



2021 – 2022
EDITION

BEST PRACTICES AND FAQ FOR DOING BUSINESS IN IRAQ

The German Liaison Office for Industry and Commerce
Facilitating Business in Iraq

Published by:



Deutsches Wirtschaftsbüro Irak
The German Liaison Office for Industry and
Commerce in Iraq
مكتب الارتباط الألماني للصناعة والتجارة في العراق
نوسینگای آلمانی برای صنعت و بازرگانی در عراق

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Publisher:

The German Liaison Office for Industry and Commerce in Iraq (AHK Iraq)

*The German Liaison Office for Industry and Commerce in Iraq is part of the global network of German Chambers Abroad (AHK). For more information please visit: **www.AHK.de/en***

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Design and Layout: Dastan Sabah Mohammed

Print: Blue Line for Printing and Design, Erbil

Images: Aspire Agency, Grei Agency, Mustafa Al Sumaidaie, Sulaimani Steel Company

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1 INTRODUCTION



@Mustafa Alsumaida

GREETINGS

Dear Readers,

Iraq is a country with 40 million inhabitants, is blessed with resources, and has a long and rich history. But with a recent past determined by internal and external conflicts, Iraq poses challenges, and it offers opportunities. The young Iraqi population is demanding participation, both economic and political, against a backdrop of complex economic and regional conditions. Elections took place mid-October 2021. Groundbreaking economic reforms have already been announced at the beginning of 2020, with a vision toward reaching self-sufficiency in the industrial and agricultural sectors, and the reconstruction of infrastructure.

The current state of Iraq's infrastructure and institutional set-up conceals the fact that less than two generations ago Iraq set the regional benchmark in the areas of culture, economic dynamism, and purchasing power. The enormous need to catch up is omnipresent, as it is clear from the dynamically rising bilateral trade figures and the recent visible upturn in domestic economic activity. The upswing is still tentative and fragile, but it could lead to a regional growth story, provided the security situation stabilizes further.

Iraq's major reconstruction efforts open up good opportunities for the traditionally export-oriented German economy. At the same time, the existing risks must be carefully weighed: In addition to the existing security risks, market entry requires prudence and patience in view of the complex legal and economic environment.

With the support of the Federal Ministry for Economic Affairs and Energy (BMWi), the German chamber organization actively supports companies in developing this market. The “German Liaison Office for Industry and Commerce” has been active in Iraq for over ten years as part of

the network of German Chambers Abroad (AHK). In Baghdad and Erbil, the AHK offices - commonly referred to as DWI or AHK Iraq - are committed to the interests of German business and they support companies 'hands on' in their business development. The DWI/AHK Iraq works closely with the German-Emirati Joint Council for Industry and Commerce within the framework of a regional concept and can therefore also offer regional solutions.

This handbook is an initiative from the business community. It collects reports from experienced experts with many years of experience in Iraq from various fields and sectors. The wide range of contributions provides a comprehensive and practical overview of the economic situation in Iraq and the opportunities and challenges faced by business representatives in Iraq. At the same time, it provides assistance in developing solutions for the complex day-to-day operations on the ground.

We wish the Iraq Handbook a wide readership. Our staff will be happy to provide further, individual information.

Best regards,

Oliver Oehms

Delegate of German Industry and Commerce to Iraq &

CEO of the German-Emirati Joint Council for Industry and Commerce

Nisrin Khalil

Director Iraq of the German Liaison Office for Industry and Commerce

OVERVIEW GERMAN LIAISON OFFICE FOR INDUSTRY AND COMMERCE

The German Liaison Office for Industry and Commerce in Iraq (AHK) – Forging Trade and Business Ties between Germany and Iraq, hence contributing in Iraq's Development

Background

The German Liaison Office for Industry and Commerce in Iraq (AHK) was established in Baghdad. It initially operated under the name “Service Bureau of Business Baghdad (SWB)” until the beginning of 2010. AHK was first created as an initiative of the German Federal Foreign Office (AA) and the Federal Ministry for Economic Affairs and Technology (BMWi). Its aim was to create a focal point of contact to German companies, to strengthen Iraqi and German business ties, and to facilitate commercial activities. Now, the German Liaison Office for Industry and Commerce to Iraq is a delegation of the Association of German Chambers of Commerce and Industry (DIHK) with the official German Government mandate of representing

German businesses in Iraq. The office forms part of the worldwide network of German Chambers Abroad (AHKs – Auslandshandelskammern), with currently 140 offices in 92 countries. DIHK itself is the national umbrella of 79 regional Chambers of Commerce & Industry (IHKs) in Germany and represents some four million member companies.

AHK currently operates through two offices in Iraq, in Baghdad and in Erbil. It is led by the Delegate of German Industry & Commerce, Oliver Oehms, and the Director Iraq, Mrs. Nisrin Khalil. AHK works closely with the German Embassy in Baghdad and the Consulate General in Erbil.

Mission and Services

The German Liaison Office for Industry and Commerce to Iraq supports Iraqi companies in establishing contacts with German companies and assists German companies that have, or would like to develop, economic interests in Iraq.

German companies interested in doing business in Iraq receive information on general economic conditions and tenders for public projects in Iraq and the Kurdistan Region. In the past ten years, the AHK

organized more than 120 events and advised more than 2,400 German and local companies on various topics. Main sectoral areas of interest were (among others) recycling, logistics, professional business services, pharmaceuticals healthcare, and many more.

AHK works closely with local and foreign chambers of commerce, ministries, institutions, NGOs and Governmental Entities. It operates on a strict not-for-profit basis.

Its services include:

- Information on the Iraqi and German market developments
- Information about business contacts in Iraq and Germany
- Organization of business delegation visits to Iraq and to Germany
- Information on trade fairs and support for exhibitors, as well as visitors
- Business partner matching
- Guides on laws and regulations in Iraq (and Germany vice versa)
- Individual business support
- Market research
- Trainings and Qualifications (currently more than 120 trainings available)
- Mediation

Contact details in Iraq:

South and Central Iraq

German Liaison Office for Industry and
Commerce to Iraq (AHK)
Hay Al-Mansour, Al-Amirat Street (Close to
Hunting club) Baghdad, Iraq

Tel.: +964 (0) 770 807 83 50
E-Mail : dhuha.jabbar@irak.ahk.de
Website : www.irak.ahk.de

Kurdistan Region Iraq (Northern Iraq)

German Liaison Office for Industry and
Commerce to Iraq (AHK)
Nawroz Street , ETTC-Compound,
Erbil, Iraq

Tel.: +964 (0) 750 706 94 00
E-Mail: hogar.bebane@irak.ahk.de
Website : www.irak.ahk.de



A Glance at Iraq's History

¹ (John Misachi, 2019)

A GLANCE AT IRAQ'S HISTORY

The first sign of inhabitants in Iraq was discovered when Neandertal skeletons were found in northern Iraq between 1957- 1961. The skeletons found were dated from around 35,000- 65,000 years ago.

The emergence of the earliest known civilized settlements on earth appeared in ancient Iraq. The land known as Mesopotamia (the land between the two rivers) dates back to around 10,000 BC. The early inhabitants found a way to cultivate the land by growing grains, and they bred and domesticated animals, which ultimately played a major role in human history ¹

The earliest, and among the most important, settlers in Mesopotamia were the Sumerians who are believed to have inhabited the land from 4,500 to 4,000 B.C ² . Beside their agricultural talents, Sumerians worked on weaving textiles, producing beer, and

² (History.com Editors, 2017)

working with pottery. In addition, they achieved several important innovations such as language, writing, governance, architecture, and the first written kind of arts in the world. They had a special interest with astrology and mathematics, and they invented the sexagesimal numerical system.

In a society that was heavily dominated by priesthood, most of resources were owned by the temple. Common people worked for the temple and priesthood and received their supplies from them.³

After the Sumerians, Mesopotamia witnessed the rise and fall of many other nations like the Akkadians, Babylonians, and Assyrians who contributed to the development of trade and financial systems, along with many other aspects of civilization. For instance, after using the barter system as a trading method for long time, Mesopotamian civilization developed a large-scale economy dependent on commodity money. This happened around 3000 B.C. when the Assyrian king Sennacherib ordered the minting of the shekel and half a shekel that showed the image of the god of Sun and Ishtar⁴. The shekel was both a currency and a weight

unit referring to a certain weight of barley and equal amount of gold, silver, brass, and other items of currency.

Moreover, Mesopotamians were known for their then sophisticated irrigation system. They were able to build dams, dry streams, and manage rivers. For instance, they took advantage of the high-water level of river Euphrates in comparison with river Tigris, and dug canals to irrigate a wide range of cultivated agricultural areas⁵

Later, Iraq faced a sequence of conquests from Iranian Achaemenids, Alexander of Macedonia, Romans, and Sassanids that led the country into a dark age.

In 609 AD, Arabic rulers of Al Hira south of Iraq defeated Sassanids in the Dhi Qar Battle. This victory followed by another one in 636 AD. Arab tribesmen in Iraq (in support of the Muslim- Arabic army from the Arab Peninsula) won the Al-Qadissiya Battle against Sassanids, which marked a new era in the country known as the Islamic Era.

In 750 AD the Abbasid Caliphate rose to power in Iraq. Baghdad was the capital of the vast Empire and was among the most important cities in the world.

³ (Thayer Watkins, n.d.)

⁴ (Akbar, n.d.)

⁵ (Dr. Abdul Aziz Hameed Salih, 2004)

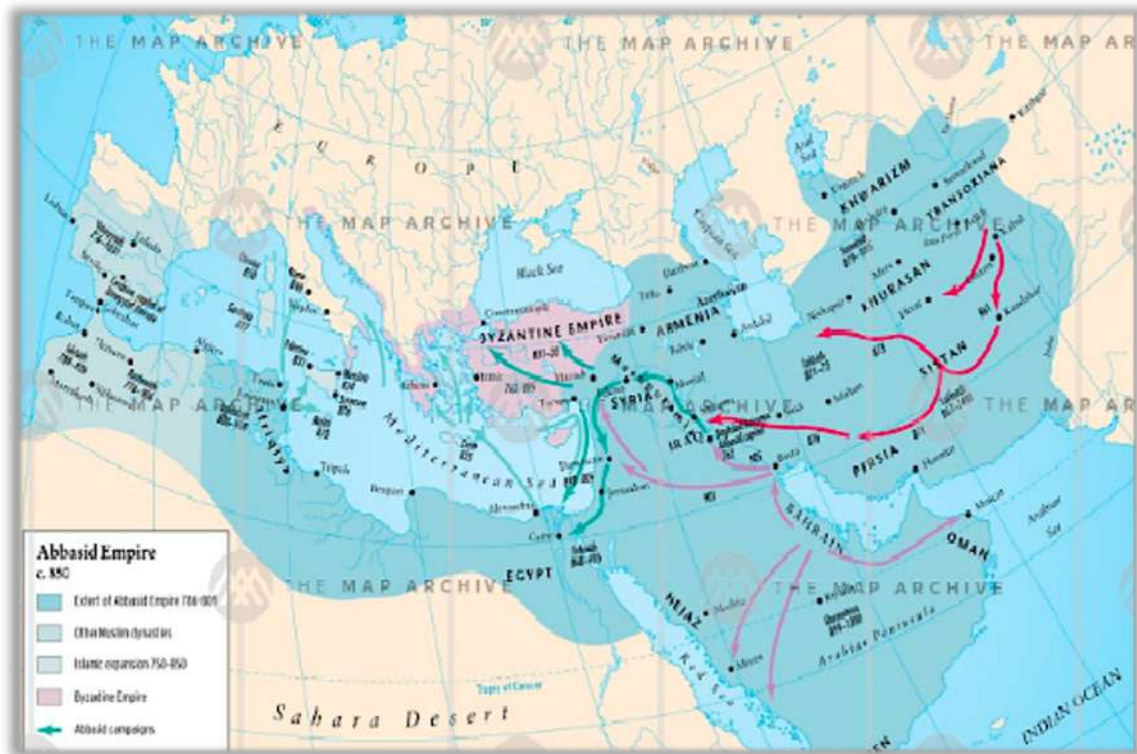


FIGURE 1:ABBASID EMPIRE MAP. SOURCE: THE MAP ARCHIVE

The Abbasid era was the golden age for the Islamic world then, especially in Iraq. Arts and applied sciences flourished. This led to the emergence of some of the most prominent scholars in human history, such as Jabir Ibn Hayyan, Al- Razi, Al- Farahidi, Al Farabi, Avicenna and others.

Abbasids gave special attention to trading. Baghdad was a place for commercial convoys to stopover and rest. It was also a place for convoys to start commercial

journeys to the East and West. Abbasids secured the trading routes and built hotels for merchants to rest in. They also developed the banking system, and accepted promissory notes, letters of credit and transactions in their commercial relations to make doing business easier⁶

The prosperous era of Abbasids in Iraq lasted until 1258 AD when Mongols led by Hulagu invaded and destroyed Baghdad. This invasion was followed by another

⁶ (Aluaibi & Mahmood, 2017)

invasion by the Ottomans whose occupation lasted from 1534 to 1918. It is well known that this period was another dark era of Mesopotamia's history.

1921 witnessed the formation of the Kingdom of Iraq and King Faisal I was Iraq's first king. Later in 1958, Iraq was declared a Republic after the 14 July revolution.

The period from the 1950s to the late 1970s of the twentieth century was a prosperous time. Iraq was the pioneer in the region for healthcare, technology, agriculture,

infrastructure, and energy. However, the First Gulf War with Iran from 1980-1988 slowed down the economy of the country. This war was followed by the Second Gulf War in 1991, and an international sanction was imposed on Iraq that worsened the situation.

In 2003, a coalition led by the United States invaded Iraq and changed the government. That led the following years to be years of instability.

By

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq

3

POLITICAL OVERVIEW



Embassy Bagdad

1

Political
Overview -
Republic of
Iraq

2

Political
Overview –
Kurdistan
Region Iraq

3

List of
Ministries/
Cabinet –
Republic
of Iraq

February 2019

4

List of
Ministries/Ca
binet -
Kurdistan
Region Iraq

A portrait of a man with short, light brown hair, smiling. He is wearing a dark suit, a white shirt, and a light blue tie. In the background, the Iraqi flag is partially visible on the right side.

POLITICAL OVERVIEW – REPUBLIC OF IRAQ

“

Dear Readers,

As Ambassador of the Federal Republic of Germany to Iraq, the economic exchange between Germany and Iraq is especially close to my heart. I am therefore pleased that the AHK has summarized the most important country-specific aspects for German entrepreneurs who wish to become involved in Iraq in this Guidebook.

The Iraqi economy faces huge challenges: Corruption, an outdated banking sector that has difficulty providing credit for investment, and an understanding of the state's role in the economy that is still partly influenced by planned economy thinking. All these factors are hampering growth in the weakly developed private sector.

In view of the high state share, the economy is also the subject of a tough political

struggle over distribution. This was evident in the months-long negotiations over the state budget, among other things. At the same time, there is an urgent need for action in many areas. A rapidly growing population (experts predict that the population will double to 80 million people by 2050), environmental damage, and the increasingly noticeable consequences of climate change represent serious needs for Iraq. In addition, the reconstruction of the areas liberated from IS require considerable efforts and huge investments in the country's infrastructure.

Given the continued dominant role of the oil sector in the overall economic structure and for government revenues, the development of the oil price has a decisive influence on Iraq's economic and budgetary development. The collapse of the oil price in the wake of the COVID-19 Pandemic led to a halving of government revenues in 2020 and made the

shortcomings of Iraq's economic system very clear. These include a bloated public sector that eats up almost all revenues in the form of salary and pension payments that slow down necessary public investment in infrastructure, education, and health care. Even if the oil price rises again to give the Iraqi government a little more "breathing room" with the increased revenues, the need for reform remains.

As serious as this analysis sounds, the reaction of Prime Minister Al-Kadhimi's government was positive. An open, critical "white paper" that analyzed the economic and financial system was adopted in the Iraqi Council of Ministers at the end of 2020. In the meantime, a reform unit has been established within the prime minister's office to ensure inclusion of the structured and coordinated implementation of the far-reaching reform laid out in the white paper. Implementation of initial reform projects, especially in the financial sector, has begun. This makes it clear that the Iraqi government is serious about addressing the country's economic problems. Plans include improving infrastructure and diversifying energy production. Improvement can also be attained by expanding renewable energies, incorporating tax reform, digitizing payment transactions, expanding the banking sector, and improving the framework conditions for investors. Further improvement could be attained by issuing visas directly upon entry, reducing bureaucracy, and by establishing "one-stop store" procedures.

The international community supports these efforts. By founding the Iraq Economic Contact Group (IECG), the G7 countries in particular have brought their political weight to bear to advance the reform plans outlined in the white paper and to give the government international backing for the implementation of its ambitious plans. Together with the EU, Germany (as co-chair of the IECG in the first half of 2021) was instrumental in pushing to use the existing momentum for bold reform steps.

Ultimately, however, political leaders face the domestic challenge of achieving fiscal consolidation and a reduction in public service spending. At the same time, they must meet the demands of many citizens for more government jobs and more comprehensive government services. Given the length of time it will take to implement the reforms envisaged in the White Paper, it seems almost impossible to reconcile these two strands. In view of the early elections that the government has announced for October 10, 2021, the interest of many political actors lies primarily in satisfying the Iraqi people during the election campaign, which includes providing further "gifts."

It is obvious that the Iraqi state cannot master the challenges ahead on its own. Investments and private-sector involvement, especially by German companies, can and must make a decisive contribution. Many Iraqis have recognized this. Their economy needs foreign direct investment, technological solutions, and high-quality services more than ever. And

these things are what German companies can deliver.

"Made in Germany" continues to have an excellent reputation here in the country. Iraqi entrepreneurs tell me that they would rather buy a German machine that is twenty years old than import a new one from other parts of the world. Thus, German companies here are successful in doing business directly with end customers on the one hand, and they manage to hold their own in the struggle with bureaucracy for public contracts on the other. It makes me confident that German companies are active and in demand in Iraq despite the numerous difficulties they face from initiating business to fulfilling contracts.

I am aware that you may face corruption and a tense security situation in the country. But there are signs of improvement in these

aspects as well. The so-called "Islamic State" has lost its strength, the security situation has improved in Baghdad and other parts of the country, and Prime Minister Al-Kadhimi has already made the fight against corruption one of the core tasks of his government in his first months.

I therefore encourage you to become active in Iraq. Seek contact with the public sector and network with other, especially experienced German, players in the private sector. The first point of contact for this is, of course, the AHK. Iraq is an enormously young country with many young people who push for change and want to seize their opportunities. It would be important for both Iraq and Germany if German-Iraqi projects could contribute to this. Doing business in Iraq requires staying power. But there are increasing signs that this staying power is paying off

”

Dr. Ole Diehl

Former Ambassador of the Federal Republic of Germany

Baghdad, 2021

POLITICAL OVERVIEW – KURDISTAN REGION OF IRAQ

Greeting AHK booklet on RKI



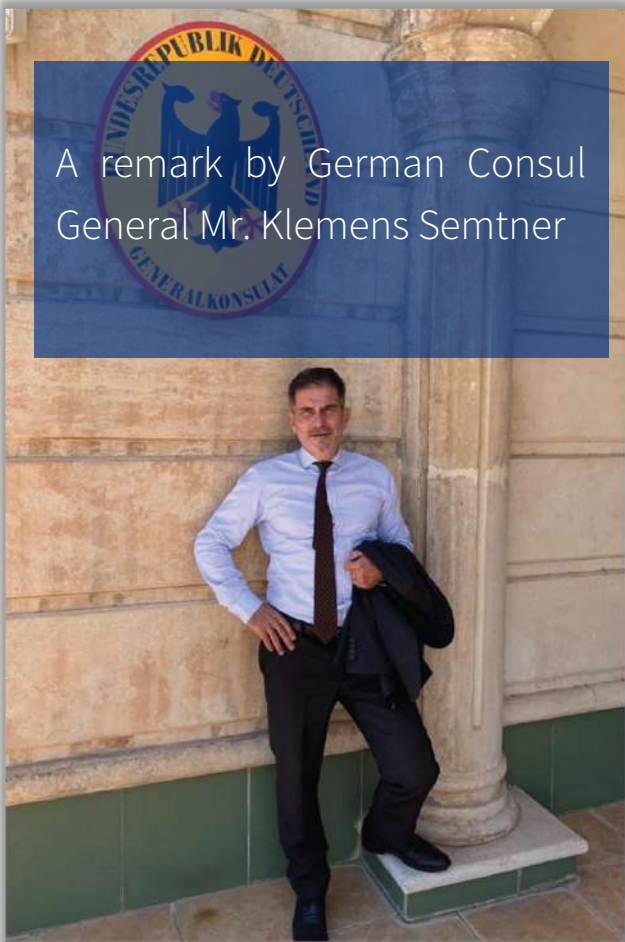
Dear Readers,

As Consul General of the Federal Republic of Germany in Erbil, I am pleased that the AHK is presenting a new edition of this booklet. The economic and trade relations between Germany and Iraq deserve to be considered separately for the Kurdistan-Iraq Region (RKI).

Three decades of self-government have created opportunities that make the RKI an interesting investment and trade partner in many respects. The region has enacted its own regulations in many administrative and political areas and has begun separate support measures. It is characterized by great tolerance toward ethnic and religious minorities. Many people displaced by the fight against the so-called "Islamic State" have found refuge in the RKI. The security situation in the RKI is far better than in the rest of Iraq.

The region is run by a coalition government dominated by two parties: the KDP, which controls the area from Dohuk to Erbil, and the PUK, which dominates the area around Sulaymaniyah. Part of this is that the extended families that dominate both parties have widespread economic interests in their respective parts of the country.

A remark by German Consul General Mr. Klemens Semtner





This peculiarity should be taken into account in many business transactions.

Geographical conditions pose unique challenges. RKI has its own airports, but all land transport routes (if not from central Iraq) pass through Turkey or Iran. The border with Syria is closed to commercial traffic. While the RKI was the first port of call for trade with all of Iraq for a long time after 2003, this is no longer true in this form. Central Iraq attaches importance to being the first point of contact itself.

The RKI has large oil and gas deposits. The revenues from those deposits have led to a strong dependence of the entire economy on this branch. Industrial development was neglected for a long time as a result. Approximately 80 percent of all households living in the RKI depend directly or indirectly on transfer payments from the state. However, the regional government has presented plans to diversify the economy.

The region is characterized by a barren, partly very mountainous landscape, and by fertile plains. The agricultural potential is far from being exhausted. The grandiose landscape would also offer long-term opportunities for tourism, even if the destination "Iraq" is unlikely to be on the short list of German vacationers in the

foreseeable future due to the travel and security advice of the German Foreign Office. The numerous universities offer a good source for finding qualified employees. However, many of the best qualified have migrated abroad in recent decades. Germany is also home to many Iraqi Kurds. Returnees often have a knowledge of German.

