdistan, the Emerald Bank, Kurdistan International Bank, North Bank, Ashur Bank, Al-Warka Bank, Bank of Baghdad, Basrah Bank, Gulf Bank, Investment Bank, Middle East Bank, Mosul Bank, Byblos Bank (of Lebanon), and the Intercontinental Bank are operational. Standard Chartered Bank has a representative office in Erbil.

BANKING PRODUCTS AND SERVICES

Services offered by Iraqi commercial banks include current accounts, savings accounts and time deposits, short-term overdraft and bills discounted facilities, as well as short-term loans and advances. Banks also offer bid, advance payment, and performance bonds (but the maximum period is 12 months). A few banks offer loans over one year term.

Since the issuance of the Banking Law, banks started offering additional services such as trading in foreign exchange through the Central Bank's Daily Auction, internal and foreign transfers, opening of L/C and documentary credits.

Operating banks

Most operating banks in Iraq are a part of financial communications between banks throughout the world (SWIFT). All banks use the Iraqi Payments System run by Central Bank of Iraq and thus they are able to make local payments.

In Iraq, several banks are capable of transferring funds electronically as they have more than 200 branches across the country. The operation of automated teller machines is progressing and they shall be set up throughout the country.

AMONG THE IMPORTANT BANKS THAT MAKE SUCH TRANSFERS:

- Trade Bank of Iraq- governmental
- Bank of Baghdad
- Dar Essalam Bank
- Credit Bank of Iraq
- Middle East Bank for Investment
- Ashur International Bank
- Iraqi Commercial Bank
- Investment Bank

10. Exchange rate on June 30, 2011 was one USD = IQD 1170.

- United Bank
- Mansoor Bank

3. THE REGULATORY FRAMEWORK

TRANSPARENCY OF THE REGULATORY SYSTEM

Potential investors in Iraq face complex procedures under various laws, regulations and administrative requirements. However, the government intends to begin a program to reduce such difficulties, and the new investment law was the first step in that direction. In addition, Iraq intends to improve and simplify various procedures for obtaining investment licenses and project establishment licenses and permits, and expects the new National Investment Commission to lead the way.

INSTITUTIONAL FRAMEWORK

According to the Investment Law No. 13 of 2006, an investor is required to apply to the NIC or a PIC for an investment license to start a business in Iraq. An investment license is issued within forty five (45) working days if the application form is properly completed.

Investment Regulations No. 2 of 2009 have set the minimum investment limit not be less than USD 250,000/-.¹¹

As mentioned before, the Law allows both foreigners and Iraqis to invest in all activities, except those relating to Oil Extraction & Production and Banks & Insurance companies. Also, foreign investor is allowed to own land exclusively for the purpose of housing sector projects. Foreign investors may, however, lease land for up to 50 years renewable. They can, however own land for housing projects on the condition that the housing units shall be allocated for ownership by the Iraqis after completion of the project.

In addition, Iraq imposes no limit on equity ownership. Foreign ownership of up to 100% is allowed. Investors are also free to bring in and take out their capital according to the Central Bank of Iraq rules and regulations.

THE ONE-STOP-SHOP

The One-Window (One Stop Shop) is a requirement of the new Iraqi legislation. Current legislation places the One-Stop-Shop within the National Investment Commission (and Provincial Investment Commissions) linked to the Prime Minister and suggests a strong model with the authority to issue investment licenses.

In setting up the OSS within the NIC and PICs, it was expected that all investment-related issues would be handled by the NIC and PICs through the “One-Stop-Shop”. This means having all services such as licenses and permits, immigration, customs, land, utilities, etc would be processed by NIC or PICs.

11. Iraqi investors with Industrial investment projects which are not covered by Law No. 13 may apply to the Ministry of Industry and Minerals – General Directorate of Industrial Development to receive incentives under Law No. 20 of 1997 Industrial Investment Law for Private and Mixed Sectors.

For the time being, the NIC OSS is only handling investment applications and facilitating visa issuance for potential investors who contact the NIC¹².

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS (IPRS)

This section discusses the processes needed to register patents, trademarks, industrial designs, and copyrights.

PATENTS

Iraq's patent law and procedures are similar to the laws and registration procedures of many other countries.

The Ministry of Planning and Development Cooperation administers the country's patents law— "*Patents, Industrial Design, Undisclosed Information, Integrated Circuits and Plant Variety Law.*"¹³ This law covers inventions and innovative ideas in technology, products, and manufacturing processes.

The government registers patents in the inventor's name unless the product is patented in another country. If this is the case, the government will register the patent in the name of the company, organization or association that owns it. The government grants patents for a twenty-year period from the application date

Variants

Chemicals. For pharmaceuticals and/or agricultural chemicals containing new substances, the Ministry requires test data and any other available data it may deem necessary for granting market access. The Ministry shall protect such data from unauthorized commercial use until five years after approval to market the products. The Ministry will also protect the data from disclosure except if the disclosure is necessary to protect the public or if the Ministry takes the necessary precautions to guarantee unclassified commercial use of such data.

Integrated Circuit Designs. Integrated circuit designs are recorded separately at the Register of Integrated Circuit Designs of the Ministry of Industry and Minerals. Applicants must provide information related to product design. Applicants must also provide patent holder names and addresses and any information regarding any relevant certificates issued for the integrated circuit designs. The protection of integrated circuit designs extends to foreigners, whether natural or juridical persons, on a basis no less favorable than that afforded to Iraqi nationals.

Plants. Iraqi law protects new varieties of plants. The Ministry of Agriculture maintains a Register of New Plant Varieties containing data related to new plant varieties. The term of protection is set at twenty years from the date of application, except for trees and vines, which may be protected for twenty five years. Rights to protected varieties are heritable.

12. Item First/b of Article 25 of the Investment Statue No. 2 of 2009 sets out the powers of relevant ministries representatives within the OSS to include taking decisions relating to the Investment License only, thus limiting the possibility of providing other services related to other licenses and permits required by the investor.

13. The current competent authority is the Central Organization of Standardization and Quality Control (COSQC), which is a department at the Ministry of Planning and Development Cooperation (MOPDC). Plant Variety is covered by the Ministry of Agriculture. CPA Order No. 81 proposes three separate IP registries but nothing has been done about moving these registries/functions to the designated organizations. The issue has been addressed by a special committee at the PM's office, which recommended establishing one central department as a sole competent authority for all IP related areas. There is, under discussion, a comprehensive IP draft law in compliance with WTO requirements.

Undisclosed Information. Undisclosed or secret information is protected under the following conditions:

- Natural and legal persons may prevent information lawfully within their control from being disclosed to, acquired by, or used by others without their consent or unfairly, so long as such information:
 - is not generally known among, or readily accessible to, persons experienced with the kind of information in question
 - has commercial value because it is secret
 - has been subject to reasonable efforts intended to keep it secret
- If the Minister requires the submission of data pertaining to secret tests, or data derived from development and approval procedures for pharmaceuticals or chemical agricultural products containing new substances, then the Minister shall protect such data from commercial use through prohibiting any unauthorized use for five years from the application for protection, except if:
 - disclosure is necessary to protect the public, or
 - the Minister takes necessary precautions to guarantee unclassified commercial use of the data

Patent Infringement. The owner of intellectual property rights may, in case of infringement of their rights, bring a case before a Court in Iraq. The Iraqi Law on Civil Procedure Code No. 83 of 1969 provides for effective action against infringement of intellectual property rights, and also provides enforcement procedures. Article 45 of the Copyright Law and article 35 & 36bis of the Trademark and Geographical Indications Law provide for criminal procedures and penalties for trademark counterfeiting and copyright piracy. Furthermore, the Civil Procedure Code No. 83 of 1969 provides for appeal provision of any administrative decision. The decision of lower Court is subject to appeal before the Court of Appeal. All related laws and regulations are published in the Iraqi Gazette. The decisions of the Courts are available to any concerning parties. The decisions of superior courts are published regularly.

The owner of a patent or an industrial design that is registered in Iraq may seek to prevent infringement by undertaking the following procedure: file a complaint with the competent court and deposit a bond, which the court may require. Subsequently, provisional measures shall be taken to discontinue any possible infringement; seize any products resulting from the alleged infringement; and preserve evidence that related to the infringement.

TRADEMARKS

Iraq enacted its first trademark law in 1931. The subsequent Iraqi Trademark Law No. 21 of 1957 remained in force until April 2003. The government modified the trademark law through CPA Order No. 80 of 2004 renaming it to "Law of Trademarks and Geographical Indications". CPA Order 80 amended existing Iraqi trademark law by suspending enforcement of the Arab League Boycott in the trademark registration process.

Investors register trademarks with the Trademark Registration Office at the Ministry of Industry and Minerals. The government protects certain well-known trademarks even if they are unregistered in the country. A number of measures to prevent potentially confusing indications apply to trademarks. For instance, Article 5 of the Iraqi Trademark Law No. 21 of

1957 states that trademarks may not be "confusing, contrary to public order and morality, and may not mislead the public by purporting to be flags, state emblems, or the Red Cross".

The penalty for contradicting the law is a maximum of five-year imprisonment, or a fine of up to ID 50,000,000-100,000,000 or both.

An investor may transfer a registered trademark. He/she may also license a trademark. There is no provision for compulsory licensing of trademarks. Iraqi law protects registered trademarks for ten years, renewable indefinitely for a further 10 years in the last year. The owner may apply for renewal within six months of the expiration date. The ownership of the trademark cannot be contested if it has been in use for five years.

INDUSTRIAL DESIGNS

Approvals pertaining to industrial designs or models shall be granted where the design or model is new or original. The Ministry of Planning and Development Cooperation is the responsible Ministry with respect to Industrial Design registration. Designs are protected for a period of ten years. An industrial design or model is not considered novel in the any of the following cases:

- The product has been displayed or described publicly prior to the date of application
- The product's description or display was made public after an application was filed in a country that has reciprocity with Iraq
- The product has been displayed in national or international exhibitions, or has been made public in a conference or scientific journals not more than six months prior to the date of the application in Iraq
- The product entails minor differences from prior industrial designs or models, or entails applying a product or technique in a new fashion

Applications pertaining to industrial designs that are defined essentially by technical or functional considerations may not be granted, if the patent holder would be able to prevent a third party from making, selling, or importing copies or imitations of the protected design when such acts are undertaken for commercial purposes. The Minister may provide limited exceptions to the protection of industrial designs, provided such exceptions do not unreasonably conflict or prejudice the legitimate interests of the patent owner for normal exploitation, and taking into account the legitimate interests of third parties.

COPYRIGHTS

Iraqi copyright law is intended to meet the current internationally recognized standards of protection. The Copyright Committee at the Ministry of Culture is responsible for copyright registration. The current rules protect the rights of creators or authors of original literary, artistic, and scientific works. The person in whose name the work is published is considered the author. Protection includes works in writing, sound, drawing, painting, and performance. Authors have the exclusive right for reproduction, translation, distribution, or transmission of any work. Rights to a work created for another person remain with the author absent a written agreement stating otherwise.

Work published in newspapers or periodicals may not be adapted as commercially distributed novels, short stories or other literary, artistic or scientific works except by permission of the author. The rights of an author are protected for the life of the author plus 50 years after death.

New legal provisions (CPA Order No. 83) also protect performers, sound recorders, broadcasters, and innovative forms of communication in accordance with internationally accepted standards. There are no fees associated with registering copyrights in Iraq.

UPCOMING NEW TRADE RELATED LEGISLATIONS

The GOI is in the process of developing a new intellectual property rights (IPR) law in line with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), but the exact structure of this and related legislation is still being determined:

Intellectual Property (IP). Iraq has a comprehensive draft IP law in compliance with the requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement). The proposed legislation is undergoing the review process for ultimate passage in parliament. The GOI has submitted its completed ACC/9 and the draft IP law to the WTO.

- **Technical Barriers to Trade:** Iraq has a draft WTO-compliant TBT law which is undergoing review for ultimate passage in parliament. The legislation calls for Iraq to adopt international technical regulations, standards and conformity assessment procedures when these are effective in fulfilling Iraq's legitimate objectives. The GOI has submitted its completed ACC/8 (for TBT) and the draft TBT law to the WTO.
- **Agriculture:** Iraq is in the process of preparing a revised ACC/4 for submission to the WTO.
- **Sanitary and Phytosanitary Measures:** Iraq is reviewing its laws and drafting the necessary legislation to comply with the WTO Agreement on Sanitary and Phytosanitary Measures.

Services. Iraq is currently reviewing its services regime with an eye towards further reform in opening up service sectors. Iraq is also in the process of preparing its ACC/5, for tourism, financial, telecommunications and transportation services.

Iraq is also a member of several international intellectual property conventions, and of regional or bilateral arrangements which include:

- Paris Convention for the Protection of Industrial Property (1967 Act) ratified by Law No. 212 of 1975.
- World Intellectual Property Organizations (WIPO) Convention; ratified by Law No. 212 of 1975. Iraq became a member of the WIPO in January 1976.
- Arab Agreement for the Protection of Copyrights; ratified by Law No. 41 of 1985.
- Arab Intellectual Property Rights Treaty (Law No. 41 of 1985).

IRAQ'S WTO ACCESSION

The conditions for Iraq's accession to WTO membership are embedded in three key commitments:

- A goods offer that complies with the provisions of the GATT and WTO agreements on trade in goods;
- A services offer that complies with the WTO General Agreement on Trade in Services (GATS); and

- Enactment and implementation of legislation that complies with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

To support these commitments, the GOI responds to periodic questions and requests for documents from the WTO Working Party for Iraq's Accession. To begin the accession process, Iraq submitted a Memorandum on Iraq's Foreign Trade Regime (MFTR) in 2005. This memo served as the basis for a series of questions and document requests that have been posed by the Working Party. The Legislative Action Plan (LAP) is one of the WP's key tools for tracking progress on compliance with the WTO agreements.

A draft of Iraq's initial Goods Offer has been completed and will be submitted to the WTO as soon as GOI reviews are completed. The Goods Offer consists of a proposed schedule of bound tariff rates according to the Harmonized System of goods categories; a proposed agricultural subsidy offer; and a schedule of commitments to enact and implement legislation that complies with the provisions of WTO agreements on technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS), trade-related investment measures (TRIMS), customs administration and intellectual property rights. With respect to legislation affecting the Goods Offer, laws have been drafted (with English translations) on customs tariff administration, technical barriers to trade (TBT), food safety (SPS), and intellectual property rights. Once the initial Goods Offer is submitted to the WTO, negotiations will proceed with WTO members having significant interests in goods trade with Iraq. During the negotiations, additional legislation will be undertaken to bring Iraq's goods trading regime into compliance with WTO agreements.