Like central Iraq, RKI has suffered from the COVID pandemic. The temporary collapse of the oil price in 2020 combined with open disputes between Erbil and Baghdad (regarding outstanding transfer payments) led to major economic and social burdens on large parts of the population. In 2020, only half of the state wages were paid. Baghdad insists that Erbil cede some of its oil and customs revenues in exchange for cash transfers. A lasting recovery will therefore depend on a sustained understanding between the RKI and central Iraq on budgetary issues and on control of the so-called disputed areas. In particular, the situation in Sinjar and the outstanding Kirkuk issue represents a major burden.

In the election year 2021, parliamentary elections are to be held throughout Iraq in October. It will still not be any easier for the political actors to make far-reaching and painful reform decisions. Hope remains that

the overall situation will be at least as stable as it was before the pandemic.

In any case, it remains to be said that the RKI has everything that could actually give it a

promising future: a young, educated society, financial resources through oil and gas, political stability, and relative security. I hope that trade between our two peoples can contribute toward maximizing this potential.

”

Klemens Semtner

Consul General of the Federal Republic of Germany

Erbil, 2021



LIST OF MINISTRIES/CABINET – REPUBLIC OF IRAQ

PRIME MINISTER, PRESIDENT OF THE COUNCIL OF MINISTERS	Mustafa al-Kadhimi
MINISTER OF FINANCE (DEPUTY PRIME MINISTER FOR ECONOMY AND ENERGY)	Ali Haider Abdulameer Abbas Allawi
MINISTER OF FOREIGN AFFAIRS (DEPUTY PRIME MINISTER FOR FOREIGN AFFAIRS)	Fuad Mohammed Hussein
MINISTER OF PLANNING (DEPUTY PRIME MINISTER FOR SERVICES AND IDPS)	Khalid Battal Najim Abdullah
MINISTER OF OIL	Ihsan Abduljabbar Ismael
MINISTER OF INTERIOR	Othman Ali Farhood Musheer al-Ghanimi
MINISTER OF DEFENSE	Juma'a Enad Saadon Khattab
MINISTER OF ELECTRICITY (DEPUTY MINISTER)	Adil Kareem Kak Ahmad
MINISTER OF HEALTH AND THE ENVIRONMENT (DEPUTY MINISTER)	Dr. Hani Musa al-Uqabi
MINISTER OF INDUSTRY AND MINERALS	Manhal Aziz Mahmoud
MINISTER OF LABOR AND SOCIAL AFFAIRS	Adil Hashush Jabir Jassim
MINISTER OF WATER	Mehdi Rasheed Mehdi
MINISTER OF COMMUNICATIONS	Arkan Shihab Ahmed Kadhim
MINISTER OF CONSTRUCTION AND HOUSING	Nazineen Mohammed Wassaw Sheikh Mohammed
MINISTER OF TRANSPORT	Nasir Hussein Bander Hamad
MINISTER OF MIGRATION AND DISPLACEMENT	Ivan Fa'ikYaqoobJabro

MINISTER OF HIGHER EDUCATION, SCIENCE AND RESEARCH	Nabil Khadim Abd Al-Sahib
MINISTER OF JUSTICE	Salar Abdulsattar Mohammed Hussein
MINISTER OF YOUTH AND SPORTS	Adnan Dirjal Matar Jasim
MINISTER OF CULTURE, TOURISM AND ANTIQUITIES	Hassan Nadhim al-Issa
MINISTER OF EDUCATION	Ali Hameed Mukhlif
MINISTER OF TRADE	Ala' Ahmed Hassan al-Jabouri
MINISTER OF AGRICULTURE	Mohammed kareem Jasim Salih

Note: New cabinet to be announced in the coming months.





LIST OF MINISTRIES/CABINET - KURDISTAN REGION IRAQ

President of the Kurdistan Region of Iraq	Nechirvan Barzani (KDP)
Vice President	Musatafa Said Qadir (Gorran)
Vice President	Jaafar Sheikh Mustafa (PUK)

PRIME MINISTER	Masrour Masoud Barzani (KDP)
DEPUTY PRIME MINISTER	Qubad Jalal Talabani (PUK)
MINISTER OF AGRICULTURE AND WATER RESOURCES	Begard Dlshad Shokralla (PUK)
MINISTER OF CULTURE AND YOUTH	Mohammad Said Ali (PUK)
MINISTER FOR EDUCATION	Alan Hama Saeed Salih (KDP)
MINISTER OF ELECTRICITY	Kamal Mohammad Salih Khalil (KDP)
MINISTER FOR FOUNDATIONS AND RELIGIOUS AFFAIRS	Pshtiwan Sadq Abdullah (KDP)
MINISTER OF FINANCE AND ECONOMY	Awat Janab Noori (Gorran)
MINISTER OF HEALTH	Saman Hussein Muhammad (KDP)
MINISTER OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH	Aram Mohammad Qadir (PUK)
MINISTER OF HOUSING AND RECONSTRUCTION	Dana Abdulkareem Hamasalih (PUK)
MINISTER OF JUSTICE	Farsat Ahmad Abdullah (KDP)
MINISTER OF THE INTERIOR	Rebar Ahmed Khalid (KDP)

MINISTER OF LABOR AND SOCIAL AFFAIRS	Kwestan Mohamad Abdulla (Gorran)
MINISTER FOR ANFAL MARTYRS AFFAIRS	Abdollah Mahmood Mohammad (KSDP)
MINISTER OF CITIES/MUNICIPALITIES AND TOURISM	Sasan Othman Awni (KDP)
MINISTER OF NATURAL RESOURCES / MINERAL RESOURCES	Kamal Atroshi (KDP)
MINISTER OF PESHMERGA AFFAIRS (MILITARY)	Shoresh Ismail Abdolla (PUK)
MINISTER FOR PLANNING	Dara Rashid Mahmud (PUK)
MINISTER OF TRADE AND INDUSTRY	Kamal Muslim Said (Gorran)
MINISTER OF TRANSPORT AND COMMUNICATIONS	Ano Jawhar Abdulmaseeh Abdoka (Christ.)
MINISTER OF STATE	Aydin Maruf Selim (Turkm.)
MINISTER OF STATE	Vala Fareed Ibrahim (KDP)
MINISTER OF STATE	Khalid Salam Saeed (PUK)

Parties:

KDP	KURDISTAN DEMOCRATIC PARTY
PUK	Patriot Union of Kurdistan
GORRAN	Gorran movement
KDSP	Kurdistan Democratic Socialist Party
TURKM.	Turkmen
CHRIST.	Christian

4

ECONOMIC OVERVIEW

1

Key Economic Data

2

Oil and Gas

3

Agriculture

4

Healthcare

5

Electricity and Renewables –
Iraq

6

Electricity and Renewables –
Kurdistan Region Iraq

7

Iraqi entrepreneur's perspective on
history, business opportunities, and
challenges in the Iraqi industry

8

Iraqi expert's perspective on
risks and risk mitigation in the
Iraqi industry

9

Technology and Digital
Marketing Assessment

KEY ECONOMIC INDICATORS

CURRENCY	Iraqi dinar (IQD)
FIXED EXCHANGE RATE	1 Iraqi dinar equals 0.000838 USD
TRADE ORGANIZATIONS	OPEC, WTO accession status
BILATERAL AGREEMENT ON THE PROTECTION OF INVESTMENT (GERMANY/IRAQ)	Pending
OFFICIAL LANGUAGES ACCORDING TO THE IRAQI CONSTITUTION	Arabic and Kurdish
STATISTICS	
POPULATION	40,222,503
CAPITAL	Baghdad (8.1 million inhabitants)
GDP, CURRENT US\$ BILLION ⁷	167
GDP PER CAPITA, CURRENT US\$	4,157
GDP BY SECTOR ⁸	Agriculture: 3%
	Industry: 51%
	Services: 46%
INFLATION CONSUMER PRICES (% CHANGE) ⁹	9% (2021)
POPULATION BELOW POVERTY LINE ¹⁰	31,7% (2020 est.) National poverty line is at 110,881 IQD (\$75) per month
LABOR FORCE	10,356,910 (2020)
LABOR FORCE BY OCCUPATION ¹¹	Agriculture: 17.79%
	Industry: 22.35%
	Services: 59.86%
MAIN INDUSTRIES	Petroleum, chemicals, textiles, leather, construction materials, food processing, fertilizer, metal fabrication/processing
EXPORTS IRAQ/WORLD 2019	\$89.1 billion

⁷ (World Bank, 2020)

⁸ (Index Mundi, 2020)

⁹ (International Monetary Fund , www.imf.org)

¹⁰ (UNICEF Iraq, The World Bank, Oxford Poverty and Human Development Initiative and the Ministry of Planning in Iraq, 2020)

¹¹ (O'Neill, 2021)

EXPORT GOODS IRAQ/WORLD	crude oil 99%, crude materials excluding fuels, food, and live animals
IMPORTS IRAQ/WORLD 2019	\$92.0 billion
TRADE VOLUME WITH GERMANY ¹²	\$1.4 billion
IMPORTED GOODS FROM GERMANY ¹³	Machinery, electrotechnical products, chemicals, cars/automotive spare parts, products for measuring and control, food, metal, and others
MAIN TRADING PARTNERS BY SHARE¹⁴	
CHINA, TURKEY, INDIA, IRAN, SOUTH KOREA	
EU (\$ BILLION) ¹⁵	Approx. 11 (Therein: Share of Germany: 1.4)
FOREIGN DIRECT INVESTMENTS, NET INFLOWS (% OF GDP) ¹⁶	-1.31% or minus \$ 3.1 billion (Note: Most investments that are from abroad are being done by Diaspora-Iraqis)
PUBLIC FINANCES	
GOVERNMENT GROSS DEBT (% OF GDP) ¹⁷	69.68
BUDGET BALANCE ¹⁸	-17% (estimation 2021)
DEVELOPMENT ASSISTANCE RECEIVED \$BILLION	2.212 (2019) ¹⁹
FOREIGN RESERVES (\$ BILLION) ²⁰	60
OTHER	
STANDARDS AND TECHNICAL REGULATIONS	Iraq is a member of the International Organization for Standardization (ISO). The Central Organization of Standardization and Quality Control (COSQC) has responsibility for quality control and standardization issues
SELECTED COOPERATION AND TRADE AGREEMENTS	EU-Iraq Partnership and Cooperation Agreement United States-Iraq Trade and Investment Framework Agreement (TIFA): The Greater Arab Free Trade Area (GAFTA)

¹² (Destatis, 2021)¹³ (Glosauer, 2020)¹⁴ (European Commission, 2019)¹⁵ (European Commission, 2021)¹⁶ (IMF, World Bank, OECD, 2019)¹⁷ (International Monetary Fund , www.imf.org)¹⁸ (UNDP, 2020)¹⁹ (World Bank, 2020)²⁰ (Ansary, 2021)

OTHER COOPERATION AND TRADE AGREEMENTS<https://tinyurl.com/duwcfdb>

(Arabic only)

EASE-OF-DOING-BUSINESS RANK172nd out of 190 (below regional average, 2020)**CORRUPTION PERCEPTION INDEX²¹**

Ranking 160 out of 180



With a nominal GDP of about 167 \$billion, Iraq is the sixth largest economy in the Middle East and No. 54 in the world.²² The International Monetary Fund (IMF) reported a gradual growth of the Gross Domestic Product (GDP) per capita from (\$1,391) in 2004 to (\$4,157) in 2020 twice as large as Iran (Same year compared to Iran \$2,282). Its geography, richness in natural resources and its large population make it a potential economic powerhouse in the Middle East.²³ As a developing country it needs products and services of any kind supporting its reconstruction efforts. And considering the saturation grade of neighboring countries, it could be the next biggest market in the Middle East for international companies. Iraq has the potential for a two-digit economic growth annually.²⁴ Close attention also needs to be given the fact that Iraq is one of only three Arab countries (Yemen and Mauritania) joining the Extractive Industry Transparency

Initiative (EITI), the global standard for good governance, open and accountable management of extractive resources.²⁵

However, Iraq's successive conflicts, including the Iran-Iraq war of the 1980s, followed by the UN embargo of 1990, and the heavy burdens of subsequent wars and inner tensions have all caused a reduction in economic self-reliance in Iraq. The Iraqi economy still is largely state-run and dominated by the oil sector. And despite a 5.6% growth of the non-oil economic sectors since 2016,²⁶ the private sector remains structurally weak and small.²⁷ The autonomous Kurdistan Regional Government (KRG) is selling gas and oil abroad independently of the Baghdad-based federal government; a pipeline to Turkey enables the KRG to do this. The distribution of oil and gas revenues is an issue of ongoing controversy between the federal government and the KRG.²⁸

²¹ (Transparency international , 2021)

²² (World Bank, 2020)

²³ (Repetowicz, 2018)

²⁴ (Iraq Business News, 2012)

²⁵ (Nakhle, 2021)

²⁶ (Federal Reserve Bank of St. Louis, 2021)

²⁷ (European Asylum Support Office, 2019)

²⁸ (Nakhle, 2021)

Impact of the pandemic on the Iraqi economy and outlook

The Iraqi economy is experiencing the largest contraction of its economy since 2003 (-10.4% in 2020). The crisis has unveiled the negative effects of lack of stable and well-developed economic institutions, an underdeveloped private sector, low levels of productivity, and outdated infrastructure. In response to the crisis the Iraqi government has published the “White Paper” on reforms related to fiscal stability, economic governance, the financial sector, and business environment. The same paper also contains plans to cut

government expenditures such as salaries by 25%.²⁹

Iraq’s growth outlook is expected to improve and to grow by 2% in 2021 and 8.4% in 2022, but it will depend on the global oil market, structural reforms and their implementation, and the response to the pandemic. The fiscal budget for 2022 is calculated with \$63 per barrel and despite the projected growth in 2022, major oil dependency, hence Iraq’s ability to invest in and pay new projects will remain one of the major risks for international companies engaged in public sector contracts in the coming year.

New government – Old challenges

Undergoing structural reforms and building resilience towards oil price volatility will remain the key challenges of the yet to be formed new government. Paving the path for it means improving fiscal budget management for effective revenue handling. Strengthening the private sector and ensuring economic diversification needs solid legal and regulatory framework conditions. According to the Fraser’s Institute Economic Freedom of the World 2021, Iraq accounts to the least free economies in the world (rank 148 out 165).³⁰ Opening its

market to foreign companies by actively attracting foreign investors and enhancing international trade by protection on the one hand and offering incentives on the other hand will ensure that desperately needed advanced technology, skills and know-how are transferred to Iraq. Also, trade cooperation with developed regions such as the EU are essential for sustainable market growth. Lastly, allocating part of the oil revenues in Sovereign Wealth Fund (SWF) like its neighboring countries Kuwait and UAE, could protect the local economy from boom-bust cycles.³¹

²⁹ (Tollast, et al., 2020)

³⁰ (Fraser Institute, 2021)

³¹ (Nakhle, 2021)

Main sectors



Oil & Gas

Iraq's economy is dominated by the oil industry. This sector accounts for nearly 100% of its exports and more than 90% of government revenues.³² At the same time the sector provides for only 1% of the labor force.³³ Iraq is the world's fifth largest oil producer (6%) and globally ranks 5th for holding 8% of the world's proven reserves.³⁴ Iraq's other natural resources include natural gas (12th largest proven reserves), phosphate and sulphur.³⁵

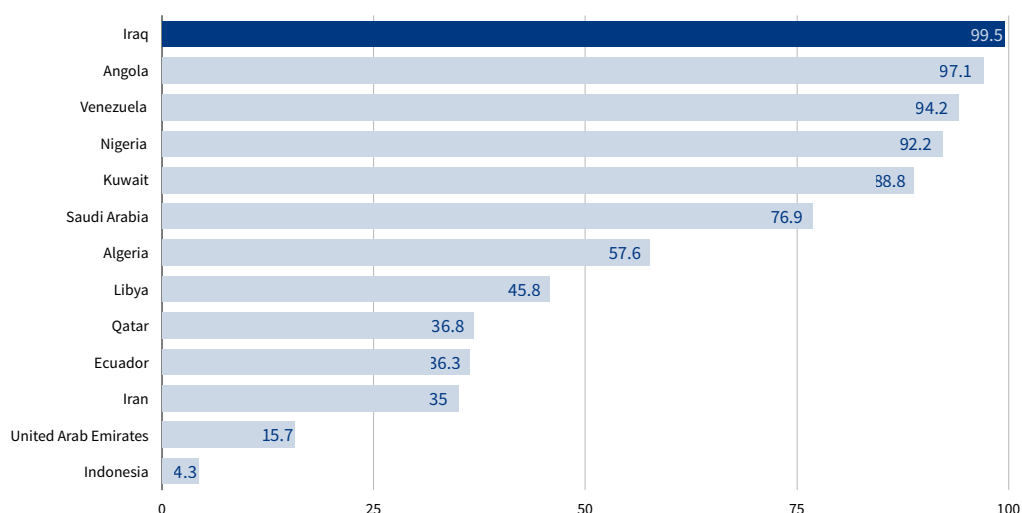


Figure 2:³⁶Oil Exports as a Percentage of Total Exports

Source: OPEC Members



Industry

Industry accounts for 51% of GDP and employs more than 22.35% of the work force. The main sectors are processed food and beverages, metal processing and

furniture. Small businesses comprise 96.9% of Iraq's industrial establishments while the remaining percentage are medium and larger corporations.⁴⁰

³² (World Bank Group, 2018)

³³ (United Nations Iraq, 2013)

³⁴ (World Bank Group, 2017)

³⁵ (Organization of the Petroleum Exporting Countries, 2019)

³⁶ (Organization of the Petroleum Exporting Countries, 2019)

⁴⁰ (KAPITA, 2020)



Agriculture

Although the agricultural sector accounts for only 3% of Iraq's total GDP it employs 17,79 % of the total labor force.⁴¹ 30% of Iraq's area or 12 million hectares can be potentially used for agricultural production. But due to limitations, such as soil salinity, drought, shortage of irrigation water in summer, fallowing and the unstable political situation, it is estimated that the average area cropped each year ranges from 3 to 4 million hectares. A considerable portion of the land is under irrigation but still highly dependent on rain-fed agriculture for grain production and sheep



Services industry

The service sector accounts for approximately 46% of Iraq's economy and employs more than half of Iraq's total working population. Government and banking are two of the biggest segments

husbandry. The rain-fed agriculture is more practiced in the north while in the south water is drawn from the rivers.⁴²

Hence, small-scale farming systems dominate the sector and are typically characterized by traditional methods and minimal capital investments. This results in low productivity. Decades of wars, sanctions, weather change, and poor government policies have transformed Iraq from a country that could cover its needs to a net food importer.^{43,44}

within the service industry⁴⁵ Retail, tourism (religious and cultural), telecommunications and the private security sector are also significant contributors to the Iraqi service industry.⁴⁶

⁴¹ (World Bank, 2020)

⁴² (Tollast, et al., 2020)

⁴³ (Food and Agriculture Organization of the United Nations , 2020)

⁴⁴ (Food and Agriculture , 2021)

⁴⁵ (1001 Iraqi Thoughts , 2017)

⁴⁶ (MCGOURTY, 2008)

German–Iraqi Business Relations – Highest trade volume among EU-Countries

Germany looks back on long economic relationships with Iraq. Mid-70s exports to Iraq were 2.3 billion Deutsche Mark ⁴⁷ (considering exchange rate and inflation it would be equivalent to 3.4 billion Euros today) making Germany the largest supplier to Iraq at that time (in comparison to approximately 700 million EUR over the last few years). Iraqis mainly import machinery, electrical engineering products, pharmaceuticals, measurement and control technology, motor vehicles and parts, and food. ⁴⁸ Hundreds of German

companies are regularly trading with Iraq, but only few dozen maintain a local representation. German companies provide numerous forms of trade and investment in Iraq (e.g., passport and ID-Card printing, power supply, stable and fast internet access, safety on the streets, state of art irrigation systems, and machinery for food processing). German products and services enjoy a good reputation due to their high quality, durability and after-sales services provided by companies.

Nisrin Khalil

AHK Iraq - Director Iraq

⁴⁷ (Der Spiegel, 1975)

⁴⁸ (Glosauer, 2019)

A photograph of an oil and gas industrial site at sunset. In the foreground, there are large white storage tanks and a complex network of pipes and valves. In the background, a tall drilling rig is silhouetted against the bright orange and yellow glow of the setting sun. The sky is a deep blue.

OIL & GAS

Iraq's future economic growth and political stability is linked to the success of its energy sector. Both have suffered over the last four decades from conflict and international sanctions. The country's hydrocarbon reserves are one of the largest in the world, however, the supporting physical infrastructure is in disrepair, and some of the industries that would supply services to the hydrocarbon sector and/or depend on the hydrocarbon resource are non-existent. This has created various high growth opportunities for prospective international corporations, businesses, and investors that are interested in the domestic upstream, midstream, and downstream segments of the oil and gas sector.

Federal Iraq (FI), excluding the semi-autonomous, northeast Kurdistan Region, is governed by the Federal Government (FG), which operates from Baghdad. The Kurdistan Regional Government (KRG) is the official ruling entity of the semi-autonomous, northeast region of Kurdistan (KRI). The KRG has been involved in several disputes with FG over its sovereignty. In September 2017, a non-binding referendum on independence resulted in 90% approval. After the referendum, Iraqi federal forces retook control over the city of Kirkuk and the surrounding oil-fields, which had been administered by the KRG to protect them from ISIS after June, 2014.

Officially, Iraq understands the importance of international and private enterprises in developing a sustainable and profitable energy sector. Therefore, any market opportunities in the hydrocarbon sector must be challenged through a customized business proposition,

- that satisfies Iraq's domestic energy demand reliably in terms of commodities, volumes, and prices,
- maximises fiscal revenues for FG and KRG,
- creates opportunities to diversify the energy mix and expands the non-hydrocarbon sector's contribution to economic growth,
- enables employment opportunities for the local population,
- and, minimises the negative impact on the local environment.

Iraq's economic growth is highly correlated to the upstream oil segment. Oil rents account for 40% of GDP and 91% of government revenues.ⁱ In 1Q2020, following the start of the COVID-19 pandemic, the collapse in global oil prices created an economic and budgetary crisis. As its contribution to the OPEC+ alliance, oil production was reduced to 3.6 Mbbl / d between May – July 2020 and to 3.8 Mbbl / d for the remainder of the year.