Positions on market access to services have been drafted for the tourism, finance, computer and R&D services, telecommunications and transportation services sectors, covering 81 of the 152 services sub-sectors of the GATS framework. The GOI intends to draft additional positions on market access to services in the health, education, environment and construction sectors. An initial Services Offer is expected to be submitted to the WTO and negotiations are expected to be started with WTO members having significant interests in services trade with Iraq, before all of the sector services positions are completed. During the negotiations, additional legislation will be undertaken to bring Iraq's services trading regime into compliance with the WTO GATS and TRIMS.

Finally, Iraq has drafted a new intellectual property law that is compliant with the WTO TRIPS agreement. While providing systematic protection of patents, trademarks and copyrights, the new law will complement Iraq's new investment legislation by affording investors the same intellectual property rights as all other WTO member countries.

Iraq is currently participating in the meetings of the World Trade Organization as an observer.

4. ESTABLISHING A BUSINESS

BACKGROUND/GOVERNING LAWS

Iraq's Commercial Law No. 30 of 1984 (Articles 5 to 15) regulates all 'trading activities' undertaken by the Iraqi public and private sectors. 'Trading' is defined as for-profit economic activities in a wide range of industry sectors including importing/exporting, manufacturing, logistics and transportation, construction, tourism, banking, insurance, buying and selling of securities and stocks and contracting.

The Commercial Law differentiates between two categories of 'traders'. These are:

Retail trader — a natural person who carries out commercial activities that are registered in his/her own name. He/she is a sole trader, buying and selling as an individual or as an intermediary. Retail traders/natural persons' activities are governed by Commercial Law No. 30 of 1984.

Legal trader — a legal entity or company: Legal traders' activities, i.e. companies', are governed by Companies Law No. 21 of 1997 as amended by CPA Order No. 64 which was issued in February 2004.

FORMS OF BUSINESS

This section of the Investor Guide categorizes the types of businesses that can be registered in Iraq in accordance with the Companies Law. They are as follows:

COMPANIES

Companies Law no. 21 for 1997 as amended lists the following types of companies:

Joint stock companies—private or with state shareholding

Joint stock companies must be formed by at least five natural or legal persons. They offer shares through public subscription. All shareholders are responsible for company debts to the extent of the value of their respective shares.

Sole Proprietorships

Sole proprietorships may be established by a single natural person. In sole proprietorships the owner assumes personal, unlimited liability. In Iraq a sole proprietorship is called a "sole owner enterprise".

Joint liability companies

Joint liability companies are formed by a number of investors ranging between two and twenty five natural or legal persons. Owners participate in proportion to their respective quotas and they have unlimited personal liability.

Simple companies

Simple companies are established by a number of investors ranging between two and five, each of whom contributes capital to the company in the form of cash or in kind. The Companies Law requires simple companies to have notarized incorporation papers. Simple company's owners must deposit a copy of the incorporation document, delineating the shareholders and their shares with the Iraqi Office of Company Registration (OCR) at the Ministry of Trade (MoT).

Limited companies - private or with state shareholding

The Companies Law stipulates that limited companies can be established by no less than two and no more than 25 founders. Founders of a limited company may be natural or legal persons and are responsible for company debts to the extent of the nominal value of their respective shares. A mixed company may be formed by agreement between one or more legal persons from the public sector and one or more from other sectors, i.e., private, mixed, and/or cooperative, provided that public sector shares represent no less than 25 percent of the total company capital. If the percentage of state-owned shares falls below 25 percent, the company is considered a private company. Limited liability companies may also be established by a single natural or legal person.

COMPANY REGISTRATION PROCEDURES

- Notarized Power of attorney to a lawyer empowering him to carry out establishment procedures.
- Reserve the Company trade name at the relevant Chamber of Commerce and the Union of Chambers of Commerce.
- Founding shareholders sign a contract in which they clarify company's activity and relationship among partners and contract obligations with others.
- Deposit company's capital in Iraqi Dinars in an authorized bank in Iraq and notify the Office of Companies Registrar (OCR).
- A copy of passport for foreign founders or Iraqi ID for Iraqi founders as well as for the representative authorized to lodge the application to the OCR (while submitting the original to OCR later to verify the authenticity of the copy).
- Establishment forms to be completed and signed by founders or their legal representative with founders' addresses, emails and phone numbers.
- Pay processing charges to OCR.
- If the application is to establish a joint stock company (JSC), a feasibility study should be submitted to OCR along with a document signed by the founders showing their subscriptions in the company and a bank document showing the deposited subscription amounts.
- The economic activity of the company should be mentioned and included in the contract of incorporation.

In the event that the company's activity includes communications then the Ministry of Interior is approached. If the activity of the company is escorts and security services, then the Ministry of Interior and the Minister of State for National Security Affairs are approached. In case the activity of the company is mine removal, then Ministry of Defense and the Ministry of Environment and the Iraqi National Intelligence Service and the Ministry of Interior and the Minister of State for National Security Affairs

- The company may issue bylaws to organize its work and the relation among members and others.
- Nomination of a legal consultant for the company (attorney) according to a letter from the Iraqi Lawyers Syndicate.
- Nomination of a chartered accountant from Iraqi Union of Accountants and Auditors.
- Nomination of the managing director.
- All foreign shareholders in the company are obliged to get permission of the Ministry of Interior. This process is completed by OCR directly.

Only joint stock companies, mixed or private, can issue publicly traded stock. The founders of a mixed joint stock company shall subscribe to not less than 30% and not more than 55% of its nominal capital and it must include a minimum of 25% for the state (public) sector.

Founders of private joint stock companies must subscribe at least 20% of the initial capital, and offer the remaining shares through an initial public offering within 30 days of company approval. Private joint stock companies issue a public offering through an announcement to be published in the Bulletin of OCR and at least two daily newspapers in Iraq. This takes place after receiving the OCR approval to do so. If the OCR finds the company's documents potentially misleading to investors it refers the case to the Securities Commission.

For joint stock companies, limited liability companies, and sole proprietorships, the capital must be paid up before the issuance of the certificate of establishment.

Time needed

The time that the investor needs to complete all steps mentioned above is estimated to be:

- Approximately two months for a joint stock company.
- Approximately 20-25 days for all other company types¹⁴.