Iraq is the 5th largest producer of oil globally and the 2nd largest producer among its OPEC peers. The country holds 145 billion barrels (Bbbl) of oil reserves, the 3rd largest in the Middle East, 8% of the world's proven reserves. This oil is entirely onshore and conventional, and is mostly contained in 7 supergiant fields: West Qurna, Rumaila, Majnoon, Kirkuk, East Baghdad, Zubair, and Bin Umar.ⁱⁱ

Iraq currently produces 4.1 Mbbl / d, which increased by 7% / year on average over the last decade up to 4.8 Mbbl / d in 2019, before being cut in 2020. This is divided into four main export grades. Basrah Light (31.4 API gravity, 2.7% sulphur), Basrah Medium (27.9 API, 3% sulphur) and Basrah Heavy (24 API, 4.05% sulphur) are exported from southern Iraq, and Kirkuk (34 API, 2.3% sulphur) from Turkey via pipeline to Ceyhan. Southern exports are comprised of about 40% Basrah Light, 32% Basrah Medium and 28% Basrah Heavyⁱⁱⁱ. Iraq mostly sells its crudes on term contracts to end-users (refiners), while the international

companies working on its fields also receive equity allocations for sale.

Between 2009 – 2012, the Ministry of Oil (MOO), which regulates the hydrocarbon sector under the administration of the FG, awarded Technical Service Contracts (TSC) to several international oil companies (IOCs) to develop and increase production across twelve large oil fields. Four contracts were awarded in June 2009 through an auction process known as Round 1 to enhance the development of oil fields already under production. Seven additional contracts were awarded in December 2009 through Round 2 to develop new oil fields. In both auctions, TSCs were awarded based on the IOC's proposed remuneration fees per barrel of oil and plateau production volumes. Further rounds followed for gas, exploration, and new fields, with the 5th Round of April 2018 still not fully signed. Nearly all the awarded fields are in the southern provinces of Basra, Dhi Qar, Missan and Wasit.

The bid rounds attracted a variety of mostly large Western, Chinese, Russian, Japanese and other companies, of whom key players include BP (Rumaila field), CNPC / PetroChina (Rumaila, Ahdab, Halfaya), ENI (Zubair), ExxonMobil (West Qurna-1), Lukoil (West Qurna-2 and Eridu), Gazprom Neft (Badra), Petronas (Gharraf), CNOOC (Missan cluster), Zhenhua (East Baghdad), Sonangol (Qayyarah), Rosneft (Salman) and UEG and Dragon Oil (Faihaa). Some of these companies have expressed

unhappiness with the profitability of the terms and the difficulties in working in Iraq, and exited or considered exiting, including Shell and Petronas from Majnoon, and most recently ExxonMobil in the West Qurna-1 project.

In contrast to the MOO, the Ministry of Natural Resources (MNR), which regulates the hydrocarbons sector in KRI under the KRG administration, awards IOCs a Production Sharing Agreement (PSC). The federal government has disputed the legality of these PSCs. KRG-controlled areas have estimated proven oil reserves of 3 Bbbl. Often-quoted KRG estimates as high as 45 Bbbl, which include unproven reserves and reserves across disputed oil fields in Kirkuk, should not be relied on.^{iv} The KRI exports about 420 kbbl / day, nearly all via the pipeline through Turkey to Ceyhan. This is produced by a group of mainly smaller international oil companies including DNO, Genel, Gulf Keystone, Taqa, HKN and others, along with local Kurdish

KAR Group, which operates Khurmala, the northern part of the Kirkuk field, the larger firms Gazprom Neft, Rosneft and Chevron, as well as the gas-producing Pearl Petroleum consortium. Pearl operates the region's only producing non-associated gas field, Khor Mor, the key source of fuel for the KRI's power plants, which is being expanded to produce 690 Mcf / day by April 2023.

Iraq's target is to expand its oil production capacity to 7 Mbbl / d from the current 5 Mbbl / d.^v In order to achieve this, the FG will continue to monitor and expand its Basrah Light development, particularly across important fields: West Qurna 1 & 2, Rumaila, Zubair, and Majnoon. Iraq's upstream segment enjoys low extraction costs, which is mainly attributed to an uncomplicated geology, the availability of relatively immature supergiant fields across little populated and non-arable terrains, and their close proximity to coastal shipping terminals and ports.

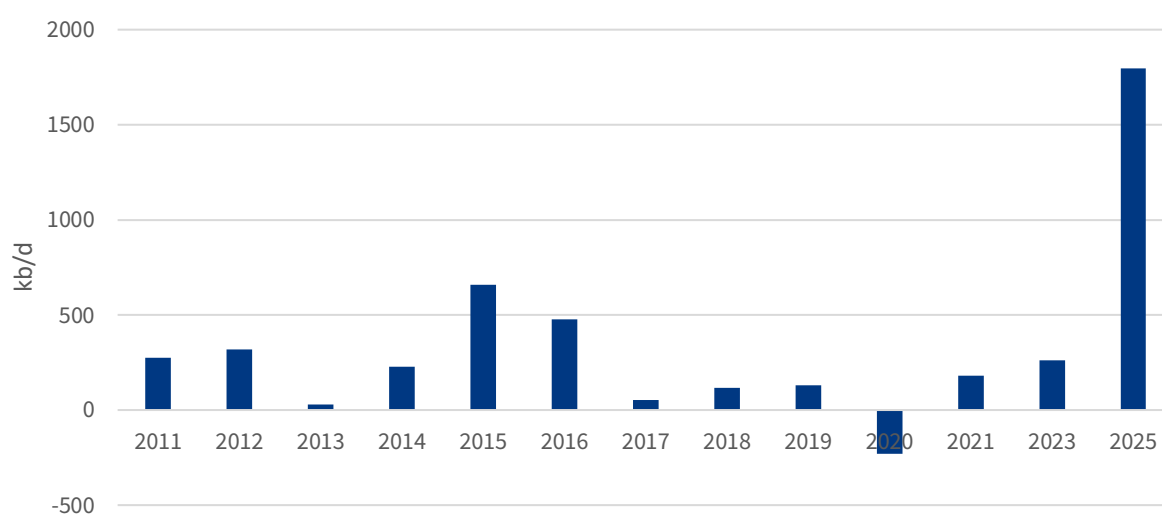


FIGURE 3: IRAQ PRODUCTION GROWTH FORECAST^{vi}

Further major increases in oil production require a significant increase in gas and water injection, in order to maintain reservoir pressure to increase recovery.

Iraq's Southern Oil Company (SOC) is currently undertaking the Common Seawater Supply Project (CSSP), which will treat seawater from the Gulf and transport it via pipelines to oil production facilities. The project is estimated to supply 5 Mbbl / d of water with plans to expand it to 7.5 Mbbl / d.^{vii} Normally, major southern oil fields require 1.3 - 1.5 barrels of water injection to produce a barrel of oil.^{viii} The expected project start year has been pushed back several times due to management changes, administrative delays, contract negotiation disagreements, and financial hurdles. Once the project work begins, it could take at least three years to complete. The Total Energies Company is seeking to finalize a contract for the CSSP, with an estimated cost of 4 bn USD for the first phase.

Further development of the oil production capacity will open various opportunities for international and private enterprises relating to deeper drilling horizons, gathering seismic and well data, developing the infrastructure for water injection and oil evacuation, providing oilfield services and equipment, civil engineering, and supporting services including legal, human resources, training, IT, administration, and others. However, new entrants will have to be prepared for

risk and barriers to entry, associated with the lack of transparency in contract awarding, complex and changing legal, tax and visa regulations, delayed payment, demands to provide local employment, relations with local communities and influential parties, FG – KRG disputes over oil rights, and a generally manageable but volatile security situation.

Iraq's midstream and downstream segment consists of international oil exports and the production of refined petroleum products. In 2020, Iraq exported 4 Mbbl / d, mostly shipped from the southern terminals. The Asia-Pacific region, mainly India, China, and South Korea, is the major destinations for Basrah Light exports and account for 68% of Iraq's total seaborne oil exports, while Europe accounts for 25. In 2018, the FG and KRG reached an agreement to export ~100 Kbbl / d from oil fields in Kirkuk to the port of Ceyhan in Turkey. Iraq also exports a small volume of its Basrah Heavy and Kirkuk grades via land routes to Jordan and Turkey. Basrah Light exports to these Asian markets are expected to fall in 2021 as Iraq reduced annual supplies to several Indian refiners by up to 20%, mainly due to OPEC+ production cuts. This is also partly due to the launch of the new sour crude grade Basra Medium in January, splitting Basra Light into two grades to improve crude quality.

As Iraq expands its oil production and exports, it will require additional

investments in expanding its existing storage and export infrastructure. Oil Marketing Company (SOMO), a unit of MOO, is the only company in Iraq that is legally authorised to market Iraqi crude through export terminals such as Basrah, Khor Al Amaya, and Ceyhan. In 2021, SOMO operated a total storage capacity of 10 Mbbl and plans to increase it by 9 Mbbl.

Some of the oil pipelines such as the Kirkuk to Fishkhabur, and Kirkuk to Banias (Syria) and to Tripoli (Lebanon) lines, are not operational, whereas other pipelines such as the south-north Strategic Pipeline are partially operational. These pipelines have suffered substantial damage over the years and reconstruction work will require large investments. Currently, only two major

export pipelines in northern Iraq are operational, the 0.2 Mbbl / d Tawke to Fishkhabur oil pipeline and the 1 Mbbl / d Khurmala Dome to Fishkhabur oil pipeline. Both pipelines were constructed by the KRG and their international partners, and export oil via the Turkish segment of the Kirkuk-Ceyhan pipeline. Work on Sea Line 3 pipelines to boost the country's southern crude export capacity is still on hold. Iraq had planned to complete Sea Line 3, which will expand capacity by 700 kbbl / day, by 2Q2020. The delay was caused mainly by the difficult market conditions and lower price environment. A 1 Mbbl / d pipeline to Aqaba in Jordan would provide another independent export route but has been under lengthy discussion and the cost of \$5-7 billion is challenging to finance.

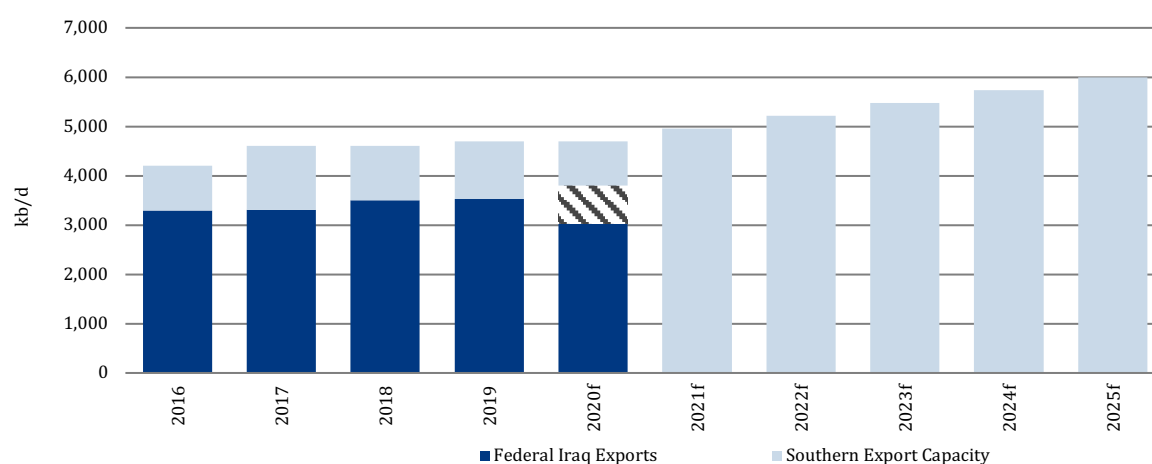


FIGURE 4: IRAQ EXPORT CAPACITY GROWTH FORECAST^{ix}

Iraq's own petroleum consumption is mostly supplied through its domestic refining and processing infrastructure, which has a total nameplate capacity of 1.2 Mbbl / d and an effective capacity of 0.9

Mbbl / d. The differential is mainly attributed to destruction of much of the Baiji refinery and other smaller units during the war against the Islamic State (ISIS) insurgency. Iraq's unsophisticated

refineries produce far more fuel oil than it consumes and insufficient levels of petroleum, gasoil, and LPG, which has created a substantial import requirement. The petroleum produced by domestic refineries is of low quality and characterized by a high sulphur content, lead additives, and low octane ratings. Surplus fuel oil is blended back into crude oil.

This production misalignment and the poor quality of petroleum products is mainly attributed to the simple configuration of the Iraqi refineries, which lack deep conversion units such as catalytic crackers and cokers, and hydrotreaters for desulphurisation.

The MOO is currently addressing some of these issues by upgrading existing refining and processing infrastructure by adding new units that are capable of producing higher-octane petrol. In July 2021, the MOO awarded a contract to build a new 300 kbbl / d integrated refining and petrochemicals complex in the southern region of Al Faw to a Chinese engineering company, CNCEC. In addition to this, a 140 kbbl / d Karbala refinery is currently under development through a South Korean joint venture led by Hyundai E&C, GS E&C, and SK E&C, which is expected to produce 70 kbbl / d when Phase I achieves commercial operations in September 2021. The refinery will produce LPG, motor gasoline, kerosene, heavy diesel, fuel oil, bitumen, and solid sulphur. Basrah refinery is also undergoing an upgrade, which will increase its total processing capacity from 210 kbbl / d to

280 kbbl / d. The upgrade work is undertaken by France-based Axen, which is installing new technologies such as a diesel hydrotreatment unit, a vacuum gas oil (VGO) hydrotreating unit, a VGO fluid catalytic cracker unit, and an oligomerization unit to expand its gasoline and diesel production while also improving fuel quality.

The MOO also intends to improve the existing midstream infrastructure for the domestic distribution of refined petroleum products, which continues to present various challenges in terms of transportation, storage, metering, and retail. The pipeline network for fuel oil and the road tanker fleet needs to be upgraded to transport stranded volumes of fuel oil to power plants and industrial facilities. Petroleum and gasoil storage capacity has to be expanded and to widen geographical coverage. The installation of meters at injection and withdrawal points across the distribution network has to be completed in order to provide accurate information on volume flows and control stations, given regular reports of fuel theft and diversion.

As the MOO continues to enhance its midstream and downstream infrastructure, international energy firms and infrastructure developers could help enhance the poor conditions of the domestic oil pipeline network, expand the oil evacuation and storage capacity in the southern region, and improve the product yield and quality for the existing refining infrastructure.

Iraq has an estimated 125 trillion cubic feet (Tcf) of proven natural gas reserves, the 11th largest in the world. Of this, 70% are associated reserves concentrated across the supergiant oil fields of Rumaila, West Qurna, Bin Umar, and Zubair; 20% are non-associated reserves that do not have a substantial oil content; and 10% are “dome-gas” that is found on top of oil reserves.^x Beyond the identified reserves, the country has significant potential for additional gas discoveries in the Western Desert and in deeper horizons in southern

Iraq, that are yet to be fully explored. These additional resources could raise Iraq’s total reserves to as high as 280 Tcf.

Currently, Iraq captures 1 Bcf / d of gas, which has increased by 5% / year over the last decade. 62% of production is flared due to the lack of processing and evacuation capacity at various oil fields. This has not only wasted a precious resource but leads to high emissions of greenhouse gases and air pollutants.

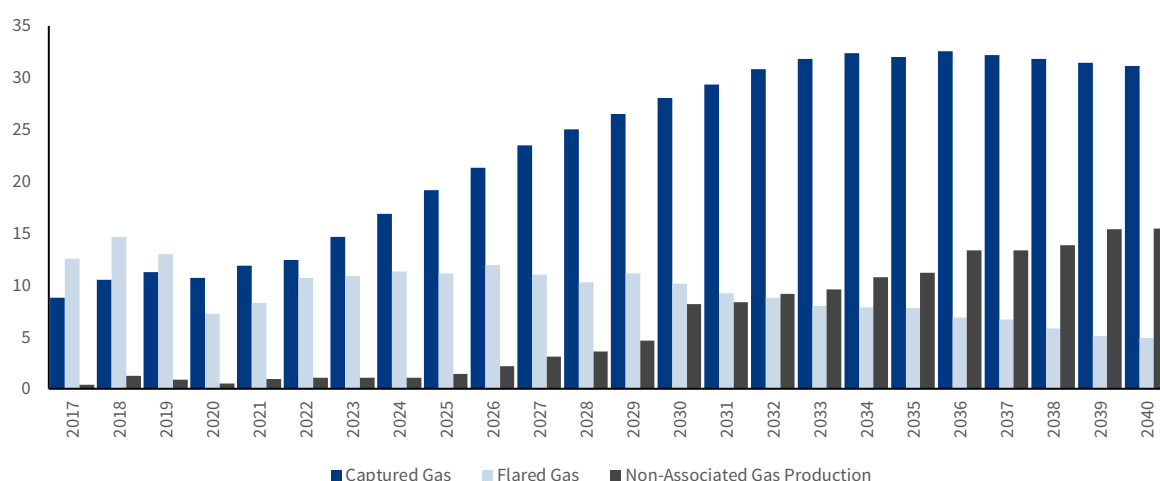


FIGURE 5: FI'S GAS PRODUCTION PROFILE UNTIL 2040, SHOWING CAPTURED AND FLARED GAS VOLUMES, BCM/Y^{xi}

Until the supporting infrastructure is developed, much of Iraq’s associated gas production will remain stranded. The country’s gas processing facilities suffer from inadequate maintenance and some of its pipeline infrastructure is also damaged, which continues to restrict supplies to the populous central region.

Recently, Iraq announced plans to spend 15 bn US\$ to boost its gas production as it works on reducing reliance on Iranian energy imports. Along with other partners,

Iraq intends to use the investment to increase gas production to 4 Bcf / d, enough to produce 16 GW of power (current total operational generating capacity is about 19 GW at maximum). Amongst the projects is a 3 bn US\$ development plan for Basrah Gas Company (BGC), where Royal Dutch Shell, Mitsubishi Corporation, and Iraq’s state-owned South Gas Company (SGC) are shareholders, holding 44%, 5% and 51% respectively. The plan is to increase its production to 1.4 Bcf / d from the current 1 Bcf / d by 2025. However, Shell

is said to be looking at selling its stake in the venture. Iraq is looking at an ultimate plan for BGC to reach 2.4 Bcf / d of production over an unspecified period of time. Another project is that of the TotalEnergies Company, which plans to build infrastructure to collect and treat up to 600 Mcf / d of associated gas from 5 oilfields, Ratawi, West Qurna-2, Majnoon, Tuba, and Luhais.

Furthermore, in April 2021, Sinopec entered into a 25-year agreement with state-owned Midland Oil Company (MOC) to help capture and process gas from the Mansuriyah field, in the Diyala province near the border with Iran, and boost output to 300 Mcf / d as a targeted production level.

In June 2021, the International Finance Corporation signed a 5-year loan agreement with BGC, which will be used to boost its current capacity to treat and process associated gas by 40% (400 Mcf / d). Currently, BGC has an average annual production of 900 Mcf / d, capturing around 60% of gas from Rumaila, West Qurna-1, and Zubair. BGC will use the loan to fund the construction of a new gas processing plant: Basrah Gas Liquid Extraction Plant. Raising associated gas would also relatively lower Iraq's dependency on Iranian gas and electricity imports, which were halted in power projects in FI or to supply gas-generated electricity directly.

The primary objective for Iraq is to manage the future balance of gas supply and its offtake. In order to achieve this, the FG and KRG will need to establish long-term gas

June 2021 as Iran awaits Iraq's release of payments for electricity after falling into arrears.

As result of the domestic shortage in gas, power projects are forced to use expensive and less efficient substitutes such as crude oil, diesel, and fuel oil. Iraq currently uses 28 kbbl / d of crude oil as direct-burn feedstock for electricity generation, which has declined significantly from 169 kbbl / d in 2016. The shortage of gas has also hampered the industrial sector's ability to develop linked industries such as fertilisers, petrochemicals, steel, and aluminium production. Iraq's gas is rich in ethane, which is a high value commodity used for industrial purposes; however, it continues to be required for less valuable use in electricity generation.

In order to meet its rising demand, Iraq is highly dependent on politically risky and sanctions-prone supplies from Iran. In 2017, Iraq began importing gas from Iran to its main demand centres in Baghdad. In 2019, gas imports averaged 857 Mcf / d, which generated 23% of the country's electricity.^{xii} In an effort to diversify its gas imports from Iran, talks have begun between the FG and KRG. The KRG is looking to develop its resources across KRI and supply gas to

sales contracts and pipeline connections with neighbouring countries, and ensure a long-term and sustainable supply by developing non-associated reserves. This will likely open various opportunities for international infrastructure developers, IOCs, and industrial companies in

developing Iraq's associated and non-associated reserves, reconstructing the country's gas distribution and processing capacity, expanding the gas-based electricity generation capacity, and the production of high-value industrial commodities such as fertilisers, petrochemicals, cement, aluminium, steel, and cement.

As Iraq's energy sector expands, international and private participation not only provides a source of capital but also a source of investment discipline, which can help enhance standards of financial accountability and transparency, serve as a reality check on the economic viability of investments, and provide a pathway for the introduction of world-class technology and expertise.

By

Robin Mills

CEO - Qamar Energy

Ahmed A Zaheer

Consultant - Qamar Energy

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AGRICULTURE IN IRAQ

Overview

Historically, thanks to its two rivers, Iraq is known for its promising agriculture sector. Agricultural lands spread from the western side of the country, where most of the seeds are grown, to the eastern side where different crops and livestock are supplied. The farther we march to the south the richer the lands become, making agribusiness more viable. The southern region is also known for its marshes. These marshes provide a natural source of most of the country's fish supplies. The marshes also play a crucial role in irrigation, providing a vast reservoir that maintains hydration for most of the agricultural lands in the south. Also, the Kurdish Region of Iraq (KRI) in the north contains much fertile land.

Iraq's main crops include dates, wheat, barley, grapes, pomegranate, orange, tomato, eggplant, dairy products, poultry, and meat.

However, after 2003 (due to many reasons, including the sectarian conflicts, the fragility of the security system, and corruption) the agribusiness curve started trending downward. This left the country solely dependent on its neighbours to supply the basic needs. Further, the geopolitical conflicts in the region left the country with lower shares of its water supply because of upstream neighbours building dams on its two main rivers. These reasons pushed most farmers to abandon their lands and to migrate to the cities.

In today's world, agriculture accounts for around 3 % of the total national income⁴⁹

The Ministry of Agriculture manages the agriculture in Iraq. The figure below highlights the structure of the ministry and its main companies and directorates⁵⁰.

⁴⁹ (worldbank, 2021)

⁵⁰ (Iraqi Ministry of Agriculture, 2020)

Companies	General Directories	Directories
Mesopotamia General Company for Seeds	Veterinary	15 Directorate distributed in 15 provinces
General Company for Agriculture Supply	Agriculture Investments	
	Livestock	
	Seeds Inspection	
	Agricultural Land	
	Training	
	Research	
	Gardening	
	Gardening	
	Forests and desertification	
	Crop protection	

Table 1: ministry of agriculture

Opportunities

The recent economic crisis and the drop of oil prices stressed the need for the Iraqi government to pay more attention to the agriculture sector in efforts to reach self-sufficiency again after decades of neglect. In addition, the agriculture sector helps in job creation in the country. The newly formed government stated that rehabilitating the agriculture sector is one of its main priorities. There is hope that the

newly formed government in Iraq will go this extra mile to achieve that goal.

In the meantime, Atabahs (religious entities in Karbala and Najaf) are the leading stakeholder in the agribusiness sector in Iraq. They have mega projects in agriculture and livestock, that include modern irrigation systems and mega palm plantations⁵¹

⁵¹ (Imam Hussein Shrine, 2020)

They are:

- Imam Hussein agricultural city (by Imam Hussein Shrine):
- This 1,000-acre project was established in 2009. The land is situated between Najaf and Karbala cities. Different crops are produced in this project and include different grains for the livestock. This farmland has met the domestic need for tomato crops in Karbala and other cities.
- Abu Al-Ahrar agricultural city in Karbala (by Imam Hussein Shrine):
- Containing over 5,500 acres of land, it is used to produce wheat and barley as well as some fruits and livestock.
- Al Firdous Farm (by the Abbasid Holy Shrine in Karbala) is used to produce wheat.
- Fadak Farm in Najaf was established by the Imam Ali Holy Shrine in 2011 and extends over an area of 8,000 acres. The farm is used to produce a variety of vegetables and grains. It contains two fish farms and is also used to grow livestock.
- Karbala Fadak Farm (by Imam Hussein Shrine) produces dates, pomegranate, figs, and grapes.¹

In addition, there are many other projects that are financed and managed by the private sector that specializes in dairy products and livestock, such as the Diwaniyah Poultry Project.

Tenders of Ministry of Agriculture could be found in Ministry of Agriculture's website.⁵²

Investment opportunities in the mentioned sector could be found in the website of the National Investment Commission website.⁵³

Opportunities in KRI could be found from Ministry of Agriculture and Water Resources in the Region.⁵⁴

⁵² <http://zeraa.gov.iq/>

⁵³ <https://investpromo.gov.iq/sectors/agriculture-sector/agriculture-sector-opportunities>

⁵⁴ <https://gov.krd/english/government/entities/moawr/>

Agriculture Bank

Established in 1935, the Agriculture Bank provides loans for small and medium agribusinesses with an interest rate of 5% to 8%⁵⁵. The bank has more than 42 branches disseminated across the country to provide farmers with low interest loans to maintain their projects ⁵⁶. Information about lending criteria is provided in Iraqi Ministry of Agriculture.⁵⁷



By

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq

⁵⁵ (Agricultural Bank, 2021)

⁵⁶ (Iraqi Ministry of Agriculture, 2020)

⁵⁷ <http://zeraa.gov.iq/>



HEALTHCARE SECTOR

Overview

Iraq had the best healthcare system in the Region in the 1970s and the 1980s. In addition, the Baghdad Medical City hospital was then the largest of its kind in the Middle East. However, after decades of neglect due to the international sanctions and war, Iraq's healthcare services dropped significantly while Iraq experienced a significant increase in population. The population grew from 7 million in the 1960s to 40 million in 2021.

War and terrorism affected the sector hugely. For instance, Daesh destroyed major hospitals across some Iraqi cities (i.e., Mosul and Ramadi). Moreover, Iraq has been affected by the migration of many Iraqi doctors to abroad. In fact, 15,000 Iraqi doctors have left the country since 2003⁵⁸. According to a report by the UK Home Office, Iraq has 1.1 hospital beds and 0.8 doctors per 1000 people, whereas the Kurdistan region of Iraq (KRI) has 1.5 beds and 1.4 doctors per 1000 people⁵⁹

The lack of services in this sector has led many Iraqis to seek treatment in other countries like Jordan, India, and Turkey.

Despite the challenges, the Government of Iraq (GoI) has expressed its willingness to develop the sector by building new hospitals, rebuilding the demolished ones, training the local staff up to international standards, and paving the road for foreign private companies to invest in Iraq. For instance, officials in the Kurdish Region of Iraq (KRI) have expressed their desire that their region become a medical destination in Middle East.

In 2011, the total number of hospitals in Federal Iraq (public and private) was 236⁶⁰. Within the Kurdish Region of Iraq there are 99 hospitals, 40 of them are private⁶¹.

It is noteworthy that Iraq has the highest expenditure rate (58% of direct payment)

⁵⁸ (Levine, 2020)

⁵⁹ (Home Office, 2021)

⁶⁰ (National Investment Commission, 2011)

⁶¹ (Invest in Group, 2013)

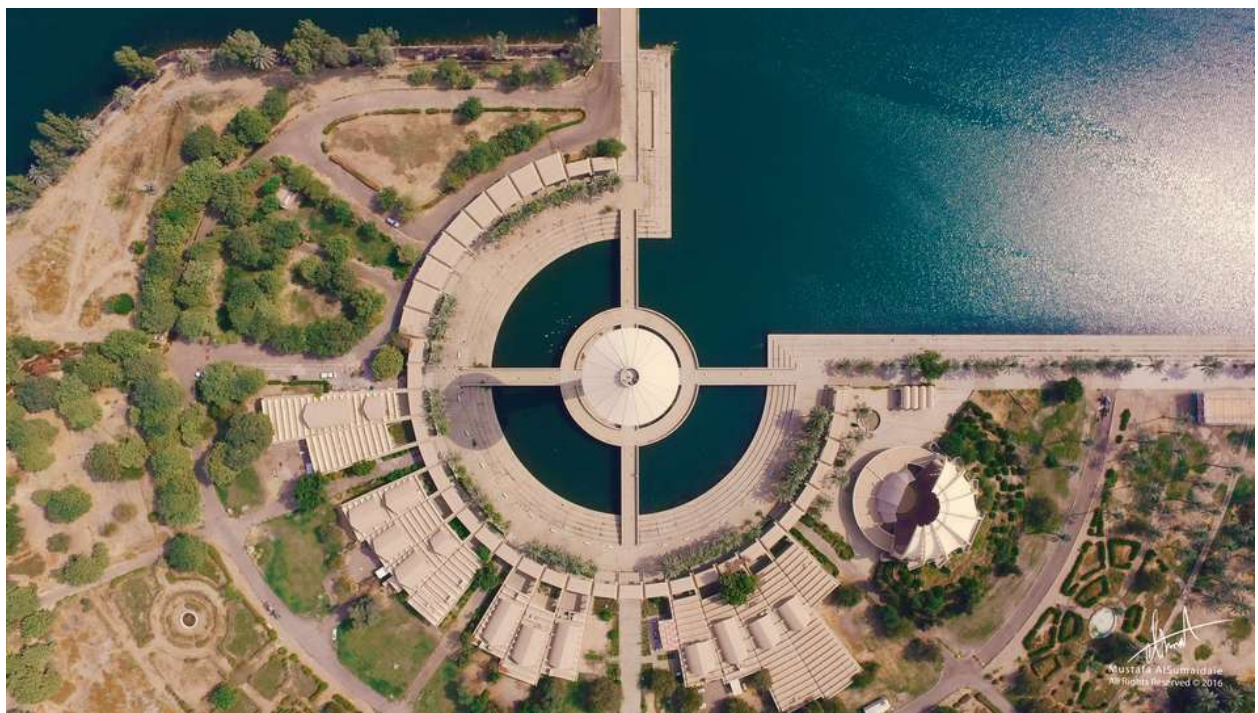
from Iraqis to the private healthcare providers in the region⁶².

Within the last few years many Turkish hospitals have also been opened in Iraq.

The Healthcare System in Iraq is centralized. However, there has been some

shift in the past few years by delegating some authority to governorates.

Iraq doesn't currently have a health insurance system, and about 96.4% of Iraqis are without medical insurance⁶³.



⁶² (Munir, 2021)

⁶³ (Irfad, 2014)

Healthcare Structure in Iraq

Healthcare sector in Iraq is divided mainly into:

1. Public sector:

This sector is financed through the national annual budget in 2021 the total expenditures of health sector in the federal annual budget was around 2 billion USD, forming only 2.3% of the total budget ¹.

- Teaching and general hospitals. That is classified into general hospitals, women's and children's hospitals, emergency hospitals, and 126 specialized hospitals.
- Health centers. According to Kapita, these centers provide preventive, diagnostic, curative, and emergency services on a 24/7 basis for cases that require treatment, also provides training, education, and research opportunities.
- Primary medical care. In Iraq there are 2538 primary healthcare centers and sub-centers that serves an average of 20,000 to 30,000 people with preventive, diagnostic and curative services.

2. Private sector, which includes:

- Private hospitals.
- Clinics.
- Medical complexes.¹

Pharmaceuticals

All pharmaceuticals and medical supplies in public and private sector are subject to the monitoring and evaluation of Ministry of Health through certain specifications. Pharmaceuticals form 35% of the total consumer expenditure of the healthcare sector, with a market worth about \$3.5- 4 billion ⁶⁴ . International companies that

would like to import pharmaceuticals to Iraq need to be registered with the MoH or cooperate with local companies that are already registered. For instance, there are 8,600 trade drugs registered with the MoH and 28 national pharmaceutical companies. ⁶⁵

⁶⁴ (Langhause, 2020)

⁶⁵ (Kapita, 2021, p. 19)

Business Opportunities

1. Public Healthcare Sector

Entities that are responsible for the Public Healthcare sector in Iraq are:

- a. Ministry of Health and Environment (MoH): Is responsible for the healthcare sector in Iraq in general and large related projects (i.e., building major hospitals).
- b. Prime Minister's Advisory Commission (PMAC). This office is linked to the Prime Minister's Office (PMO) and has a unit concerned with healthcare.
- c. Local governorate: Local governorates are responsible for projects of smaller scale at their cities.
- d. Ministry of Health of KRI. This ministry is responsible for the healthcare sector in the KRI.

Potential projects in the public sector

- a. Through Kimadia, MoH is importing pharmaceuticals and medical equipment. Tenders can be found in Kimadia's website.⁶⁶
- b. Both MoH and PMAC have expressed the deep desire of the government to work with reputable international companies on total management of hospitals (i.e. implementing an international system, digitalization of the work, training of the staff, bringing health insurance solutions, etc.) The PMAC is open to suggestions from companies in this regard. Tenders of MoH could be in MoH's website.⁶⁷

Contact details:

Ministry of health

Address: Bab Al- Mua'adam, Baghdad, Iraq.

Email: minister-office@moh.gov.iq / tech.deputy@moh.gov.iq
/gen.projects@moh.gov.iq

⁶⁶ <http://kimadia.iq/en>

⁶⁷ <https://moh.gov.iq/>

- c. Hospitals: Investment opportunities to build hospitals in Iraq can be found on the website of the National Investment Commission⁶⁸

It is worthwhile to mention that Iraqi Government through NIC, and the State Company for Drugs and Medical Appliances announced an investment opportunity for international companies to rehabilitate Samara drugs plant through modernization of the plant by participating in management and production.

Contact details:

Address: International Zone, Baghdad, Iraq.

Email: info@investpromo.gov.iq

The Ministry of Health in KRI is responsible for opportunities in KRI¹

Contact details of the Minister, Dr. Saman Barzangy:

Email: dr_shbarzangy@yahoo.com

Address: Jihad Street, Erbil, Iraq

2. Private Healthcare Sector

As mentioned earlier, the Private Healthcare Sector in Iraq consists of private hospitals and scientific bureaus which focus on pharmaceuticals and medical equipment.

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⁶⁸ <https://investpromo.gov.iq/sectors/health-sector/health-sector-opportunities/>

ELECTRICITY AND RENEWABLE ENERGY - IRAQ

Overview of Iraq Electricity Sector

The electricity shortage in Iraq has been worsening since 2003. The gap between supply and demand has widened since then (Figure 3). The peak demand in the summer of 2021 is not known exactly but

was forecasted to reach 39,400 MW according to the International Energy Agency (IEA) ⁸⁰, while the generation capacity and imported power hovered below 21,000 MW.

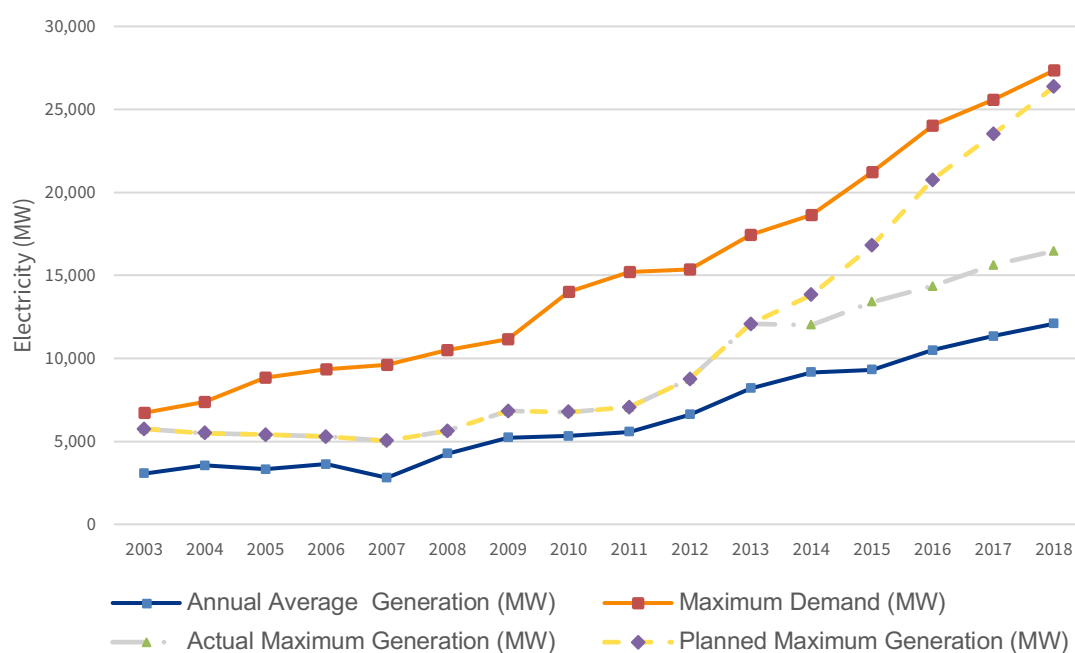


FIGURE 3 – GENERATION PORTFOLIO (2003 – 2018) [SOURCE: MOE, IEI]

The shortfall has once again resulted an immense load shedding⁸¹, especially as the

imported electricity and fuel gas from neighboring Iran was reduced to their

⁸⁰ IEA (2019), [Iraq's Energy Sector: A Roadmap to a Brighter Future](#), IEA, Paris

⁸¹ The average Iraqi household receives eight hours per day during peak demand periods.

lowest levels, dashing down any hopes to ease the shortage any time soon⁸². But the government is hopeful to develop key projects that could boost Iraq's gas capacity by 3 billion cubic standard feet by 2025 to put an end of gas flaring from oil sites and invest in the free gas fields⁸³.

Iraq electricity annual growth is expected to continue between 7 – 10% and the peak demand is predicted to reach 67,800 MW by 2030 (Figure 4)⁸⁴.

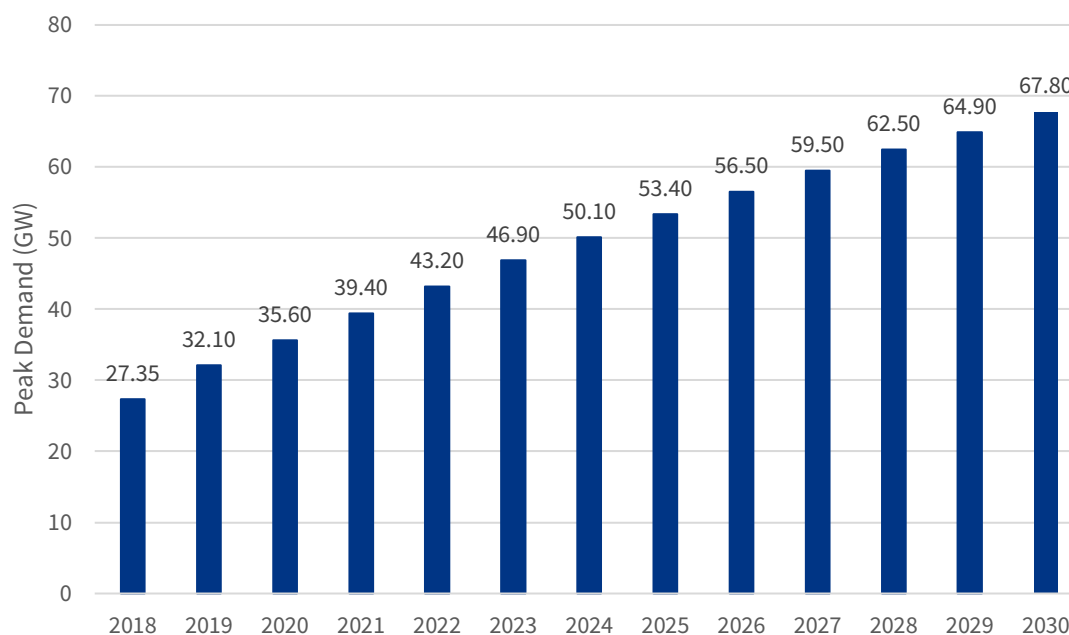


FIGURE 4 – DEMAND FORECAST (2018 – 2030) [SOURCE: IEA]

BUSINESS PROSPECTS

The Ministry of Electricity (MoE) has outlined a series of goals and incentives directed at increasing the sector's capacity by encouraging domestic and foreign investors to build, operate, and supply the country's energy needs. The participation of the private sector is seen by the government as one way to improve the generation capacity to meet the country's

future demand. Several IPP projects have been implemented since 2017, including Basmaya CCGT (3,000 MW), Rumaila CCGT (3,000 MW), Amara (brownfield) power expansion (250 MW) and Maysan CCGT (650 MW).

The government enlisted the energy company Siemens Energy AG in April 2019 as part of a US\$ 15 billion contract to

⁸² Reuters, [Reduction of Iranian gas supplied to Iraq leads to power system loss -ministry](#) (August 10, 2021).

⁸³ Associated Press, [AP Interview: Iraq oil minister says gas sector a priority](#) (June 11, 2021)

⁸⁴ IEA (2019), [Iraq's Energy Sector: A Roadmap to a Brighter Future](#), IEA, Paris

implement a phased rehabilitation and reconstruction of the electricity infrastructure over four years⁸⁵. Under the “Roadmap for the Electrification of the New Iraq”, Siemens Energy and the government agreed on an overhaul plan that includes efforts to reduce energy losses, introduction of smart grids, strengthening of the transmission grid, rehabilitation of existing power plants, addition of new generation capacities, and connecting Iraq to the Arab Gulf region⁸⁶.

Electricity Sector Challenges and Risks

The electricity sector in Iraq is considered lucrative business for some local and foreign investors and contractors, but it is important to understand the risks and

Besides Siemens, the Iraqi authorities have awarded several multibillion contracts to build gas capturing and processing infrastructure that will be used for power generation, including Basra Gas Company (BGC)⁸⁷, Orion Gas⁸⁸, and China Petroleum Engineering & Construction Corporation (CPECC) which have already made investments in these processes. Iraq has also finalized a \$27 billion-plus deal with the French energy firm TOTAL to build a massive gas processing plant near the copious Basra oil fields⁸⁹.

challenges which businesses should be aware prior to entering the market for better business decision making.

Security

Security has been a major concern for many foreign businesses entering the Iraqi market. Despite the war against ISIS ended in 2017, daily attacks on the security forces are reported. The Iraq power grid has

become a target, and the MoE announced this year that serial attacks on transmission pylons have been conducted by terrorist groups⁹⁰.

⁸⁵

<https://press.siemens.com/global/en/pressrelease/siemens-and-iraqi-government-sign-roadmap-implementation-agreement>

⁸⁶ Sujata Ashwarya, [Iraq's Power Sector: Problems and Prospects](#) - Georgetown Journal of International Affairs (January 13, 2020).

⁸⁷ Argus Media, [Iraq gets \\$360m World Bank financing to cut gas flaring](#) (29 June 2021)

⁸⁸ Reuters, Iraq, [Orion sign deal to process gas from giant oilfield](#) (January 22, 2018)

⁸⁹ Reuters, [Iraq and Total sign \\$27 billion energy projects deal](#) (September 5, 2021)

⁹⁰ Asharq Al-Awsat, [‘Power Towers War’ Impacts 14 Pylons in 3 Iraqi Provinces](#) (6 August, 2021)

Electricity Tariff

The electricity tariff in Iraq is very low and 10-12 times below the recovery cost (180.7 IQD per-kWh). Revenue collection is very poor. The estimated aggregated commercial and technical losses was 58 % in 2017⁹¹. The electricity supplied by the government (Wataniyah) is heavily subsidized, leading to minimal incentive to the consumer to use electricity efficiently. Iraq's tariff starts at 10 IQD per kWh for the first block (up to 1,500 kWh) of energy consumption, unit prices are incremental and reaches up to 120 IQD per kWh for energy consumption more than 4,000 kWh for residential consumers. The low rates encouraged the consumers to use more grid electricity for cooling and heating. However, it will be unjustifiable for the government to convince the public to pay higher tariff rates until the quality and continuous supply of electricity are achieved. Electricity theft and tampering energy meters are among many challenges that public distribution companies are facing. Private companies were hired in recent years for payment collection, but most of the contracts were terminated for various reasons.



⁹¹ Iraq Energy Institute, [Residential Electricity Subsidies in Iraq: Exploring Options for Reform](#) (March 19, 2020)

Sovereign Guarantees

The security situation, political mayhem, economic downturn, and outdated legal laws are among many issues which are not providing the confidence for the investors and lenders to fund capital intensive assets such as power projects. Sovereign guarantees have been used in the past to

fund public service projects including electricity. However, due to sharp rise of the debt-to-GDP ratio, the Iraqi Ministry of Finance (MoF) have been reluctant to provide sovereign guarantees for certain projects.

Oil Price and COVID-19 Pandemic

Iraq's economy excessively depends on international oil prices to finance the federal budget. The oil price vulnerability spurred by COVID-19 pandemic has drastically reduced Iraq's revenue in 2021 forcing the government to take austerity measures including devaluing the Iraqi Dinar by 20%.⁹² Limitations were placed on

financing of government contracts and tenders, which is the source of many commercial opportunities in Iraq. The government has turned to international financing institutions and lenders for assistance and loans to fund urgent and critically important projects including electricity.