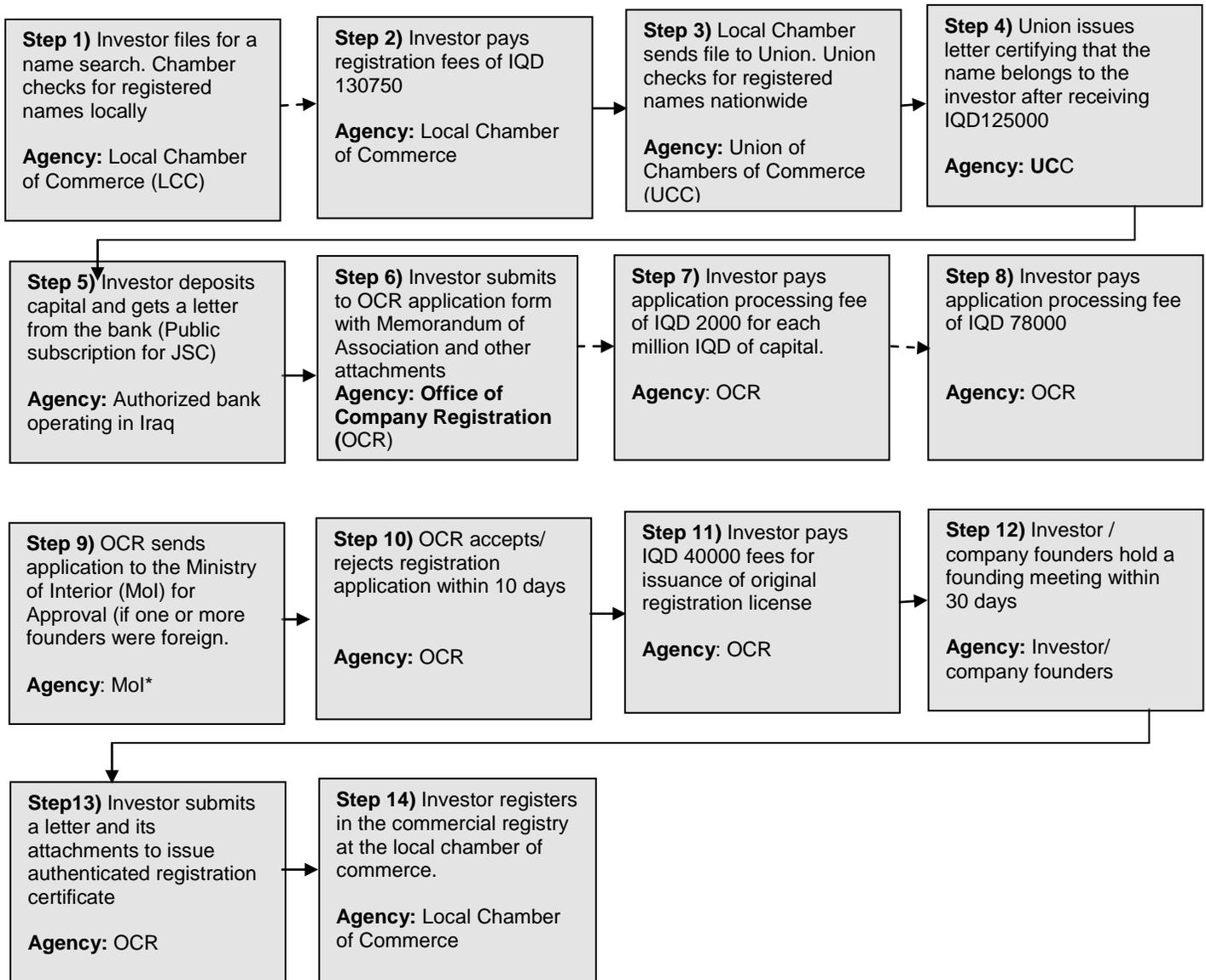
FINANCIAL CONTROLS

A controller, assigned at the company's general meeting, controls and audits private companies' accounts. Audits and other financial reports are generally subject to

¹⁴ In case one of the founders is a non-Iraqi citizen or the company activity is communications, or escorts and security, or mines removal then the time needed to complete all procedures shall be longer than the period mentioned above.

acceptance by shareholders at the company's annual meeting. For joint stock companies, annual reports and audited results must be signed by the Chairman of the Board and the managing director. At other companies the managing director is the responsible officer. The Board of Supreme Audit (BSA) governs mixed companies' accounts.

Summary of steps for registering a company in Iraq



* If the activity of the company is escorts and security services, the Ministry of Interior and the Minister of State for National Security are approached. If the activity of the company is mine removal, then the Ministry of Defense, the Ministry of Environment, the Iraqi National Intelligence Service and State Minister for National Security Affairs are approached.

REGISTRATION OF A TRADE REPRESENTATION OFFICE OR A BRANCH OF A FOREIGN COMPANY

Foreign entities interested in registration to practice business in Iraq have to complete documents in The Office of Companies Registrar (OCR) according to a form prepared by the Ministry of Trade and submitted to OCR in two copies. OCR will keep one copy and the other will be returned to the applicant with a signed check list.

Application must include the following information related to the foreign entity willing to register in the company registrar:

1. Legal name.
2. Commercial name.
3. Nature of commercial activity.
4. Address of commercial activity in Iraq.
5. Phone number, fax and e-mail address in Iraq.
6. Name, address and phone number of (the official manager in Iraq, legal representative in Iraq and officially authorized representative to OCR. All three have to be resident in Iraq).
7. Amount of authorized or registered capital (identify currency).
8. Financial account for the last financial period (identifying date and currency).
9. Names and addresses of owners holding 10% or more of company shares.
10. Declaration of veracity signed on behalf of the foreign entity.

The following documents are to be submitted with every application related to a foreign entity intending to register in the companies' registrar:

- a. A copy of the application form requesting the license.
- b. A copy of the Memorandum and Articles of Association of the Company or the parent organization or its substitute.
- c. A copy of a valid certificate of registration of the company or institution in the country of establishment.
- d. List of names of the members of the Board of Directors of the company or institution and nationality of each, and the names of persons authorized to sign.
- e. A copy of the power of attorney of the Director in charge of the management of the branch in Iraq and who is actually residing there, issued by the management company or institution.
- f. Copy of the institution or company's latest financial statement with the Board of Directors report attached to the statement.
- g. Letter from the parent company stating that it will bear all financial responsibilities and legal implications of the branch or representative office in front of the Iraqi authorities.
- h. Letter of support from contracted government departments and the socialist sector entities illustrating the nature of the contract with beginning and end dates, total amount, and the period of maintenance, if any, in respect of companies w open a branch only.

- i. Color scanned copy of the passport (for foreign person) or identity card and ration card (for the Iraqi people) for the employee authorized with the Registrar of Companies.
- j. Color scanned copy of the identity card and ration card of the person authorized to deal with the Registrar of Companies office.

OCR reviews the application to make sure of completeness. If complete OCR provides the applicant with a check list (after the fees are paid) in which it shows that all required documents have been received. Accepted applications are officially registered in the Company Register.

Time needed

The time needed by OCR to process the investor's application for a registration certificate for a trade representation/branch office by the OCR is estimated at ten days. The whole process is estimated to take approximately 15 days.

Investor appeal process in case of rejection of the application.

If the OCR refuses an investor's application to establish a business (or to obtain a company registration certificate or foreign company representative office or branch), the investor may appeal his/her case to the Minister of Trade within 30 days of application rejection. The investor must submit a letter to the Minister detailing the reasons why their application was rejected and also the response and/or actions to correct their status. If the Minister of Trade rejects the appeal, the investor may then appeal to the relevant court of first instance within 30 days of notification.

LABOR

The GOI has drafted a new labor law, which is under review by the Prime Minister's cabinet. Current Iraqi labor law remains weak in promoting a flexible, business-friendly employment environment.

Iraq is a party to both International Labor Organization (ILO) Conventions related to youth employment, including child labor abuse.

The new investment law states that priority in employment and recruitment shall be given to Iraqis, but does not establish any quotas. However, the NIC shall observe, when granting an investment license, that the number of local employees should not be less than 50% of the project total employment¹⁵. In addition, foreign investors are expected to help train Iraqi employees as well as to raise their efficiency, skill, and capabilities. Separate from the new law, there are existing labor-related requirements for foreign companies employing Iraqi or foreign workers.

CURRENT EMPLOYMENT ISSUES

The existing Saddam-era law includes regulations that require revisions, including: benefit clauses, working conditions for foreign expatriate workers, and rules governing working hours. The Ministry of Labor and Social Affairs (MOLSA) also sets a minimum monthly wage for unskilled workers. In addition, according to Iraqi law, all employers must provide some level of transport, accommodation, and food allowances for each employee. The law does not fix allowance amounts.