Land Rights

The National Investment Commission is in charge of allocating lands that are owned by the state for investment projects. The National Investment Law extends to all

sectors, except for investments in the production and extraction of oil and natural gas and investments in the banking and insurance sector⁹³.

Electricity Outlook

The Iraq Energy Institute (IEI) estimates that Iraq would require US\$ 40 billions of investment in the electricity sector to achieve the stated goal of full 24/7 electrification by 2030. The private sector would most likely have to account for a

significant share of that investment. Strong government institutional capacities and a favorable investment climate are the likely preconditions for private investment to step in⁹⁴.

⁹² The 2021 federal budget was 129 trillion IQD (US\$ 89 billion) and the budget deficit was estimated at 28.7 trillion IQD (US\$ 19.79 billion).

⁹³ Commercial Law Development Program, [Legal Guide to Investing in Power Generation in Iraq](#), Washington DC.

⁹⁴ Iraq Energy Institute, [Residential Electricity Subsidies in Iraq: Exploring Options for Reform](#) (March 19, 2020)

The projections for electricity demand in Iraq point to the following developments:

- The demand will nearly double over the next 15 years;
- Most growth in demand will take place mainly in main load centers such as Baghdad, Basra and Mosul;
- Natural gas and crude oil will continue to be the largest growing form of fuel supplies for electricity generation (Figure 5). But natural gas might start losing its shine as the largest contributor to generation mix when solar and other renewable energy sources will take its place, as Iraq is planning to add 10,000 MW of solar energy in the next 10 years¹.

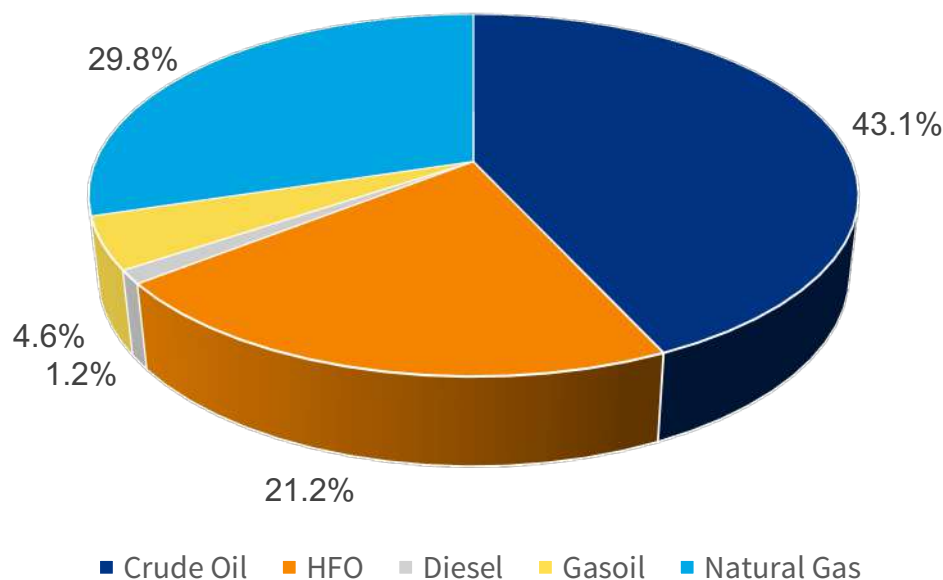


FIGURE 5 – FUEL MIX (2019) [SOURCE: MOE]

Most such projections on energy transition to clean and green energy are based on a set of contestable assumptions about the future of Iraq oil production; the rate of technology diffusion; whether future elasticity will mirror those of the past; whether rates of income growth (GDP) and present demographic trends (population growth) are sustainable; and above all, in the case of the Iraq, that there will be a major reform of the electricity sector and

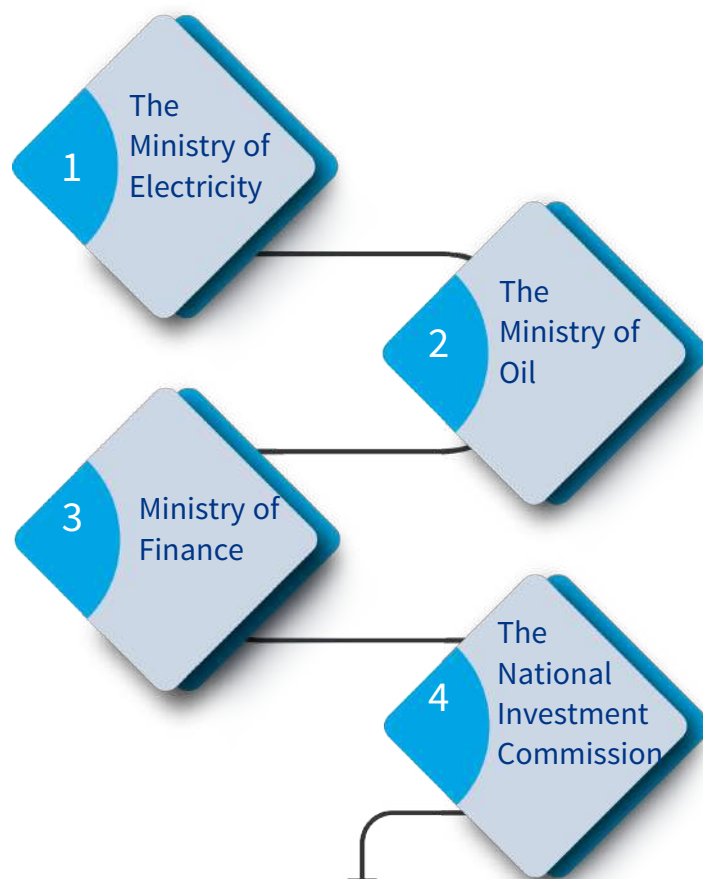
change in energy policy toward more free energy market. The reality is that changes in policy have to occur as early as possible, in particular in response to Iraq's approval of the Paris Agreement to combat global warming. The move signifies Iraq's intent to transition from heavy dependence on oil to

more renewable energy sources⁹⁵. What is of interest about these projections is Iraq's plan to increase its crude production to 7 million barrels per day by 2027 for financing the debilitate economy.

Besides the utility scale of solar power plants, the small size of solar power

systems will make them suitable for rural electrification and off-grid settings⁹⁶. Also, the introduction of more competition in the power sector to lower the Levelized Cost of Electricity (LCOE) by introducing a dynamic wholesale and retail competitive market will pave the way for more renewable energy participation.

Main Stakeholders:



⁹⁵ Al-Monitor, [Iraq approves Paris climate accord in step toward curtailing oil dependence](#) (January 20, 2021)

⁹⁶ Noam Raydan and Harry Istepanian, [Despite scorching heat, solar power remains mirage in Iraq](#), Amwaj.media (Mar. 23, 2021)

The Ministry of Electricity

The Ministry of Electricity of Iraq is responsible for both the policymaking and the electricity supply throughout the country (excluding KRI). The operational functions (power generation, transmission, load dispatch and distribution) are conducted by 18 geographically based

directorates within MoE. The MoE determines Iraq's power sector investment needs and either enters into direct negotiations or issues a request for proposals in connection with a proposed project.

The Ministry of Oil

The MoO is responsible for Iraq's oil and gas industry. The Ministry operates and manages 16 state-owned oil companies and five training centers or institutes focused on

the oil and gas industry. In the context of power generation, the MoO is required to provide 100% of the feedstock necessary to operate an independent power producer.

Ministry of Finance

The Ministry of Finance is the Iraq government agency responsible for public finance of projects and banking regulation

The National Investment Commission

The NIC is formed by the government to attract foreign direct investments into Iraq under the Investment Law No. 13 of 2006 (the National Investment Law). The National Investment Law provides several strategic initiatives including tax incentives, investor guarantees, and obligations of investors. The NIC is responsible for all national policies for investment and to serve as

promoter, facilitator, monitor, and policy advisor for investments in Iraq. The NIC specializes in strategic investment projects of a federal nature exclusively and monitors the implementation of guidelines and instructions in investment.

By

Harry Istepanian

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ELECTRICITY AND RENEWABLE ENERGY – KURDISTAN REGION IRAQ

In this article we will briefly describe the power sector in Iraq. We are focusing on the Kurdistan Region Iraq (KRI), the opportunities of the private sector participation, and the challenges facing the power system and investors.

The power sector in the Kurdistan Region Iraq (KRI)

The electricity sector in KRI and Iraq is under the authority of the Ministry of Electricity (MoE). The MoE, KRI owns all transmission and distribution facilities, hydroelectric power plants, a new thermal power plant, and a few older thermal generating plants. The installed generation capacity is (6.6 GW), while the available capacity is less than 3.5 GW. The availability of generation is currently constrained by fuel supply. It is worth mentioning that more than 90 percent of the generation capacity is owned and operated by independent power producers (IPP's).

The transmission system in KRI composed 132 kV overhead and underground transmission lines and 132/33 kV and 132/11 kV substations, and some of the 400 kV assets. The 33 and 11 kV and low voltage

networks are considered as part of the distribution system.⁹⁷

The access to the electricity grid is more than 99% and the grid currently services 1.7 million customers. Unfortunately, people suffer from several hours of power interruption, especially in the summer and winter which means it's a good time to give more focus on power sector as long as there is a huge demand.

In 2020 the average load shedding reaches 7 hours. This is because of the huge gap between the power generation and the load demand, as shown in Figure 1.

In this situation we see new chances to build more sources of power generation to avoid depending on little source of power.

⁹⁷ (Anon., 2021)

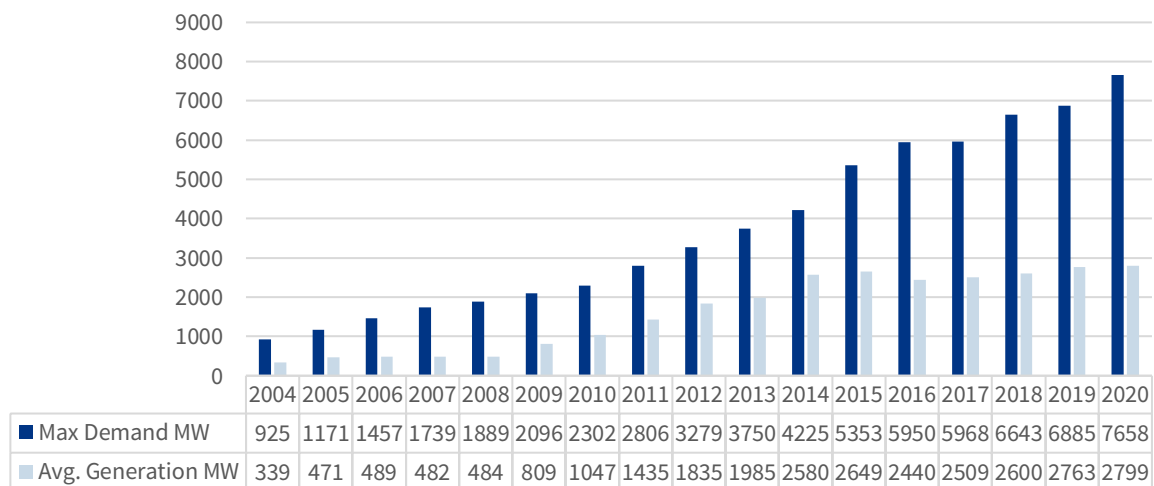


FIGURE 6: MAX. DEMAND VS. AVERAGE GENERATION IN KRI (2004 – 2020)⁹⁸(UPDATED BY THE AUTHOR)

The peak power demand forecast for the next 10 years is depicted in Figure 2.

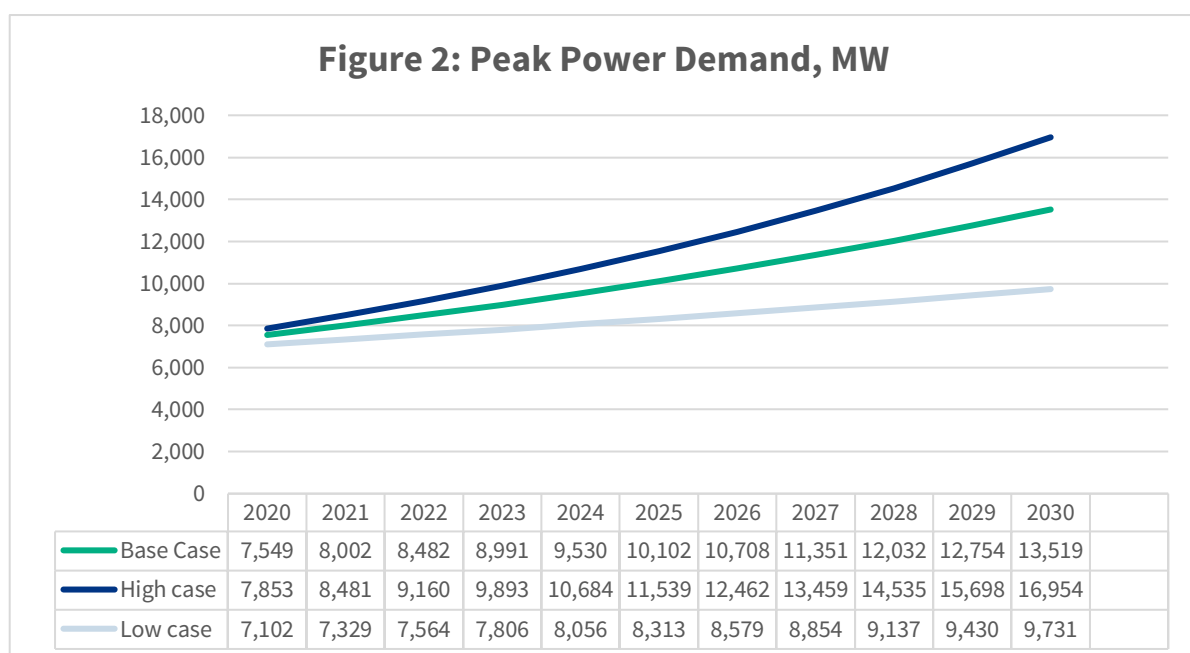


FIGURE 7: PEAK POWER DEMAND FORECAST FOR THE NEXT 10 YEARS⁹⁹ (PREPARED BY THE AUTHOR)

⁹⁸ (Hasan, 2018)

⁹⁹ (Kareem, 2020)

Privatization in the power sector

Privatization in the electricity sector is currently mainly in the generation sector in the form of locally-owned IPP's. The IPP's are contracted to deliver electricity into the transmission grid via take-or-pay power purchase agreements (PPA's)¹⁰⁰ (p 58). Now,

the MoE is working on a proposal for the privatization of the distribution sector. It will cover the maintenance, billing, managing, expansion, operation obligations, and losses reduction.

The required investment to achieve the reform

The World Bank as a part of a reform roadmap issued the study "ECA - KRG PSP PSP Transmission Final Report" in 2016. The study estimated the required investment for strengthening the transmission grid to be US\$ 2.5 billion from 2017 up to 2025 in two stages¹⁰¹. (p vii) It's worth mentioning that during the past 4 years funding has not been available and very few of the projects from the first stage have been implemented as proposed. Hence, we can estimate the amount mentioned above for the next 8 years. That investment is required to modernize older 132kV equipment, increase network capacity and reduce network losses.

Another study developed by the (UNICON Limited) and funded by the World Bank in 2016, had identified the distribution infrastructure and reform initiatives to improve business performance and financial sustainability for the 10 years i.e. 2016 – 2025 amounts to US\$ 1.375 billion¹⁰².

In the unsaturated market of KRI and Iraq there are many chances to invest in new projects and develop old ways of generating power. In the last 10 years, KRI has adopted many new specialists in the power sector who developed their education level in western countries. They are currently serving in KRI and Iraq society and can offer a good opportunity for Iraq to benefit from them.

Renewable energy

Iraq and Kurdistan Region has enormous solar potential. However, it does not yet play any significant role in the power system in the region. The average daily

solar radiation in Kurdistan Region is around 5 [\(kWh/m²/day\)](#)¹⁰³, twice the daily

¹⁰⁰ (Anon., 2016, p. 58)

¹⁰¹ (Anon., 2016)

¹⁰² (Anon., 2016, p. 106)

¹⁰³ (Hasan, 2018)

potential of Berlin¹⁰⁴ and slightly less than the daily potential of the state of California¹⁰⁵.

As a part of the vision 2030 of Kurdistan Region, the MoE has planned the installation of 900 MW peak solar power project which will be installed by the private sector. Also, the MoE has a plan to install (6) dams and hydropower generation stations which will generate (457 MW) during the next 10 years¹⁰⁶. The result could be doubled and tripled by getting benefit from outsourcing the knowledge and education in power field to be invested in KRI and Iraq.

Smart Grid Project

The MoE is now implementing the smart metering project. The project consisting of the deployment of 1.5 million smart meters for all customers in the Kurdistan Region. Referring to the monthly report of July 2021 of the project, 783,500 meters are already

A Renewable Energy Agency (REA) is proposed by the World Bank to promote the commercial development and supply of modern renewable energy products and services through the private sector¹⁰⁷.

Recently, the MoE has conducted the first draft of the regulations for the solar generation which will accelerate the achievement of the investment plan mentioned above and also will encourage customers to build roof-top solar panels.

installed which is counted as 52% of the total meters¹⁰⁸. The main advantage of this project is reducing outage time, preventing energy theft, improving the billing system, enabling effective system management, and improving reliability

¹⁰⁴ <https://solargis.com/maps-and-gis-data/download/germany>

¹⁰⁵ <https://solargis.com/maps-and-gis-data/download/usa>

¹⁰⁶ (Anon., 2019)

¹⁰⁷ (Anon., 2016, p. 36)

¹⁰⁸ (Anon., 2021)

Challenges

The power sector in Iraq and Kurdistan Region Iraq (KRI) is facing many challenges.

- The lack of an independent regulator is certainly a deterrent to attracting foreign private investors in the sector. An interim electricity regulator is proposed by the World Bank which can form the groundwork for the establishment of an independent system regulator. This is an essential enabler for international Private Sector Participation.
- The infrastructure is geographically widely spread
- Existing infrastructure is in some cases degraded and inefficient, in other cases overloaded. Technical losses are relatively high.
- Illegal connections are very common. Electricity tariffs are too low and not cost reflective¹⁰⁹.

Finally, from this article it's obvious that there are many opportunities in a variety of fields to make investment in the Iraq and Kurdistan power system. Also, all the resources for successful investments exist (e.g., a long-term plan and clear written view for the next 10 years, gas and oil, water resources, great manpower, and a very good relationship with developed countries).

By

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¹⁰⁹ (Anon., 2016, p. 150)



IRAQI ENTREPRENEUR'S PERSPECTIVE ON HISTORY, BUSINESS OPPORTUNITIES, AND CHALLENGES IN THE IRAQI INDUSTRY

First - The size of the Iraqi market

The Iraqi society was known to be one of the countries in the Middle East that spends the most on its life (to include basic materials for life, consumption, and entertainment).

It is a social nature inherited in the origins of the Iraqi people. Therefore, the Iraqi markets are considered most attractive for selling goods, and thus became a focus of attention all producers in the region.

Neighboring countries are racing to conclude trade exchange agreements with Iraq, knowing in advance the size of the Iraqi market for a people of 40 million and population growth rate of 2.3% yearly, which is the highest in the Middle East (officially registered for the year 2019). Iraq's population will reach 50 million people for the year 2030 according to the official publication (Central Statistical Organization - Iraqi Ministry of Planning www.cosit.gov.iq).

Second - History and an overview of the main industries in Iraq

What has been known about Iraq historically is a reservoir of natural and mineral wealth, being the country of the land of Mesopotamia, and the land of blackness for the abundance of agricultural products and crops and the richness of its land. Major industries have emerged since

the fifties of the last century in the light of an economic renaissance that the country witnessed during the royal era with the establishment of the Council of Reconstruction, and established at that time a variety of industries, including.

1. Construction (cement, bricks, alabaster, ceramic, gypsum, and glass).
2. Mineral wealth (sulfur and urea)
3. Textiles (clothes, fabrics, blankets, and carpets)
4. Oil derivatives (plastic, vehicle fuel and improved additives).
5. Food (canned food, mills, oils, soap, detergents, packaging of dates and their products, cigarettes, and drinks)
6. Heavy engineering equipment.
7. Electronic equipment (TVs, radios, telephones, and computers)
8. Simple industries (bicycles, batteries, tires, and leather industries)

However, most of these industries have become obsolete for many reasons, including:

A . The unfair nationalization of private sector companies that eliminated these industries by:

1. (Law No. 100 nationalizing banks in Iraq on July 14, 1964), and its first article states: All non-governmental banks and banks operating in Iraq, including branches of foreign banks, are nationalized, and their ownership reverts to the state, including movable and immovable funds registered in its name.
2. On the same day, Law No. 99 was issued nationalizing the Iraqi private companies that own and established the above industries.

Here ended the story of capitalism in Iraq, and the dawn of socialist laws were established in subsequent eras, causing the extinction of the national industry.

This occurred at a time when other Gulf countries were just building a capitalist system based on commercial agencies.

B . The forceful and harsh conditions that Iraq's economy has experienced since 1980 (the date of the outbreak of the Iraq-Iran war) and the subsequent state of disasters and international embargo in the nineties of the last century, and the resulting political instability until 2003

Third - Review of the Industry and Minerals Sector

The industrial sector in Iraq is one of the most important components of the non-oil economy, and the Ministry of Industry and Minerals is the mainstay of industrial policy.

In Iraq, its strategies to encourage and promote investment are based on the guidelines set by the amended investment law of 2006. It also manages government companies and seeks to develop them in cooperation with those wishing to invest to raise the efficiency of their performance. It has identified several projects through which it wants to attract foreign investments to it, especially since this ministry has a group of investment rules and regulations.

Law No. 22 of 1997 on government companies focuses on rehabilitating existing factories that use capital and special expertise. The law allows government companies to enter into agreements with foreign investors under production sharing agreements along with Investment Law No. 13 of 2006 in terms of encouraging investment and protecting investments. foreigners in this sector from other economic sectors.

The Ministry of Industry and Minerals launched in 2005 an ambitious program to grant licenses and start establishing joint projects and production sharing agreements to encourage investment in this sector, where the investor undertakes all rehabilitation, management, and operation of the factory at his own expense

within the framework of the investment concept proposed by the ministry in return for a share of the production that is accomplished within a specified period of 15 to 20 years. The investor is free to suggest the rehabilitation of factories by repairing existing equipment or installing new equipment, where the Ministry is an active partner and provides investors with the available data as well as assisting it in arranging entry visas for technical teams to the sites of the stations.