There are also requirements for foreign companies employing Iraqi or foreign workers. The investor must notify relevant investment commission and the Ministry of Labor and Social Affairs (MOLSA) when he employs Iraqi or foreign workers, when the job ends and when there are vacancies, among other requirements. There are also work permit requirements for hiring expatriate employees.

15. As per Item 1, Article 30 of Investment Statue No. 2 of 2009.

ACQUIRING LAND/SITES FOR INVESTORS

The ownership of Government land depends on many factors. A large proportion of the land is owned by the Ministry of Finance but certain Ministries control certain types of land. In this area, the roles of the Governorates and Municipalities are important and must be considered by the investor.

Several legislations govern land acquisition in Iraq, but the main ones are:

- Law No. 35, 2002, Law of Public Roads
- Law No. 45 of 1980, which regulates procedures of purchase and sale of private lands by judicial decisions
- Law No. 30 of 2000, Organization of Industrial Services and implementing regulation No. 9 of 2000, which governs the lease of state land for industrial services projects
- Law No. 3 of 1998, Commission of the Free Zone Administration and implementing regulation No. 4, 1999
- Law No. 20 of 1998, Industrial Investment for the Private and Mixed¹⁶ Sectors, which regulates the lease of state land for Iraqi industrial projects producing consumer and capital goods
- Law No. 32, 1986, Selling and Leasing of State Properties¹⁷

IDENTIFYING LAND

Investors have several choices with respect to locating land for industrial and commercial projects in Iraq. Investors with industrial projects may lease land in government industrial estates and free zones. Investors with non-industrial projects may lease land within a free zone, or government land outside the industrial estates via an auction process. Iraqi investors may purchase government land for non-industrial projects via an auction process. Iraqi investors may purchase or lease property for non-industrial projects from the private property market. While foreign investors may lease property for non-industrial projects from the state or private property market, ownership of private property is still not allowed except for housing projects as stated in Law No. 13 for 2006, Regulations No.2 for 2009, and Regulations No. 7 for 2010

Government Land

1. Leasing Government Land in Industrial Estates

No single agency manages Iraq's industrial estates. Instead, a number of ministries and government agencies play a role in the country's industrial estates.

- **Ministry of Industry and Minerals (MoIM)**, through its Industrial Development Authority and General Establishment of Geological Exploration for Mining and Quarrying
- **Ministry of Labor and Social Affairs (MoLSA)**, through its Directorate of Labor and Social Security, which is responsible for industrial services projects

16. Mixed enterprises are those in which the state has a 25% or greater stake.

17. The first amendment to Investment Law No. 13 issued on January 4, 2010 stipulates that all projects (investors) governed by this law are exempted from Law No. 32 of 1986 Selling & Leasing of State Property Law.

- **Amanat of Baghdad (Mayorality) and governorate and municipal governments** are responsible for utilities such as water and sewerage and licenses for site development within the country's industrial estates.

2. Leasing Land in Government Free Zones

Iraqi legislation treats free trade zones differently than industrial estates. The following legislation governs free trade zones in the country:

- Free Zone Law No. 3 of 1998
- Instruction No. 4 of 1999 on the Administration of Free Zones
- Regulations of investors' activities in free zones

Law No. 3, Article 1 identifies the General Commission of Free Zone Administration under the Ministry of Finance as the competent Free Zones Authority Instructions No. 4, 1999; Article 4(4) permits investment in Free Zones for industrial, commercial, and service projects.

3. Leasing Government Land outside of Industrial Estates and Free Zones

Investors covered by Investment Law No. 13 of 2006 shall enjoy the privilege of renting or leasing lands needed for the project for a period not to exceed (50) fifty years renewable¹⁸.

Other investors not covered by the said Investment Law may lease government land outside of Iraq's industrial estates for residential, commercial, or agricultural purposes. Law No. 32 of 1986, "The Law of Sale and Lease of State Properties," as amended governs the purchase or lease of this land. Iraqi and foreign investors may lease government land outside industrial estates¹⁹.

4. Purchasing Government-Owned Land

The government also sells land outside industrial estates through a public auction process. Since Iraqi law forbids foreigners from purchasing government land only Iraqi citizens have access to sale auctions²⁰. As with lease auctions, industrial zoned property is excluded from the sale auction process since industrial projects may only locate in Iraq's industrial estates.

The committee sets an auction date and advertises it in the relevant local newspaper. In the advertisement the committee describes the property, notes its assessed value, and indicates the auction day, time, and venue. The advertisement includes an explanation of participation procedures.

Purchasing or Leasing Land from the Private Property Market

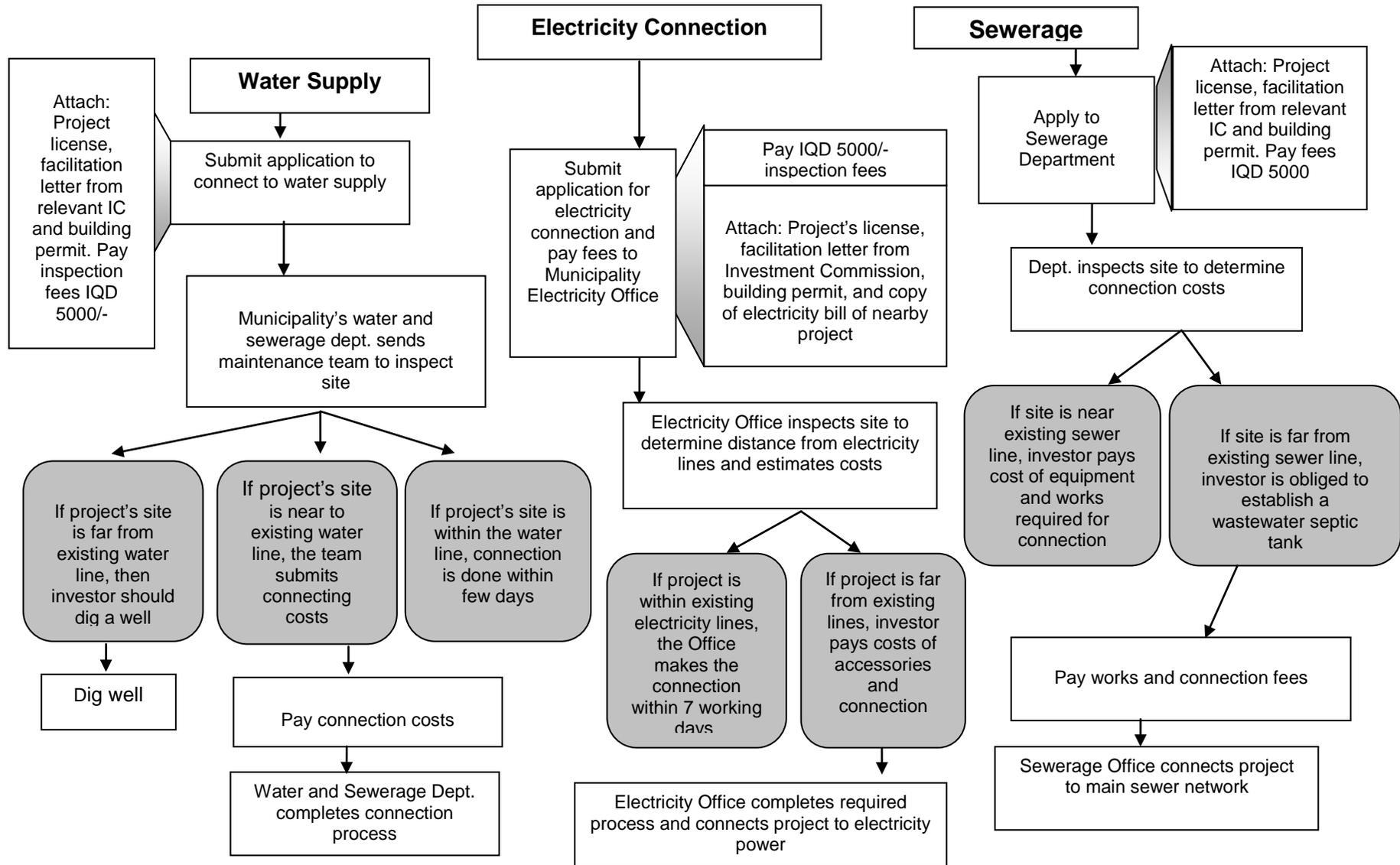
Iraqi investors have the right to buy and/or lease property from the private real estate market for residential, commercial, or agricultural use, while foreign investors may only lease property from the private real estate market. Twenty percent of Iraqi land is in the private property market, the majority of it residential. According to current law, foreigners may lease property in the private market for a period not to exceed 50 years renewable. Iraq does not yet host large international real estate companies; however, there are numerous small real estate agents in the country.