The developments in the field included an evaluation of proposals to reduce the volume of imports to enhance local production and ensure a package of comprehensive reforms that ensure greater protection of the interests of investors and help maintain a framework for sustainable investment for government institutions. Rehabilitation of this sector will result in new production capacities and the strengthening of existing legal provisions.

Iraq currently owns a variety of light and heavy industries, such as carpet factories and wheel assembly, as well as pharmaceutical, petrochemical, fertilizer, and many others. It is hoped that state-owned enterprises will play an important role in providing both the government and the private industry with the required products and services considering a series of reforms of a technical and administrative nature and investment orientations to improve its performance and production.

Fourth- International/ Foreign Companies' Opportunity

Personally, I can say and consider that Iraq is one of the countries having the most potential, desirable, and encouraging investment opportunities, not only in the Middle East but in the whole world, where it is possible to see the bright side in all the challenges set out above through the following:

1. If you didn't start yet, it is better for you than to start and return the ball to bear the costs of development, modernization, and change. The years of downtime and harshness above kept Iraq away from establishing industries of all kinds (small, medium, and large). Because of the modernization of global systems of technology industry, Iraq has an advantage in the economic feasibility of establishing new industry (without the need to re-tool existing industries that are outdated or have become outdated technologies).
2. Iraq has a large youthful work force, with approximately 400,000 workers graduating from Iraqi universities yearly in different specializations and professions who are eager to find a job opportunity.
3. Iraq has the largest percentage of people who are able to work, in terms of the number of the total population (57%). They ensure the provision of the most important foundations for the establishment of various types of industries. Also, we can consider that Iraqi people are among the best in the world in terms of the percentage of young people who give the most. More than 68% of the Iraqi population is under the age of thirty, according to the statistics of the Iraqi Ministry of Planning (www.ina.iq/128002).
4. Iraq is recognized by the low salaries for workers and professionals compared to salaries in neighboring countries. The average monthly wage of the Iraqi worker is 400-600 US Dollars and the average wage for the beginner specialist is 700-1000 US Dollars per month. Therefore, this item enhances the feasibility of establishing Industries that compete with their counterparts in neighboring countries or China.
5. Iraq is characterized by cheap fuel to ensure the establishment of competitive industries feasibility, as Iraq ranks second in the world in terms of oil production. Iraq is the second largest producer in the Organization of Petroleum Exporting Countries (OPEC), after the Kingdom of Saudi Arabia.

6. Iraq is in a strategic position in the global and regional economic map in terms of:

- a. Its position in the middle or near the most important oil field projects in the world. The feasibility of establishing industries related to the extraction of oil and its derivatives and the heavy engineering equipment that enter into oil and energy operations create an advantage for Iraq to compete with its counterparts in other countries, as it will shorten and save expensive transportation fees for this equipment due to its very high weights.
- b. Although Iraq is not on the global shipping route that links the most important sites of global industries in East Asia with consumers in the West of the world, Iraq's location constitutes the most competitively feasible in the construction of service industries, transportation equipment technology, road and railway construction, and customs clearance and transit systems.

Fifth - Economic Threats

None of the world's countries are devoid of economic challenges, knowing that they vary relatively according to the most important political situation after that the economic situation. This is surely related mainly to reality and the political scene, among the challenges that obstructs the implementation of strategies for establishing industries:

1. The state of political instability since Iraq is located within headache-causing areas and hot confrontations in the midst of old and new regional political conflicts. But the relative stability witnessed by the current political situation is the result of the realization of the local political forces that there is no escape, and there is no alternative to construction necessities (economic) to ensure that it will enhance the country's security, social and political stability. This comes after the country witnessed the war with ISIS after long years of bloody sectarian wars that ravaged the country after 2003 until 2008.
2. Difficult competition with industries and financial forces with neighboring countries have been witnessed since the nineties of the last century. The establishment of industries in their countries depend mainly on the Iraqi market for the exchange of goods. Therefore, these investment forces use the method of political influence to ensure the survival of their presence in the Iraqi market, and curbs the establishment of any national industries, which will certainly lead to the atrophy of their feasibility

Sixth - The Legal Framework for Industrial Investment in Iraq

Many regulations and laws are concerned with the establishment of national industries and the mechanisms of foreign investment in Iraq. The Iraqi official authorities concerned with this topic are:

1. The National Investment Commission.

The below link shows industrial investment opportunities, investment laws, facilities, exemptions, and privileges that are granted under the law:

<https://investpromo.gov.iq/investor-guide-2/>

2. Ministry of Industry and Minerals. This Ministry is officially considered the party responsible for the file of major national industries, and you can visit its website below to see the laws and mechanisms of establishing industrial projects and industrial investment opportunities currently offered. Industrial investment in Iraq is also governed by Law No. 20 of 1998 in force, a copy of which is above link for information.

Contact details of the Ministry of Industry and Minerals

minister.office@industry.gov.iq

deputycentral@industry.gov.iq

Tech.deputy@industry.gov.iq

Seventh - Future Expectations and Directions

There is no alternative to Iraq (except industry) in the post-oil era. All specialized economic oil-era platforms expect to see decline during the next two decades from rising climate pollution (due to the bad use of natural resources) and other countries establishing industries that depend on renewable energy (including solar and wind) that will damage the oil market.

Since Iraq depends mainly on oil as its main financial revenue (constituting 92% of its financial resources), the oil decline will impact a large percentage of the Iraq

people who depend on it to secure their living income.

There is no alternative to the necessity of directing the establishment of an alternative economy. The time factor to do this is known to be unforgiving and will not be merciful to those who fail to initiate and begin. The alternative economy recognizes industry and agriculture as two sides of its coin.

Therefore, all official Iraqi strategies acknowledge the necessity of directing this alternative, including the white paper approved by the Iraqi authorities a year ago.

The white paper is a reference dictionary for economic reform mechanisms and for

ways to shift towards an economy that is not dependent on oil as a primary resource.

By

Adham al Fakhar

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IRAQI EXPERT'S PERSPECTIVE ON RISKS AND RISK MITIGATION IN THE IRAQI INDUSTRY

First: Overview of the Iraqi market

The manufacturing industry is the main engine of economic and industrial development through its performance and active role in the formation of the domestic product. Its importance lies in its influential role in protecting the national industry by increasing exports and reducing its capacity to absorb the huge numbers of labor and its ability to achieve

technological progress. The availability of requirements for the advancement and development of the manufacturing industry to enhance its competitiveness has become an urgent necessity that does not bear procrastination or qualification. Rather, it has become a national task par excellence with all its economic, social, and even political dimensions.

Second: Industrial Projects in Iraq

Iraq has plenty of space for all kinds of industries, which are now abundantly available

A. Food industries of all kinds and with two types: packaging and production & packaging:

1. Imported manufacturing material that is packaged in production lines (e.g., packaging of nuts, flavorings, and juice concentrates).
2. Food production and packaging with or without mixing with Imported material (e.g., tomato juice, mineral water, juices, and ice cream).
3. Fish farming.
4. Poultry and eggs.
5. Modern cultivation of seasonal and the few products (e.g., mushroom and truffles).

- B. Plastic industries of all kinds for the consumer or for production factories and the raw material is divided into two parts:

1. Imported
2. Recycled

- C. Metal industries and the production of iron/aluminum metals (recycling of metal waste in Iraq) and the use of iron in the production of building materials of all kinds, and the manufacture of aluminum as well as in the production of soft drink cans.
- D. Petrochemical industries such as cement and materials used in construction and chemicals such as detergents and cleaning materials.
- E. Automotive industry (assembly production line)
- F. Printing and advertising
- G. Power industry and electric power processing and distribution.

The projects that can be developed are

- A. Decorative aluminum industries for homes and institutions, for interior and exterior designs.
- B. Decorative industrial plastics for homes and institutions for interior and exterior designs.
- C. Manufacture of decorative wood for homes and institutions for interior and exterior designs.
- D. Clothes
- E. Auto spare parts
- F. Household electrical appliances

The Iraqi market's dependence on these above products is limited to imports, and there is no real industry for these material types in Iraq in the public and private sectors.

Third: The Projects that Iraq Needs

Projects that Iraq needs are divided into two main parts:

The private sector:

In which competition is very difficult because of the easy entry of cheap goods, such as Turkish, Iranian, and Chinese goods in particular. Compared to the German industry, production costs will be large, and sales are less due to the reputation about the high prices of original European products or products with European prerogative (in general or German in particular). The Iraqi consumer favors goods with cheap prices.

However, there is a way to get into the Iraqi market for the private sector regarding the Germany goods, which is machines and production machines. Only through this way can German investors promote German goods with good profit returns.

It is worth noting that the food industries and most entrepreneurs favor European products. They like the German products that come with efficiency and high productivity (e.g., modern construction equipment and machinery).

I believe that with reasonable discounts and by opening agencies for strong

German brands, German companies can have a strong market that competes with Italian, French, Swedish and Canadian goods in the fields of food, textiles, color printing, industrial equipment, industrial workshops, and even heavy industries such as iron, cement, and modern construction equipment and machinery.

It is necessary to target the mid-level and large class of productive industries in Iraq and to enter into the field of supplying equipment that serves large industrial projects.

There are no risks in terms of industrial projects in the private sector due to the lack of direct contact with any kind of risks. The Iraqi customer will deal with these risks.

The strength lies in the public Iraq sector of state facilities and giant investments projects. The need is in the goods that the private sector supplies. To this day, there are investors who import goods from Germany and bring them into Iraq to meet the needs of the public Iraqi sector (and this will continue for a long time).

The public sector (which is divided into two main parts)

Infrastructure:

Iraq is a country that suffers from poor services and infrastructure comprehensively (roads and bridges, sewage, water and water resources, electric power, housing and construction, communication networks, transportation, and even public recreational facilities). Each of these branches has details and more ramifications. For example, in electricity you need generating stations (e.g., 132 KVA generating stations will need energy transmission, and after the energy transfer, it will require the presence of reduction and distribution stations from 132 KV to 33 KV and then power transmission and then reduction to 11 KV and distribution to industrial projects or conversion to 0.4 KV to reach the consumer represented by the citizen shop and home). In another example (such as transportation), Iraq needs safe and fast transportation in all its branches, especially the railways or the metro system, to reduce the intensity of traffic and jams (which have reached the limit of delays by an hour per 5 km in some areas). River transport can be an excellent project, or cable cars that reach between the two ends of the cities on the banks of the Tigris and Euphrates rivers for many cities, especially the capital city. I can refer (to those interested) three articulated sites that need such a service for entertainment and transportation at the same time. We can also think more about the Iraqi airspace, which currently represents the most crowded crossing for



flights. Therefore, a giant airport project to be a transit station is needed to restore Iraq to its natural position as a link between Europe and Asia (instead of Turkey, Qatar and the United Arab Emirates).

All of the above projects can be successful investment projects, and the Iraqi market will accept them more when they are under German sponsorship. The obstacles in the face of such projects are few and can be

solved by legal formulas and well-thought-out and profitable contracts that guarantee the right of the investor and the beneficiary. There are two main problems included within these obstacles. The first is financing, which leads us to the second point. Investors in this field will also face risks (which can be overcome and invested as a profitable project at the same time - and I will explain that later).

Money management

The projects mentioned in paragraph 1 are done by investing in state institutions and entering into investment and development contracts for factories, laboratories and ministries that have become available to investors. On a personal level (from my personal experience), I am a project manager at the KUNZ-gmbh Company, and I have led and completed 5 (HFO) power plant projects for the North Oil Company through a partnership contract between our company and the Al-Zawraa State Company (which manufactures, markets, and concludes contracts with beneficiaries from state departments according to the contracting law). Any product required by the public sector must obtain certification that there is no possibility in factories and the capabilities of government ministries to implement. Then, transfer can be made to the private sector for implementation through tenders.

State companies and their institutions used to give an operating advance of up to 25% of the value of the contracts.

Previously, many frauds occurred through fraudsters opening first-class companies and paying bribes to obtain contracts. That causes the institution sponsoring the project to lose a large amount of its money. And, along with the money loss, the institution loses confidence in the investor, whoever he is.

Because of corruption and fraud, most investment contracts and projects are managed through a bank by opening a credit with the full amount until delivery. Then the amounts are paid according to the system of payments in return for completion rates (e.g., 10% completed = 10% of the value of the project). Iraqi companies that can implement projects suffer from a lack of liquidity.

That creates the role of the banks. They profit a lot from these deals as they take guarantees made up of the companies' assets that cover the letters of guarantee demanded by government companies, and they offer loans with large interest rates.

In Germany the banks cover the credit for a project according to economic feasibility and reasonable interest for our company in all parts of the world, except for places classified as (high risk) like Iraq. Nevertheless, many countries benefit from

this investment banking, and companies come and send their employees to work in Iraq. In this segment we are talking about huge projects such as housing, such as the Hanwa Company project, and oil or energy projects.

Fourth: The Risks Facing Investors in Iraq are of Two Types

Administrative and Manufacturing Risks

A. Slowness in the Iraqi operational environment

Investors wishing to operate a project in Iraq and take advantage of the high volume of consumption of the Iraqi market must bear in mind that the culture of the Iraqi labor force (at its various levels, from service workers through to those with specializations and manual skills, to the administrators and departments controlling projects) is characterized by slowness. The Iraqi employees are selective and difficult to please and control. Most employees work in the manner of the observer. To achieve effectiveness, continuous observation and control of employees is necessary. If you lose control - production levels drop to zero or negative

production (unwanted production). Furthermore: Quotas, partisan and political blocs, governance, and tribal law, according to the region, all cause consumption of profits, tension in the work environment, and can have negative effects on effort, time, and money. Opening a factory of any kind in any region will be very difficult without the consent of the owners of the region and families in that region. Those in charge of projects must consider that employment of manpower from around the project will probably be mandatory to provide partial protection and provide assistance in the event of accidents of any kind.

B. Security risks

The security risks do not mean that Iraq is a dangerous country as it is understood, as we move freely inside Iraq and all its cities. But what is meant by security risks is the spread of poverty that pushes some

individuals or groups to resort to banditry or theft. Sometimes these groups and individuals constitute a danger to foreigners who are stereotypical and have a consistent approach to their projects

without protection or accompaniment from people who know the roads and areas. Foreigners are also at risk for the same reason there are problems in the delivery of materials and equipment at specific times and with expected fees and expenses. Because of administrative corruption, the products may bear additional wages

calculated on production costs due to bribery and facilities that if not paid, it will cause a delay in the dates of arrival or delivery of the materials, and in some cases, it will be damaged during transportation inside and outside Iraq across the Iraqi borders.

- C. The control of parties and party personalities over the state departments and their obstruction of every project from which they are not considered useful.

Fifth: Overcoming the risks

Administrative and Operational

- A. The workforce can be controlled by

1. Recruiting and training them on a strict system and dividing their annual salary increase schedule into quarterly or semi-annual
2. Consider hiring female staff
3. Allocations, incentives, and rewards for distinguished students
4. Focusing on the psychological aspect in terms of praise and glorification of the achievements made by the staff
5. Imposing a complete system and not accepting any justifications for breaking laws and order
6. Changing the authorities and changing the higher administrations to blow up the chances of creating leaders and followers
7. Please note: It may sound contradicting but paragraph 1 of the fourth section can be the same people who work from self-motivation to the maximum limits of endurance for the natural human body for the purpose of reaching the public interest to the best results and achieving profits for the company, factory, or project. There is no difficulty in moving a sense of belonging between this contrasting personality and the project so that the worker or manager feels that he is working on his own project and that his duty is to make the project successful.

B. Security Risks

Contracting with factories and state institutions and investing their facilities in return for a percentage of the profits. These institutions will provide the necessary staff for operation, and there will be a good share for marketing. The law on investment and product protection can be used in

some areas, which states “If the project achieves self-sufficiency within the state, the investment and product protection system must prevent importation or imposing taxes that make imported goods very expensive for merchants”.

C.

There is another benefit of this method if a well-thought-out agreement is concluded that guarantees the investor’s right for a profitable period in exchange for production lines or knowledge transfer. Contracting with state institutions gives the investor means to bring in goods and

protect them and facilitates their access to and from the places of their projects via a government agency concerning the security of facilities (provided that there is no fixed method for visits or movements for investors, experts, or staff for the installation and operation of equipment).

By

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Author’s Note:

Sources: It is necessary to reference the sources for all the above.

I relied on my personal experiences in a wide range of businesses with investors in different positions (e.g., Lathe Worker, Site Engineer, Contract Control Engineer, Supervisor of Utilities Units, Maintenance Manager, Production Manager, Plant Manager, Factory Manager, Technical Director, Project Manager, Projects Manager, Vice Chairman Board member, Executive Director) in the industrial fields of equipment and machinery, food production lines, stone and flint, wood and furniture, paper and printing, plastic industries, iron industry, contracting and construction, and quality management.

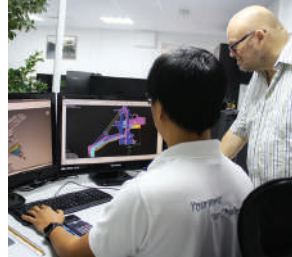


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TECH AND DIGITAL MARKETING ASSESSMENT IN IRAQ

The tech business and digital marketing sector in Iraq is a little unusual. Due to the country's instability or gaps in the political and economic situation there may be challenges in infrastructure and regulations associated with the tech businesses and digital marketing. These challenges include a cash-based system, unreliable internet connectivity, and lack of a legal framework to give a clear pathway

for expanding the tech and media communication sector in a legitimate way. However, this has never stopped the country and its population from keeping up with the most recent trends and technologies as they eventually find their own path to catch up with the rest of the world.

Technology in Iraq

Tech businesses in Iraq are relatively young compared to other countries and more attention from the government is needed to develop this sector. However, this does not necessarily indicate that Iraq is left behind in this sector. Some subsectors of tech businesses are quite competitive, such as telecommunications and mobile

payments. The tech areas left with more room for development are E-banking, Digital Marketing, computer hardware and software, website development, database management and programming, digital payment, online payment, graphic design, and mobile application.¹¹⁰

¹¹⁰ (Anon., 2019, p. 6)

Demanded Tech Businesses

As shown in the Figure 1, based on a study done by the IOM organization in Iraq, web designing is categorized as the most demanded business in Iraq. Digital marketing is the second-most business in demand, followed by E-Commerce, mobile

applications, software development, telecommunication, security solution, database management, internet solutions, online banking, hardware trading, digital printing, and online payment.¹¹¹

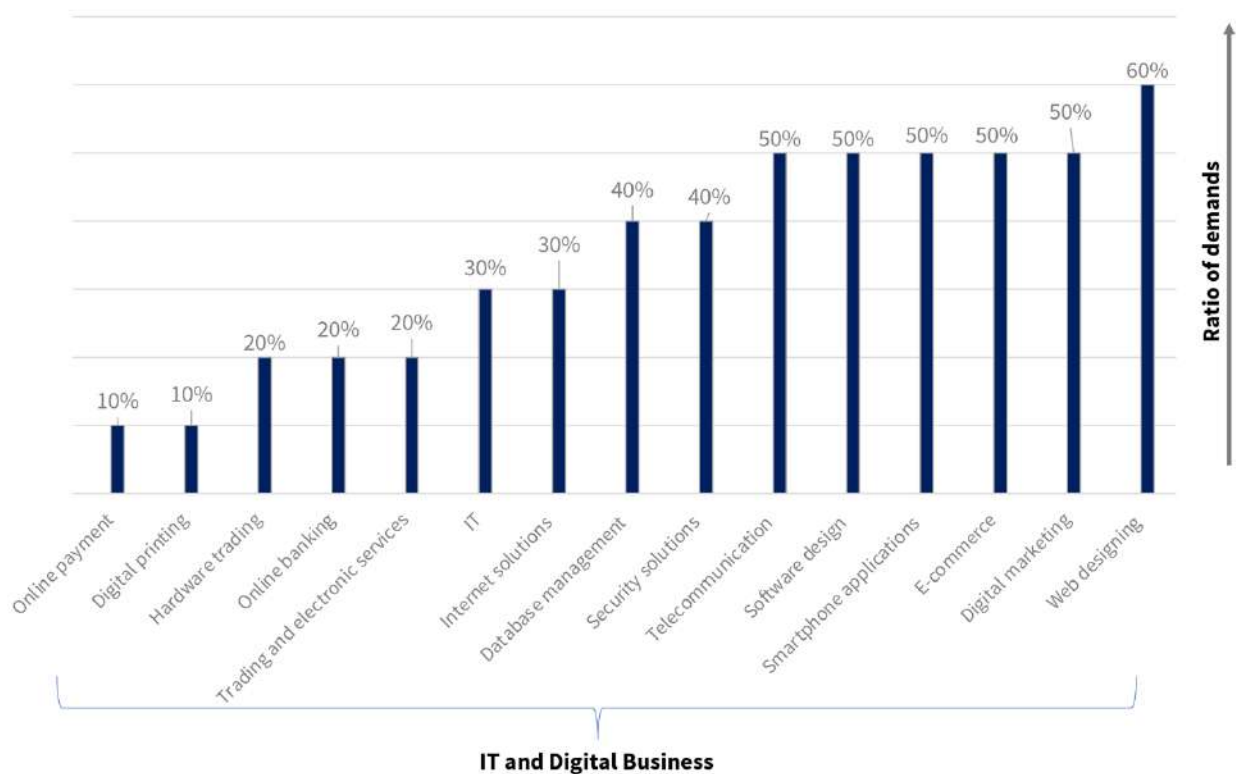


FIGURE 8: THE RATIO OF DEMANDED IT AND DIGITAL MARKETING RELATED BUSINESS IN IRAQ¹¹²

¹¹¹ (Anon., 2019, p. 6)

¹¹² (Anon., 2019, p. 6)

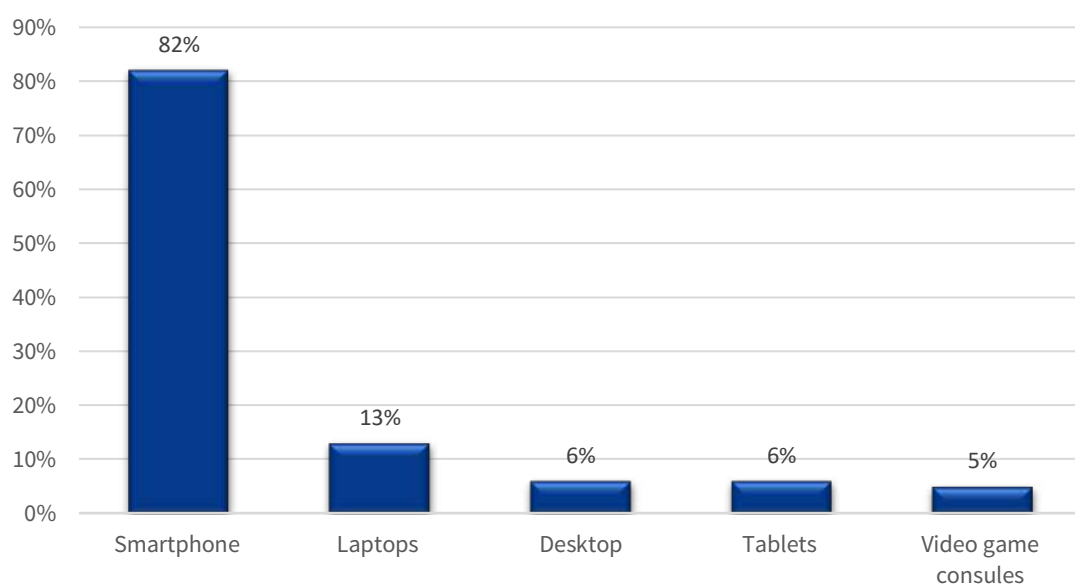


Areas of opportunities and challenges

Digital Behavior in Iraq

According to a study done by Think Bank, which is a market research agency in Iraq, 50% of Iraqi internet users stay online for more than 5 hours per day. Of this group, 75% are youngsters and 82% have access

through their smartphones and tablets. Iraqis do not think the internet helps to make or save money since it is expensive, and not many people have bank accounts.