18. Item (Third) Article 11 of the said Investment Law.

19. On April 1, 2011 the first amendment to Investment Law No. 13 was issued. It shall enable foreign investors to own land for housing projects provided that the housing units are sold to Iraqis on completion of the project. Also, the amendment law excludes implementation of Law No. 32 of 1986 "The Law of Sale and Lease of State Properties" for Iraqi and foreign investors covered by Investment Law No. 13 for 2006.

20. See Footnote 19 above.

Procedures to Connect Investment Project to Services



COMMUNICATIONS

TELECOMMUNICATIONS

Telecommunications networks in Baghdad

1. **Land lines network**

2. **Wireless**

- Omnea
- Itisaluna
- Kalimat

3. **mobile phone lines**

- Zain Iraq
- MTC Atheer
- Asia Cell

4. **internet service**

In Baghdad Province, there are several privately owned internet providers in addition to networks run by Ministry of Telecommunications. In Baghdad districts, internet cafés are spreading.

TRANSPORTATION

TRANSPORT ROUTES IN BAGHDAD

Baghdad Governorate is the main hub of Iraq's transportation system. It has Baghdad International Airport, the largest airport in Iraq and is the major intersection of state owned railroad lines.

The railways system connects Baghdad with Basra and Um Qasr (Arab Gulf Gate), Kirkuk and Erbil to the northeast, Mosul to the north and Qaem to the northwest (near the Syrian borders).

Baghdad is also a centre for international overland routes that connect the city with Turkey, Syria, Kuwait and Saudi Arabia.

Inside the governorate, there is a network of highways that contribute to alleviation of traffic congestions and connect city centre to Baghdad suburbs. The two sides of the city (Karkh and Risafa) are connected through 13 bridges alongside the river.

HOW TO OBTAIN AN ENVIRONMENTAL COMPLIANCE CERTIFICATE

The statement of opinion about the validity of investment projects sites depends on the environmental regulations for establishing industrial, agricultural, and services projects approved by the Council of Environment protection and improvement in its session numbered (14) for the year 1990, which include the determinants of locational and environmental requirements which must be met when implementing the project, as well as instructions subsequent to the illicit activities described in the instructions referred to above and issued by the Council and the Ministry of Environment under the powers granted to the minister.

Some activities have their specificity and there are laws or regulations or instructions or decisions that govern them. Therefore they should be taken into consideration when examining request for the allocation of land, for example, the law of mineral investment for the diggers, and the law organizing the slaughter of animals for the Ministry of Agriculture, and rules for the establishment of projects on agricultural land etc.

The environmental instructions included classification of projects into three categories (A - B - C) as follows:

Environment Polluting Activities Category (A)

Those activities with severe pollution to the environment and include industrial or agricultural super projects which has several influences on the quality of the environment and effects large areas, therefore, they must be kept farther distances from cities master plans and expand to cities and districts, counties and villages candidated for development under a the rural settlement plan with the requirement of providing all the treatments that provide adequate protection for the environment .

Environment Polluting Activities Category (B)

Those activities polluting to a lesser degree than in Category (A) and include Industrial, agricultural, or other sources that result in contamination of sites which can be controlled. Therefore, they can be established within the borders of the cities master plans and within the plots allocated for them provided that treatment units are installed according to the instructions and rules. In case control of pollution (odors, and the like) is out of hand, the project should be located outside the boundaries of cities master plans and according to the determinants of the type of activities mentioned in the detailed instructions.

Environment Polluting Activities Category (C)

Those remaining human activities which result in simple contamination that can be treated i.e. industrial factories that do not result in a significant contamination and small-scale agriculture and residential complexes, hotels, hospitals, resulting in pollution of organic content mainly that can be treated easily through the processing units, thus can be established within and outside the borders of cities master plans, without any limitation, in accordance with instructions and allow farm owners to set up environment non-polluting industries within their farms.

After receiving the approved Environmental Compliance Certificate, the investor can proceed with the construction and/or start business activities. The Ministry will inspect and monitor compliance report from the Investor.

OPERATING

The most important procedures that investors must complete on an ongoing basis once operating in Iraq are tax payment, social security, import/export procedures, and complying with currency controls. There are significant issues in all three of these areas but by far the most important are those relating to import and export procedures.

Functionally, taxation and customs areas are regulated by the Ministry of Finance through two independent agencies: The General Taxation Commission (GTC) and The General Commission of Iraqi Customs (GCIC). Both these agencies have regional and governorate branches throughout Iraq. Currency matters are generally dealt with by the Central Bank of Iraq (CBI). (See flowchart on last page – Procedures for Operation).

TAXATION

This section deals with taxation for projects not governed by Investment Law No. 13 for 2006 and Industrial Investment Law for Private and Mixed Sectors No. 20 for 1998 as amended. Investment projects governed by the said laws are exempt from payment of taxes for several years mentioned in the said laws.

There are four types of taxes in Iraq: corporation tax; personal income tax; real estate tax; and leased land tax. All taxes due are a legally binding obligation on the taxpayer. The tax assessment and payment process is usually initiated by the tax liable individual reporting his income during the proceeding year on pre-printed returns to the taxation department in the area where his work or business activity is located.

Registration to Pay Taxes

Companies are issued a taxpayer ID number upon being licensed by the Office of Companies Registration. Companies receive a separate tax ID number for each tax. Tax registration normally must occur within one month of starting operations. Taxes are due three months after the close of the fiscal year.

Corporation Income Tax

The tax rate applied on the net income earned by all corporations after April 1, 2004 is a flat rate of 15%. As provided for in Income Tax Law 113 of 1982, the rate is levied on the income of all private sector companies, including the income of foreign companies operating in Iraq (except those exempt according to the new Investment Law).

Personal Income Tax

Under CPA Order 49 of February 20, 2004, corporate and personal income taxes have been capped at significantly reduced rates of no more than 15%. Employees are entitled to basic personal income exemptions which were significantly increased in 2004, and rate bands range from 3% to a maximum of 15%. Administrative requirements with regard to collection, appeals and penalties for late payment or nonpayment of income taxes are as established in 1982 and remain in force.

Worker's Pensions and Social Security

Before commencing operations all companies must register with the Ministry of Labor and pay a deposit toward social security withholdings based on the number of employees and estimated payroll for three months. The investor then obtains a receipt from the Ministry indicating that payments have been made. The receipt includes the company's social security number. Social security payments are then made on a quarterly basis. Social security amounts to 17% of employee salaries. The employer's contribution is 12% and the employee's is 5%. Payments are made by employers through certified checks to the Worker's Pension and Social Security Organization. The initial step of registering with the Ministry of Labor and obtaining the letter takes about one week. There are fees associated with this procedure.

IMPORT/EXPORT PROCEDURES

Introduction and Overview

The principal Customs law in Iraq is derived from the Iraqi Customs Law 23 of 1984 combined with CPA Orders 16 (Temporary Control of the Iraqi Borders), and 26 (Creation of the Department of Border Enforcement). Under CPA Order No. 26 the responsibility to monitor and control the movement of persons and goods in and out of Iraq rests with the Ministry of Interior's Department of Border Enforcement.

Import Regulations and Procedures

In accordance with Orders No. 38 and 54, as amended by Order No. 70 the government of Iraq collects a 5% reconstruction levy on the total taxable invoiced value of all goods imported into Iraq from all countries, effective April 15, 2004. Exceptions to the levy are food, medicines, clothing, books, humanitarian goods, Coalition forces, reconstruction contractors, NGOs, international organizations, diplomats and Coalition governments, and goods imported under the Oil-for-Food contracts.

All persons crossing the Iraqi borders must undergo a process consisting of a visit to the Passport office and an inspection at the Customs inspection point. Imports are subject to review of the Bill of Lading and inspection of goods.

Tariff Structure

As mentioned in the previous page, Iraq, currently imposes a 5% "Reconstruction Levy" on all imported goods except food items, medicines, books, clothing and items pertaining to humanitarian assistance. Also exempted are the coalition forces, NGOs, foreign governments and companies undertaking reconstruction work and international organizations and agencies providing assistance. All other customs tariffs, duties, import taxes and surcharges remain suspended; the only exception is the vehicle entry inspection fee of \$30 per truck.

The new Law on customs tariff, ratified by the Iraqi Council of Representatives on 12/1/2010 contained schedule of fees on imported goods according to the rates set forth in the tariff schedules and agricultural calendar thereto. .

Customs Valuation

The reconstruction levy is assessed *ad valorem* in accordance with Article VII of the General Agreement on Tariffs and Trade 1994 (GATT), which is adopted in CPA Order 54.

Pre-Shipment Inspection

Iraq does not require pre-shipment inspections.

Rules of Origin

Under the Law of Customs No.23 (1984), the Director General of Customs may require a separate certificate of origin. The practice is to require such a certificate, certified by the Chamber of Commerce or similar body in the country of origin.

Export Regulations and Procedures

The law applicable to exports are contained in Iraq's Customs Law Number 23 (1984) and CPA Order 54.

Exports must be by license issued by the Ministry of Trade, Department of Planning, Import-Export Section.

Tariff

There are no export tariffs other than a \$35 per ton levy on scrap metal.

Transit Trade

As all customs duties are presently suspended, no duties are applicable to goods in transit. Furthermore, according to CPA Order 54, the Reconstruction Levy does not apply to goods in transit.

Technical Regulations and Standards

Product standards in Iraq are controlled by the Central Organization for Standardization and Quality Control (COSQC), an independent government agency. The COSQC reviews domestic goods for health, safety and quality factors. The COSQC maintains relations with international standards organizations and provides technical assistance to the offices responsible for patent and other intellectual property rights matters. Iraq currently has approximately 3000 product standards.

Iraq is a member of the International Organization for Standardization (ISO).

Sanitary and Phytosanitary Standards

Phytosanitary Certificates are issued for plant products by the Ministry of Agriculture.

Animal Health certificates are issued for live animals by the Ministry of Agriculture.

Food Sanitation certificates are issued for processed food products by the Ministry of Health.

Trade Related Intellectual Property Regime

Iraq is pursuing a policy of strong intellectual property protection, which it recognizes will be the engine for economic development. Iraq's intellectual property laws are being updated with the goal of bringing the country's legal regime into compliance with the requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement):

- Trademarks and Indications Law No. 21, 1957 has been amended by CPA Order 80.
- Patent and Industrial Specimens Act No. 65, 1970 has been amended by CPA Order 81.
- The Copyright Law No. 3, 1971 has been amended by CPA Order 83.

Iraq is also a member of several international intellectual property conventions, and of regional or bilateral arrangements which include:

- Paris Convention for the Protection of Industrial Property (1967 Act) ratified by Law No. 212 of 1975.

- World Intellectual Property Organizations (WIPO) Convention; ratified by Law No. 212 of 1975. Iraq became a member of the WIPO in January 1976.
- Arab Agreement for the Protection of Copyrights; ratified by Law No. 41 of 1985.
- Arab Intellectual Property Rights Treaty (Law No. 41 of 1985)

Trade in Services

Iraq's transition from a centrally planned to a market economy is expected to usher in a new era for the development and expansion of the services sector. The government is determined to increase the share of services in the GDP by attracting foreign investment as well as generating local resources.

There has been substantial expansion in the areas of retail services and construction since 2003. Recent policy changes in Iraq have opened up important services sectors such as financial services, insurance and telecommunications. Privatization of state owned enterprises (SOEs) is expected to further bring about fresh opportunities. In addition, Iraq's new investment laws and regulations both encourage and facilitate foreign investment, which in turn should lead to attracting capital to the services sector.

The MoT is primarily responsible for overseeing international trade in services; however various departments and agencies are involved in regulatory affairs relating to trade in services.

Annex to Investor guide of Baghdad

INVESTMENT OPPORTUNITIES IN BAGHDAD GOVERNORATE

First: Housing Sector

Iraq in general and Baghdad in particular experiences a serious shortage in housing units. Estimates indicate a shortage of approximately 3.5 million housing units in Iraq including the net shortage, replacement of old housing units or units built of short lasting material and requirements of population natural growth.

The governorate's population constitutes 23.6% of Iraq's total population. Thus, Baghdad Governorate is in need of 862000 housing units.

The families living in separate housing units (one family in the dwelling) comprise 78%. When two families live in the same dwelling, they comprise 14%. For three families or more, they constitute more than 8%.

The increasing demand for housing units due to current shortage made investment in this sector profitable and widespread. The construction method to be followed is the integrated horizontal housing compounds.

Data on Housing Sector in Baghdad

• Number of housing units in Baghdad	647723
• Families living in a dwelling of less than 50 square meters	8.2%
• Families living in a dwelling of less than 100 square meters	21.3%
• Families living in a dwelling of less than 150 square meters	29.8%
• Families living in a dwelling of less than 200 square meters	15.5%
• Families living in a dwelling of less than 300 square meters	21.2%
• Families living in a dwelling of less than 500 square meters	3.2%

Second: Industry Sector

The industrial sector is considered to be a promising investment sector in the country as the natural resources, skilled and efficient manpower and abundance of waters have all made the industry sector a successful one especially after the economic improvement Iraq has witnessed after 2003, with the per capita rate hitting \$4360 per annum.

There are many promising opportunities in this sector as the Ministry of Industry and Minerals has prepared an economic reform program that included a comprehensive study of the State-owned companies financially, economically and administratively with the aim of devising an appropriate formula for their re-structuring and downscaling into the private sector.

The most significant issues the Ministry is seeking to achieve through investment are:

1. Rehabilitating and modernizing the factories of the state-owned companies based on engaging, in administration, production or profits, the foreign companies and funders and contracting with the state Company to increase production capacity of factories

and reach the targeted capacity, thereby covering the big need of local market for products.