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FIGURE 9 : DEVICES USED TO ACCESS INTERNET
SOURCE: THINK BANK IRAQ CONSUMER SURVEY 2020:
INTERNET USERS AGED 18 - 45

¹¹³ (McGarr & Bahadeen, 2020, p. 11)

The Internet is regarded as the first place to search for information by all Iraqis, and 50 % believe it helps them make purchasing decisions. Interestingly,

Facebook and Instagram are regarded as influencers for making purchasing decisions¹¹⁴.

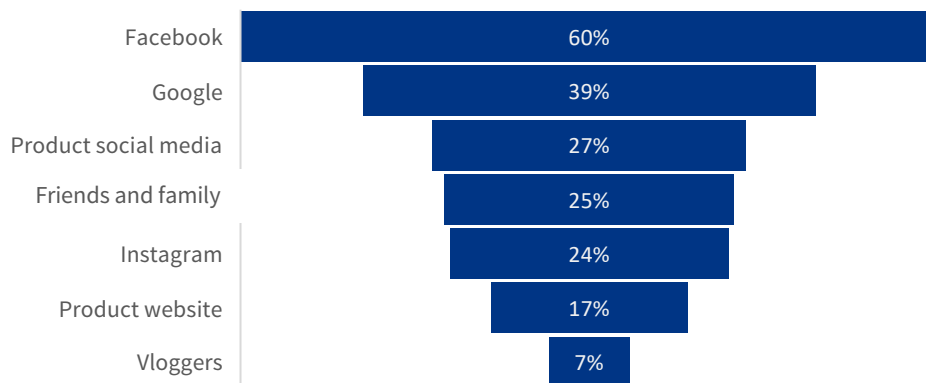


Figure 10: Medium factors of purchasing decisions in Iraq

Source: Think Bank Iraq consumer survey 2020: Internet users aged 18 - 45¹¹⁵

E-banking in Iraq

To this day, what remains common in monetary transactions is a cash-based system (since it enables Iraqis to enjoy trust). This causes many SMEs, entrepreneurs, and startups in Iraq to suffer as their business relationships with overseas institutes and companies is a big factor for their daily work processes¹¹⁶.

The lack of solid infrastructure (e.g. unreliable internet connectivity, networking system, and electricity shutdowns) may play a considerable role to hamper e-banking.

In addition to infrastructure, the migration of qualified Iraqis hinders the development of digital transactions or cashless payments. Nevertheless, the Central Bank of Iraq and the Government of Iraq, with aids from

USAID, have made considerable progress toward developing a cashless system¹¹⁷.

Despite the available gaps, the Central Bank of Iraq (CBI) issued the regulation No. 3 in 2014 regarding online banking and electronic monetary transaction¹¹⁸. The Central Bank of Iraq is working toward passing a National Payment System (NPS) to establish a foundation toward cashless payment.

NPS aims to guide the various stakeholders, such as e-money issuers, telecommunications and tech companies, as well as the users in the process of developing the payment system¹¹⁹.

¹¹⁴ (McGarr & Bahadeen, 2020, pp. 10-11)

¹¹⁵ (McGarr & Bahadeen, 2020, p. 12)

¹¹⁶ (Anon., 2020, p. 25)

¹¹⁷ (Anon., 2020, pp. 24-25)

¹¹⁸ (Anon., 2020, p. 43)

¹¹⁹ (Anon., 2020, pp. 24-25)

E-commerce in Iraq

The knowledge and expertise needed for e-commerce to process effectively is not sufficient in the private sectors in Iraq. This area of business is to some extent underperforming, as there is a shortage or a lack of adequate academic skills in e-commerce. The formative skills of e-commerce area (e.g. mobile application development skills, engine optimization skills, data analytics skills, web-based marketing, and e-banking) are not developed enough to perform effectively¹²⁰.

Putting the challenges of E-banking in Iraq aside, E-shopping does occur. However, it is slightly different from that of other countries. It is practiced in two different ways. First, some consumers purchase

directly from the international online stores such as Amazon, E-bay, Alibaba, and etc¹²¹.

However, the sellers on those websites do not usually ship to Iraq¹²². Therefore, this is how the second way comes into play (through intermediaries or small businesses who are managed to buy items from those websites). Those intermediaries resell the items via social media (such as Facebook) to customers who have seen the product on social media¹⁴. Therefore, e - purchasing would hardly be possible without social media in Iraq¹²³. In this cash-based environment online shopping is done via cash payment on delivery (as shown below in Figure 4).

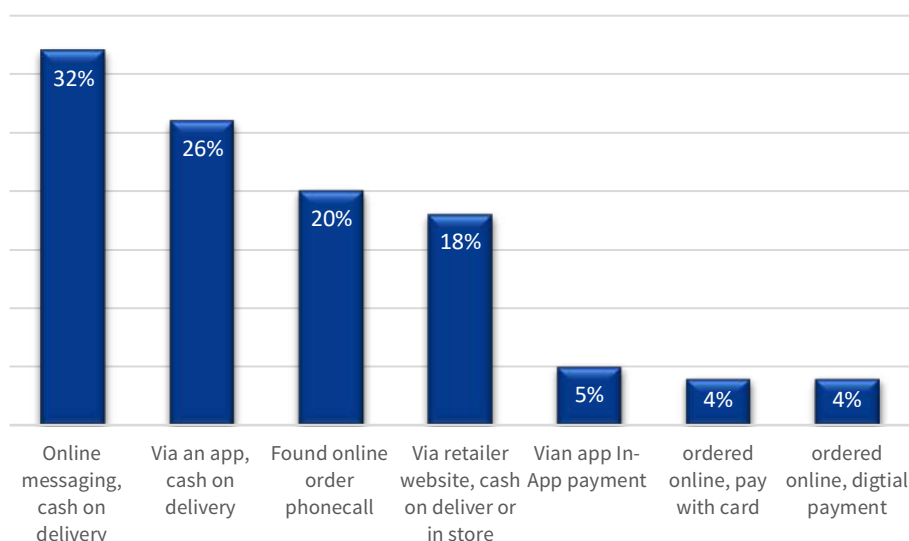


FIGURE 11: IRAQIS' SHOPPING BEHAVIOR

SOURCE: THINK BANK IRAQ CONSUMER SURVEY 2020: INTERNET USERS AGED 18 – 45 ¹²⁴

¹²⁰ (Anon., 2020, pp. 51 -52)

¹²¹ (Salman & Sahi, 2017, p. 833)

¹²² (Anon., 2019)

¹²³ (Salman & Sahi, 2017, p. 834)

¹²⁴ (Mcgarr & Bahadeen, 2020, p. 16)

The reason that Iraqis shop online is to purchase products that are not available in the local markets, or for items that are unique. If there is a reason of not buying

online, it would be the fear of overspending¹²⁵. Figure 5 below shows the most online purchased items and services in Iraq.

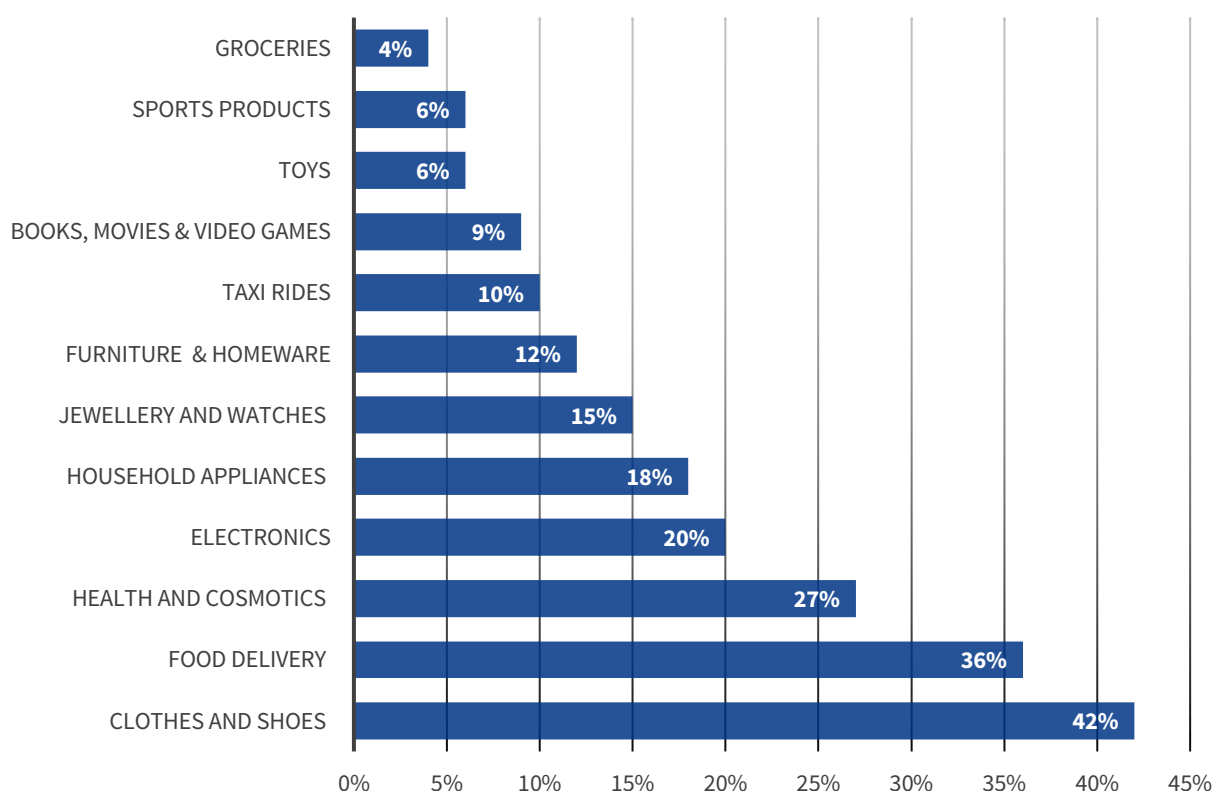


FIGURE 12: PURCHASED ITEMS AND SERVICES ONLINE IN IRAQ

SOURCE: THINK BANK IRAQ CONSUMER SURVEY 2020: INTERNET USERS AGED 18 - 45¹²⁶

¹²⁵ (McGarr & Bahadeen, 2020, p. 17)

¹²⁶ (McGarr & Bahadeen, 2020, p. 17)

Skills

Even though there is high growth in the labor force and an increased demand for youth employment, there are not many youths actually employed. There is either an absence of adequate skills that match the available vacancies or the lack of opportunities to upgrade training programs. The education system has failed to equip students with job-relevant skills and mainly digital skills.

Schools from the Ministry of Education (MOED) and vocational training by the Ministry of Labor and Social Affairs

graduate more than 2000 Information Technology graduates. However, less than 1000 are networking, database development, software programming, and digital media graduates, which are the most demanded skills¹²⁷.

Iraqi public sectors do not have enough skills to develop e-commerce. Supporting Training of Trainers (ToT) is a way to prevent losing skills in Iraq by offering opportunities for training the needed skills¹²⁸.



¹²⁷ (Anon., 2020, p. 28)

¹²⁸ (Anon., 2020, p. 52)

Business	Needed skills
Digital Marketing	Trainings in Logical thinking Leadership and Marketing training Development of human resources IT, Graphic design, data analytics, data statistics, presentation skills, and public speaking
Social Media	Social Media Security and Tech training
E - commerce	Trainings in business management, leadership, marketing, HR, finance, logistics, marketing, and software development training.
Database development	Administration, design, and marketing
Telecommunication	Wireless skills, network plus, network engineering, CCNA, MCSA, and CCNP
ICT services	Repairing, Installing, and Service Managing
Software development	Software developing and software designing
Electronic Production	Teamwork, marketing, and engineer technician
Networking	Management
Web systems and multimedia	Developing and designing

TABLE 2: NEEDED TECH AND MARKETING SKILLS IN IRAQ

SOURCES:

1. ASSESSMENT OF THE LABOUR MARKET & SKILLS ANALYSIS - IRAQ AND KURDISTAN REGION-IRAQ ¹²⁹
2. A MARKET ASSESSMENT OF TECH SECTOR BUSINESSES IN IRAQ IOM IRAQ – 2019 ¹³⁰

¹²⁹ (Anon., 2019, p. 72)

¹³⁰ (Anon., 2019, p. 11)

Laws and legal barriers

One of the challenges of the Tech and Digital Media sectors is the Legal Factor. According to the ministry officials, a legal framework is not available. The roles and responsibilities of the tech and media communications business are vague¹³¹.

The lack of jurisdiction for censorship also raises concerns as it affects the tech businesses. For instance, occasionally the internet in the country is shut down during the school exams to ensure the exam questions and answers do not get leaked. Also, there is sometimes sudden banning of

independent media or anti-government media with no justification provided¹³².

The tech businesses suffer from the risk of the theft of ideas as no stable copyright laws ensure the authenticity of contents and lack of financial support, and weak access to digital payment¹³³.

Nevertheless, the cybersecurity law and provision could ease and facilitate those challenges as the awareness regarding Tech business and copyright matter is being spread among clients, stakeholders, and people¹³⁴.

By

Dastan Sabah Mohammed

Freelance Digital Marketing Specialist – AHK Iraq

¹³¹ (Anon., 2019, pp. 64-65)

¹³² (Anon., 2019, pp. 64-65)

¹³³ (Anon., 2019, p. 12)

¹³⁴ (Anon., 2019, p. 12)

5

GETTING STARTED

Market Entry –
Balancing risks
vs. rewards

How to Find
a Business
Partner

Business
Etiquette –
Republic of Iraq

Business
Etiquette -
Kurdistan
Region Iraq

Export
Financing

Public-Private-
Partnership

Fairs and
Exhibitions



MARKET ENTRY – BALANCING RISKS VS. REWARDS

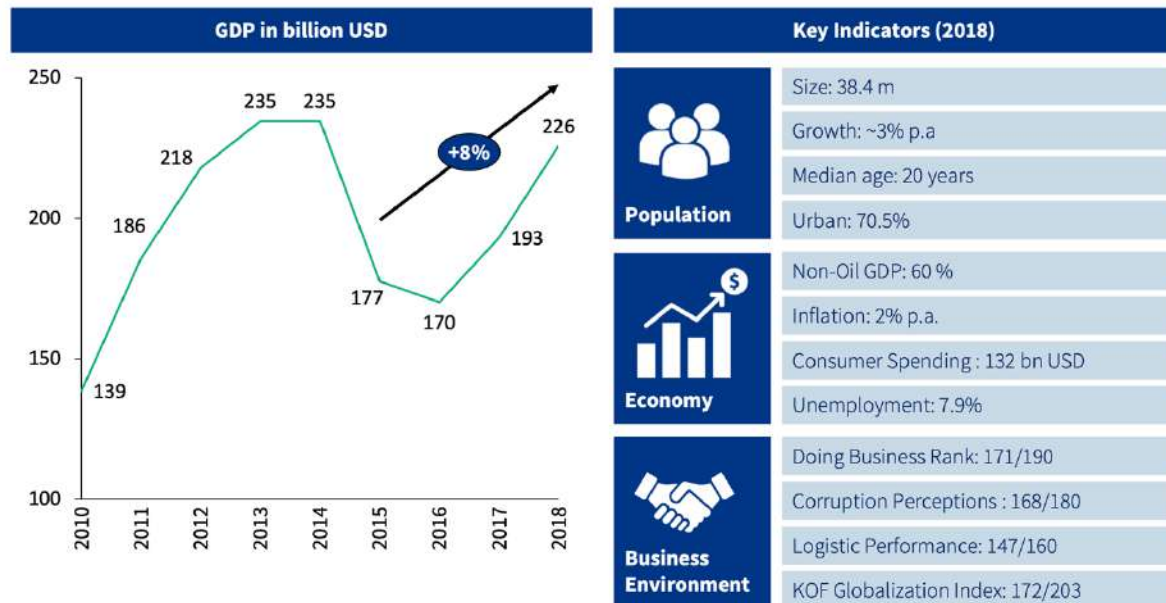
Investment opportunities and challenges in Iraq

Several factors position Iraq as a key market to be considered by many businesses. They include its oil reserve and natural resources, one of the largest and fastest growing populations in the Arabian Gulf, and its strategic location.

After Iraq's deep economic slump in 2015 due to ISIS and the significant drop in oil price, its economy has been recovering with increased pace and in 2018 has nearly reached its pre-crisis level. Economic outlook is positive for 2020 with an expected growth of 8% due to increased oil output and a strong non-oil sector growth.

In addition, consumer spending, GDP per capita, as well as overall trade activities have been significantly increasing over the last years, providing positive signals for a market entry. Despite the economic improvements Iraq remains vulnerable to internal and external conflicts, corruption, government inefficiencies, societal deterioration and high dependency on oil exports. This puts businesses in front of a challenge on how to balance between the potential rewards of this attractive market versus the inherent risks of doing business in Iraq.

Iraq has been in a Strong recovery over the last years Since the Slump in Oil Price and the ISIS Attack in 2014 / 2015



SOURCE: WORLD BANK, ECONOMIST INTELLIGENCE UNIT, EUROMONITOR

Approaching market entry decision for Iraq

While assessing all factors impacting a market entry for Iraq can be quite complex, decision makers can guide the initial feasibility assessment by focusing on the following three essential questions:

- What is the attractiveness of the targeted market segment?
- What is the required in-country value chain?
- What is the right management & partnership structure?

Target market segment sizing

While market data availability is a general challenge in most countries, it is especially difficult to find reliable official data in Iraq. While some data exists from official government sources (e.g., Customs, Ministry of Trade, Ministry of Planning or Central Bank), they are in many cases far away from reality, due to weak systems and error prone data collections.

Any market sizing activity in Iraq needs to rely on a triangulation of three types of data sources:

- **In-country secondary data collection**

A first go-to public data source is the Central Statistical Organization of Iraq. Depending on the specific targeted market segment, there are different government entities or ministries, which could provide more relevant data - typically via their statistic and planning departments. From those sources public sector related data are generally more reliable than private sector related data – e.g., public sector drug spending could be fairly reliable obtained from the Ministry of Health and its State Company KIMADIA, while they would not be able to provide reliable private sector market data. In some cases, market reports are available, but they should be taken with caution and additional sources and qualifications are advised.

- **International benchmark and trade data**

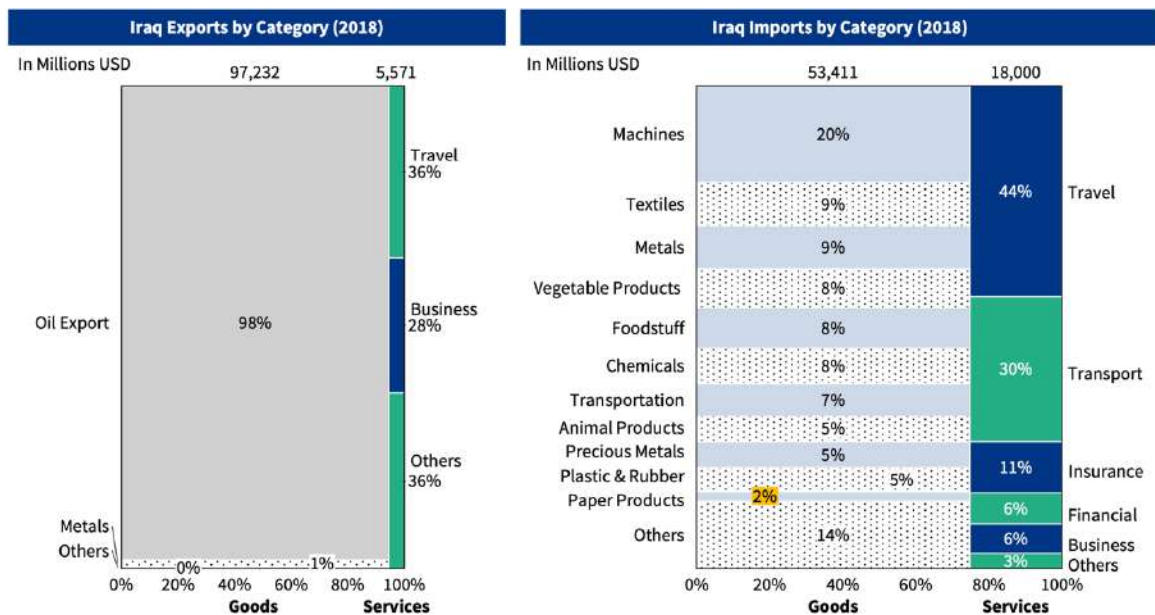
Benchmark consumption and market data from comparable countries (i.e.,

similar income-level and social and cultural context) are quite helpful not only to support the estimation of the current market size, but also to provide indication of the potential of the market if current unmet market demands could be addressed. Another important data source are Trade Export data from the different Trading Partners of Iraq. The UN provides a good coverage of all major trade partners via its Commodity Trade Statistics Database.

- **In-country primary research and data collection**

In-depth Interviews with market experts and practitioners are key to test market assumptions and estimations and to collect qualitative information regarding market trends and dynamics. Depending on the decision stage, surveys should be considered to help collect data (e.g., on market shares, price levels, distribution margins, per household consumption, etc.