2. Converting a number of factories into joint stock companies
3. Leasing the factories for a specific period of time and requiring the investor to get these factories rehabilitated.
4. Calling for investments in the projects which are direly needed and having large demand in the local market especially the industries that depend on the locally available raw materials, and the transformational or manufacturing industries that depend on gas like (different types of fertilizers, petrochemicals and iron and steel plants), mining industries and construction industries.
5. In different parts of Baghdad, there are many land lots on which factories can be established. For example, In Median district/Al-Wahda sub-district, an industrial zone of 400 donums (around one million square meters) has been allocated in addition to other zones set on the basic design, for the manufacturing of iron, steel and aluminum and other industries.

Third: Health Sector

Public expenditure through the State investment budget in this sector is still insufficient at a time many health institutions are not qualified enough to offer health services on a par with those offered in the region.

The health services, for example, offered in Baghdad's 77 hospitals are inadequate compared to the number in 2008 of major and medium surgeries (176043 operations) performed in Baghdad, and as a result many Iraqis are sent abroad for treatment at their expense or sometimes at the expense of the Ministry of Health for certain diseases.

Given the above, the strategy of the Commission is aimed at supporting and improving the health sector in Baghdad through foreign investment and enhanced partnerships between the private and public sectors. The Commission is oriented toward the foreign investments that introduce state-of-art technology and modern medical appliances, and is focusing on handing over the management of invested health institutions to foreign staff to create exchange of expertise through which most modern medical sciences and ideas can be transferred into Iraq.

In coordination with the Ministry of Health, the Commission is seeking to create investment opportunities as there are so many hospitals lacking in funds to be rehabilitated, while they can be rehabilitated through investments. Moreover, Baghdad is in need of a set of invested hospitals specialized in ophthalmic surgery, cosmetic surgery, fertility and cardiac surgery in addition to general clinics. Baghdad also needs some industries in the field of pharmaceuticals, laboratories and oxygen factories.

Health sector data for Baghdad

- | | | |
|--|-------|--------|
| • Number of beds ready for hospitalization | 10513 | (2008) |
| • Bed occupancy rate | 43.9% | (2008) |
| • Number of specialized doctors | 1951 | (2009) |
| • Number of unspecialized doctors | 3624 | (2009) |
| • Number of dentists | 2026 | (2009) |

Fourth: Agriculture Sector

Main features of agriculture in Baghdad

1. The existence of a river that splits the province into two halves.
2. Available infrastructure required for agricultural expansions like digging agricultural lands, supplying electric hook-ups, drilling wells and providing all production requirements, thereby increasing the agricultural areas of land sown with vegetables, fruit and field crops.
3. In Baghdad, there are many guidance centers to educate the investors in addition to the scientific centers of the College of Agriculture, agricultural researches centers stations, desertification research center stations, research departments of the Ministry of Water Resources, laboratories of the State Veterinary Company, and State Company for Animal Resources and several centers and laboratories specialized in this field.
4. Existence of a center producing organic fertilizers to improve the soil without the need to use chemical fertilizers and soil sterilizers.

Most of the lands in the six districts outside of the capital are investment-ready where waters and reclaimed lands are abundant especially in some sub-districts like Al-Wahda where there are irrigation projects that are extended to most of its lands.

As for the animal resources, in Abu Ghraib many animal resources projects especially calf breeding and dairy plants can thrive because Abu Ghraib Dairy Plant was dependant on the neighboring villages like the White Gold Village. Investments can also be made in poultry especially in north of Baghdad (Al-Mishahda district).

For fish breeding, there are many areas in which investments can be made like Al-Taji, Yousifiya and other areas which lie close to the River Tigris.

Data on Agriculture sector

• Area of agricultural lands in Baghdad	482502 donums
• Agricultural lands (flowing) in Baghdad	384885 donums
• Permanent crops lands in Baghdad	63376 donums
• Conjugated crops lands in Baghdad	6688 donums
• Permanent meadows and pastures in Baghdad	19062 donums
• Forest and wooded lands	187 donums
• Others	8304 donums

Fifth: Education and higher education sector

The education and higher education sector is one of the significant sectors in the country due to its importance in developing the other sectors.

In Baghdad there are many promising opportunities in this field as the province is in need of modern scientific institutions at different levels starting from kindergarten up to universities especially the facilities that use most modern scientific and educational technologies.

❖ Governmental Universities in Baghdad

- University of Baghdad

- Al-Mustansiriya University
- University of Technology
- Al-Nahrain University

❖ Private Colleges in Baghdad

- Al-Turath college
- Al-Mansour College

Al-Rafidain College

- Al-Mamoun College
- Baghdad College for Economic Sciences
- Private College of Baghdad for Pharmacy
- City of knowledge College
- Dijla College
- Al-Yarmouk College
- Mohammad Al-Kasinzan College

Data on education and higher education sector

• Number of kindergartens in Baghdad	142
• Number of primary schools in Baghdad	1905
• Number of pupils at primary schools	1064904
• Number of secondary schools in Baghdad	933
• Number of secondary schools students	491187
• Number of vocational education schools in Baghdad	91
• Number of vocational schools students	18240
• Number of students admitted at governmental universities in Baghdad	37450

Sixth: Tourism sector

Baghdad is one of the famous tourist cities at the Arab and international levels.

As for religious tourism, there are many shrines the most prominent of which are the Kadhimain shrines and Qadiriya shrine in addition to several burial tombs of many Moslem dignitaries and historical mosques.

As regards heritage and antiquities, the city houses many archeological sites and places of interest visited by Arab and foreign tourists, with the number of tourists reported as having reached more than one million.

Since 1990, the tourist sector has seen no any progress in spite of high demand on it. In Baghdad, there are 5 five-star hotels that need to be rehabilitated at a time the accommodation rates in these hotels are not low. In addition, there are many tourist and recreational facilities but are not developed if compared to those in the region though we see large numbers of people queuing to enter the public parks and tourist resorts on Eid days and public festivities.

The Commission has offered a set of investment opportunities in cooperation with the Tourism Commission to uplift this sector, among which are:

- Baghdad Tourist Island.
- Rehabilitation of Presidential Palaces
- Buildings of Baghdad Clock Tower
- Integrated Amusement Park(Playground) at the Sports City in Al-Sabiat area
- Developing and rehabilitating the Tourist Compound in Median

Museums in Baghdad

- National Museum of Iraq
- Museum of Baghdad
- Natural History Museum

Prominent public parks in Baghdad

- Baghdad Zoo
- Abu Nawas Street promenade
- Al-Masbah Park
- The Amusement Park
- Baghdad Tourist Island

Religious and historical sights

- Kadhimain shrines
- Imam Al-Adham Shrine
- Buratha Mosque
- Caliphs Mosque(Al-Ghazil Market Minaret)
- Al-Khullani Mosque
- Al-Mustansiriya School
- Abbasid Palace

Seventh: Trade and Services sector

Baghdad is an important commercial hub particularly Baghdad where there are many commercial markets at different economic levels. Since 2004, the International Projects Center (CIPE) conducted surveys in the businessmen community to examine their viewpoints. 48% off the respondents were working in trading because this sector generates handsome returns.

There are many good opportunities in this sector as all the facilities of the shopping centers (belonging to the Ministry of Trade) are offered for investment seekers. Baghdad also needs new markets, shopping malls and restaurants.

As for areas located outside the Baghdad's boundaries, there are many land lots allocated for this sector especially the districts' centers where there are no commercial markets and upscale restaurants especially on the express highways.