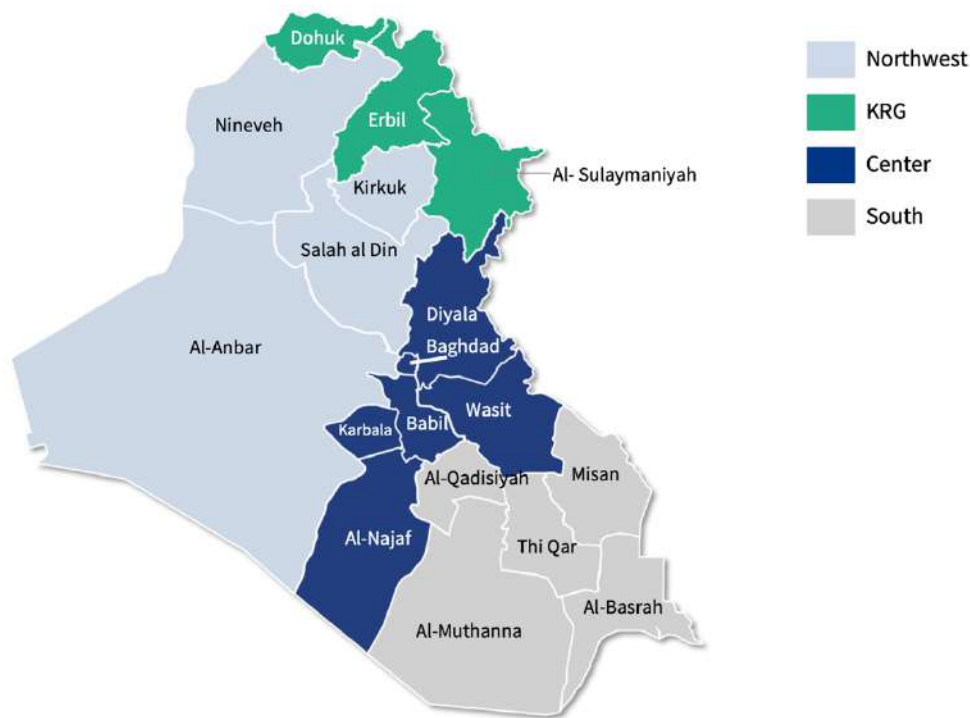
Iraq has 4 key regions Differing in terms of buying behavior, in-come level as well distribution structure



SOURCE: OEC, ITC

In terms of geographic market segmentation, at least four key regions need to be differentiated. They vary in terms of buying behavior, income level, and distribution structure:

- The Northwest with the Governates Nineveh, Al-Anbar, Salah Al-Din and Kirkuk
- The Kurdish Autonomous Region with the Governates Erbil, Dohuk and Sulaymaniyah
- The Centre with the Governates Baghdad, Diyala, Karbala, Babil, Najaf and Wasit
- The South with the Governates Basra, Misan, Al-Muthanna, Al-Qadisiyah and Thi Qar



Another important sizing factor to consider are gray re-exports to neighboring countries. Depending on the type of goods, related trade context and boarder situation, these could temporarily represent half of the imported goods value for certain product categories.

In addition to estimating the latest market size, it is also important to identify the market drive for the targeted segments and create an understanding for the underlying market risks. For example, sales to the public sector heavily depend on oil export and price as the main source of government revenue and the political situation as it influences budget priorities

and timely decision making. Similar private sector sales can be heavily influenced by available credit lines and liquidity in the distribution system, while parallel export activities strongly depend on arbitrage advantage and current border and trade sanctions situation.

A key part of this step is the development of a well-structured market model development to integrate the different data information and assumptions as well as to allow the possibility for market scenarios and projections to take different developments of market drivers into consideration.

In-country value chain definition

A key element of consideration is to assess each value chain step of the Iraq business (if it should be performed in-country versus outside the country) and compare the business requirements/advantages to the disadvantage for each option.

There are some general disadvantages of conducting business activities in-country and they range from lack of infrastructure/utilities, low labor productivity, and government inefficiencies to a fluctuating security situation.

Therefore, a key lever to balance potential risks versus rewards is to focus on conducting only value chain activities that provide a clear advantage in-country.

While Distribution & Fulfillment are given as required value chain activities in-country, more and more companies have started to also locate their Sales & Marketing organization units in Iraq to ensure better market visibility and customer access, as

well increase control and transparency on their distribution.

For local production value steps, businesses need to take a close look to assess its feasibility. Based on the product and business type, a local production or assembly could provide some of the following advantages in terms of lower transportation costs and delivery time: avoidance of customs duties, availability of local raw material, potential government buying preference, and profit from a recent consumer movement in Iraq towards locally produced goods.

Examples of the types of goods which tend to be locally produced are dairy and certain food products given their short expiration dates, voluminous items (low price to volume ratio) like construction material or forms given the transportation costs. More recently, juice and soft drinks local production has increased due to the increased customs duties and regulation in the last few years.

Local Management & Partnership Structure Design

For the value chain activities to be conducted in-country, there is also the question as to which should be conducted in-house vs via a local partner or out-sourcing provider? Shifting business activities to local partners can help to mitigate some of the risks, reduce business complexity, and lower market entry costs.

Some general private sector partnership considerations along the value chain are:

Distribution & Fulfillment –

These are the most common activities to be shifted to local partners. Key drivers for this are the already established regional differentiated reach and access structures in Iraq, minimizing of financing & collection risks within the distribution chain, and reduction of overall regional risk exposure.

Sales & Marketing –

While the Sales & Marketing unit is usually kept in-house, Sales & Marketing field-force support staff are typically outsourced via local service provider companies to reduce overall in-country staff exposure.

Local Production –

In case a local production is opportune, there are options to contract with an already existing local manufacturer or to create a Joint Venture with local investors. This reduces financial exposure and utilizes existing government relationships and established business expertise in Iraq.

There are also a set of PPP options in Iraq, which can provide privileged access to assets or government contracts, but should be considered with care given the complexities and bureaucracy of dealing with the government sector. Some common PPP models are:

Rehabilitate Operate and Transfer (ROT) –

They have been applied in context of a number of Stated Owned Enterprises (SOE) in Iraq, where an Investor is able to utilize existing tangible or intangible assets of a SOE. In exchange, the investor is responsible to shoulder all required rehabilitation and modernization of investments, employ, or cover the salary of

a percentage of the existing SOE staff and share a percentage of the production or revenue with the government.

Build Operate and Transfer – Prominent examples are some of the recent Power Purchase Agreements, where Independent Power Producers (IPPs) build, operate and transfer the assets of the power plant to the government in exchange for an offtake agreement over the duration of the contract.

Partnership agreement – SOEs are usually structured as a joint-sales partnership and usually combine with local assembly or production by the SOE in exchange of a

privileged access to government contracts
or subsidized market segments.

In terms of legal establishment, foreign businesses have the option to enter Iraq with:

- No own legal entity - for example via a local Commercial Agent,
- A Foreign Branch Registration, which represents a 100% subsidiary of the foreign mother company and respective back guarantees, or
- An establishment of a new Iraqi local company – most common form being a limited liability company

Regardless of the legal form, a strong on-the-ground country management team is essential to ensure sufficient business control, transparency, and early identification of potential growth bottlenecks of the local partners.

Outlook

In spite of the various challenges that Iraq is currently encountering and will continue to encounter over the coming years, the underlying economics and fundamentals of Iraq remain strong. Especially for businesses with a Middle East focus, Iraq is a key market which needs to be taken into consideration. While the above points do not provide a full feasibility study for a market entry decision, it can help businesses to quickly access their targeted market segment potential in Iraq and get an understanding of the required efforts to capture it, as well as understanding the underlying business risks and complexity they have to expect.

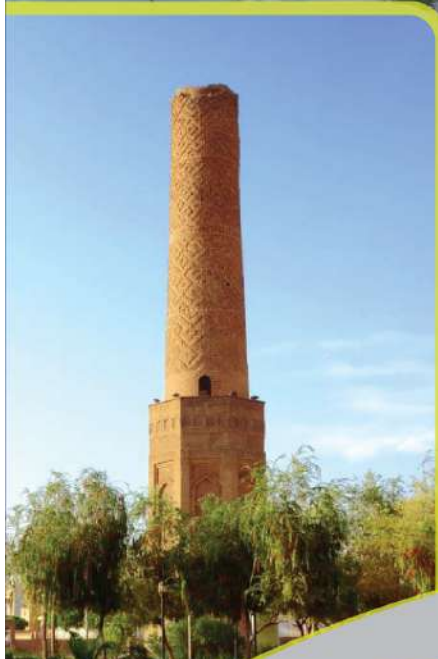
By

Amar Shubar

Management Partners – Partner



Erbil Chamber of Commerce & Industry



SINCE 1966

Erbil Chamber of Commerce & Industry

- Being active for more than 55 years
- Representing more than 33,000 members
- Including, businessmen, industries, traders and real estate agencies
- It is ranked as one of the excellent chambers in Iraq
- Has signed dozens of protocols and MOUs with economical entities inside and outside of Kurdistan
- Has Organised hundreds of national and international forums and meetings for its members



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HOW TO FIND THE RIGHT BUSINESS PARTNER IN IRAQ

Interview with Peter Mayr about how to find the right business partner in Iraq

Mr. Mayr established Terramar Iraq Branch in Baghdad in 1980. He joined the management in Terramar in 1986. In 1994, he officially became partner and has been responsible for sales and marketing for all divisions in Asia and the Middle East.

Question: How long has your company been active in the Middle East and especially in Iraq?

Answer: Our company Terramar GmbH in Hamburg was founded after the war in 1949 and has been active in the Middle East since the beginning. We have been active in Iraq since the early 1970s and have been in the country without interruption ever since.

Question: And you? How long have you known the market?

Answer: My first trip to Iraq was in November 1979 and I established our office in 1980. We have developed our network through today, and have a company in Erbil and Baghdad, and an office in Basra.

Question: What products do you sell in Iraq?

Answer: We are the exclusive sales and service partner for MAN Truck & Bus SE for

the countries of Lebanon, Syria, and Iraq. Thus, one of our tasks is to sell the commercial vehicles (with corresponding superstructures) and to maintain, repair and supply them with spare parts to the market in the network of our workshops. We currently do this with a workshop in Erbil and Baghdad and we provide mobile service in Basra and other regions of Iraq. In Erbil, we also maintain a central spare parts warehouse, among other things.

Question: So, you certainly have a tremendous amount of experience in terms of finding and developing agents and sales and service partners.

Answer: Indeed! This has involved different developments for us as well (with a Saddam period where it was almost impossible to do your own trade in the country. Only branches were possible, and even mandatory, if you wanted to do business with the state trading companies). During that period everything was handled and tracked centrally in Baghdad, and with the ministries and state enterprises.

Question: Did that change after Saddam?

Answer: Yes. First, the no-fly zone meant that Kurdistan developed almost independently of Baghdad's direct influence. The autonomous aspirations also led to the creation of Kurdish ministries and state agencies in Kurdistan. Today we speak of KRI (Kurdistan Region of Iraq), or perhaps more politically correct of North Iraq and Republic of Iraq (Center-South of Iraq). As a result, we are talking about a decentralization of Iraq, with initial and slight tendencies that this will flow down to the governorates in the next 10-15 years.

Question: Does that mean you need multiple distributors, or agents for Iraq in any case?

Answer: It depends somewhat on the product you want to market in Iraq. But yes, it does mean that. I would say, in any case, you must distinguish between KRI and Republic of Iraq, and thus Kurds and Arabs. Whether you then also must consider Shiites and Sunnis (Anbar/Ninevah) separately in Republic of Iraq, you must see. But Basra can have a special consideration as well, depending on the product.

As in other Arab countries, Iraq is culturally led by powerful families and tribes that can exert great influence on purchasing behavior and decisions or promote interests.

Question: But how do I even find the right distributor, or agent for Iraq?

Answer: As a European, German, or other, you can enter and get the visa on entry via the entry stamp. However, today in Corona times (due to changing restrictions in this regard), this is not quite so.

But I will say, a distributor (or agent) can only be found by looking at the people, company, and position in the market on the ground. Even then, one can experience very big surprises when comparing the paper situation of the idea to reality.

Question: And how can initial contact occur in the first place?

Answer: Iraq is very much depending on the internet. With the lack of landline telephones, there are various mobile phone providers that have quite decent availability across the country. Businesspeople know that there is a pretty good chamber organization in Germany through which to send interest and inquiries. And the two German DWI/AHK Iraq offices in Baghdad and Erbil are now well known and can be contacted on both sides by German suppliers and Iraqi customers.

Question: Beyond that, how could you get a first picture in Iraq?

Answer: Another quite good means in Iraq is participation in fairs, which are mostly designed as international fairs. That is, they cover almost all products. In normal times we are talking about the Baghdad

International Fair (BIF) which is mostly held in November and the Erbil International Fair (EIF) held towards the middle of the year. The more important fair is the BIF. The last two fairs have been cancelled (in 2019 because the demonstrations had triggered a security issue in Baghdad, and then in 2020 due to the impact of the Corona pandemic.) For 2021 there is a BIF Fair planned for a duration of 5-6 days (that may possibly be extended to a 2nd week) in November 2021. A BIF is a good way to make initial contacts. The economy over the last few years made possible a common fair participation over EFI (expert forum Iraq). That, together with BMWI and (AHK - DWI), has the charming advantage that one has a set of experienced German colleagues of the economy in a hall, and has access to good advice.

Question: Do you have to worry about the security situation?

Answer: Yes, you must. However, you may say that the situation has already eased a lot. The relevant information on the page of the German Foreign Office, or inquiries via DWI/AHK Iraq will tell you quickly and reliably what the current situation is.



Question: What else do you need to look out for when choosing a business partner/agent?

Answer: Iraq is not very different from all other Arab countries. They are always immediately confronted with the demand for exclusive access. I do not advise this in principle and KRI and Republic of Iraq must be seen anyway and separately. That means that one should speak openly of "non-exclusive". Business partners in Iraq have become accustomed to this since it is the international and global generally valid rule.

And it is also said: "...therefore let him who commits himself for ever test...". It is good to test the promised capacities in practice first.

However, I do recommend that you also deal with them fairly as a supplier. Because if a partner is honestly committed, you must also give him the opportunity and treat him fairly, which can be protected via projects as case studies.

Question: Finally, what do you think is the most important thing when choosing a business partner?

Answer: Give yourself and your business friends and partners the time and opportunity to examine each other and do not make hasty and long-term decisions. My experience tells me that decisions made too quickly, which are then difficult to resolve again, have caused the greatest dissatisfaction for both parties. The mills in Iraq do indeed grind slowly. You have the time!

By

Peter Mayr

Managing Partner at Terramar GmbH



BUSINESS ETIQUETTE – REPUBLIC OF IRAQ

Iraqi Business Etiquette

Establishing a good business relationship with a public or private counterpart in Iraq is a key element in doing business in Iraq. Here

we will review top business manners in Iraq to consider while starting relationships with Iraqis:

Greetings

When you meet people, especially for the first time, please consider the following when greeting them:

1. Please greet all the individuals at your meeting.
2. You can use greetings like good morning, good evening, Al- Salam Alekum, or Marhaba (hello).
3. Handshakes are acceptable. However, if you are greeting a person of the opposite sex, please follow their lead, as they like to avoid touching the opposite sex.
4. Placing your right hand on your left shoulder while greeting others is acceptable.
5. Smile generously and make an eye contact while speaking to the person.
6. Present your business card and introduce yourself properly.
7. Have an icebreaker: Having a one-minute chat about your journey to Iraq, or any other topic you think will break the ice between you and the person(s) Infront of you will be a plus.

Dress Code

Please consider the following:

1. Wear clean and tidy attire and shoes.
2. Do not wear jeans, sneakers, shorts, or any other casual attire or shoes in formal meetings.
3. Iraq is a conservative country. Therefore, please avoid wearing revealing clothing.

Your conversation

You should consider the following elements during your conversation while meeting people:

1. Iraqis appreciate humility.
2. Please avoid speaking about ethnicities, religion, or politics. Stay neutral and stick to business related topics.
3. Tribal and ethnic interests and bonds need to be considered and respected.
4. Speak to the point while keeping in mind not to use offensive or too direct language. The Iraqi culture, like many other Middle Eastern cultures, is a high-context culture. It means e.g., a “no” is not clearly said as Iraqis consider the usage of this word as impolite. You can find many articles about “high context cultures” online.
5. Avoid threatening civil servants by involving diplomatic missions, ministers, or any other influential parties into the discussion between you and them. It will give you a reverse outcome. We recommend you reserve this step as the very last choice, when there is no other diplomatic option left.
6. After meeting with your counterpart, please do the follow-up you promised.



By

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq



BUSINESS ETIQUETTE - KURDISTAN REGION IRAQ

If you are a foreign businessman or businesswoman interested in doing work in the KRI, there are several factors in Kurdish culture that will make your first meeting conversation (via phone or in person) very effective to make your connections or your business successful.

Consider the following positive points

1. Stand straight, make eye contact, always try to give your time and attention to the speaker, and genuinely smile at people.
2. Make sure your shoes are clean.
3. Your haircut or style should be formal and avoid messy hair regards.
4. Stay fresh and active.
5. Try to carry formal things such as bags, briefcase, etc. with you in the meeting. They will affect the drawing of your image and an expression of you.¹³⁵
6. Speak to the point while keeping in mind not to use offensive or too direct language. The Kurdish culture, like many other Middle Eastern cultures, is a high-context culture. It means e.g., a “no” is not clearly said as Kurds consider the usage of this word as impolite. You can find many articles about “high context cultures” online.

Setting your time for making contact

1. Keep in mind that both religious and non-religious holidays are celebrated in Kurdistan.
2. Avoid March when many National occasions and celebrations occur.
3. Avoid the holy Ramadan month.
4. Many Kurdish people will be away on vacation in July and August.¹³⁶

¹³⁵ (Doski 2017)

¹³⁶ (Doski 2017)

Greeting and Handshake

1. Men greeting Men –a handshake and kisses on each cheek is common in most situations.
2. Two, three, or four kisses on alternating cheeks are most common.
3. Women greeting Women –A handshake and kisses on each cheek is common in most situations.
4. Greetings between Men & Women –Usually a handshake is acceptable, but a nod can replace that among conservative Muslims. It is best to wait for the woman to initiate if at all.
5. It is taboo for religiously observant men to touch women and vice-versa.
6. Raising one hand (usually the right hand) above the shoulder and waving can be used when there is a distance between both parties.
7. Shake hands palm to palm with a gentle firmness repeated and lingering.¹³⁷.

Phone Calls

1. Avoid using your mobile phone to call others during the meeting.
2. If you receive an urgent call and you must answer it, try not to take longer than two minutes when responding. Answering more than two times continuously is regarded as a rude act.
3. Keep in mind that it is normal if you see a businessman or businesswoman answering their mobile phone inside the meeting room.¹³⁸.

Gift Giving

1. Gifts are not expected. However, they will be welcomed on the condition that they would not be very expensive, especially when you are dealing with public officials (so that it would not be misinterpreted as a bribe).
2. Promotion materials, such as pens, calendars, and notebooks, are quite fine. If you have a personal relationship, it would be fine to give more expensive gifts.
3. People do not tend to open gifts in public.
4. Selecting favorable items for the Kurdish people is a good gesture. Giving a gift is considered as a good behavior and it exhibits a caring attitude toward them¹³⁹.

¹³⁷ (Doski 2017)

¹³⁸ (Doski 2017)

¹³⁹ (Doski 2017)

Dress Code for Men

1. Suit with a formal tie with classic formal colors like dark blue, black, and gray with a red tie, black, or any color that fits the suit.
2. Avoid colored and dirty shoes and wearing sneakers with a suit.¹⁴⁰

Dress Code for Women

1. Business Formal: Suit, business style dress, dress with jacket, stockings (optional in summer), heels low or high.
2. Business Casual: Skirt, khakis, or pants, open-collar shirt, knit shirt or sweater (no spaghetti straps) or a conservative dress¹⁴¹.

By

Hogar Bebane

Erbil Office Manager – AHK Iraq

¹⁴⁰ (Doski 2017)

¹⁴¹ (Doski 2017)

Fghkddfgnkc;

EXPORT FINANCING

Export Credit Guarantees of the Federal Republic of Germany

Export Credit Guarantees are administered by:

Competence Center for German Export Finance

Supported by:



Federal Ministry
for Economic Affairs
and Energy

on the basis of a decision
by the German Bundestag



Euler Hermes Corporation

Federal Export Credit Guarantees
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22746 Hamburg, Germany

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Deutsch-Emiratische
Industrie- und Handelskammer
المجلس الألماني الإماراتي
المشترك للصناعة والتجارة

German Emirati Joint Council for Industry & Commerce AHK

Dubai, United Arab Emirates

Mrs. Eva Steinhaus

Director, Resident Representative for Middle
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Export Credit Guarantees (“ECG”) are a key foreign trade promotion instrument of the Federal Republic of Germany. While German exporters and banks are largely familiar with this program as a cover and financing instrument abroad, the so-called Hermes Cover and its various forms are sometimes not so well known. There are numerous advantages for importers of German goods and services and exporters alike.

Benefits for Exporters

ECGs protect exporters of German goods and services against bad debt losses stemming from commercial or political reasons and, in many cases, these guarantees are a prerequisite for the financing of a transaction to be made available.

Particularly when exporting to emerging economies and developing countries, such support helps to open up markets that would otherwise be difficult to access and to maintain business relations in challenging circumstances. Whether it is at the production stage or during export and collection of payment, the risk of losses for a German exporter can be covered.

Benefits for Importers

Financing issues, particularly with capital goods purchases, play a key role in the investment decision making. Importers’ access to bank financing, longer loan tenors, and financing margins can significantly benefit from a backing by the Federal Government of Germany. Hence,



the importer benefits from Germany's credit rating. In many cases, it is this fact that makes financing possible in the first place.

Forms of Cover

ECGs can be structured in various forms. They are categorized into two groups: covers for exporters and covers for financing banks. In case of the former, Euler Hermes issues the guarantee in favor of the exporter who then insures the payments to be received from the buyer/importer. In case of the latter, the beneficiary of the guarantee is a bank that finances the export transaction. For example, under a buyer credit structure, the bank has granted a credit to the buyer/importer for the purpose of purchasing the German goods and/or services. With an ECG, the bank protects itself against a possible non-

payment of the loan due to commercial or political risk events.

Main criteria for the granting of cover are whether a transaction is eligible for support and the risk involved is justifiable. Relevant cover policies apply based on the importer country and the assigned country risk category. Currently, certain restrictions apply for covering export business to Iraq.

Euler Hermes Corporation

The Federal Republic of Germany has mandated Euler Hermes Corporation with the management of the ECG scheme. Euler Hermes handles the cover instruments on behalf of and for the account of the government. It reviews the applications for cover and manages the granted cover. It is the intermediary between the German government and the parties to the covered transaction.

Competence Centers for German Export Finance at the German Chambers Abroad (AHK)

In 2019, the Federal Government expanded the advisory services for selected regions abroad with regard to its ECG-program. ECA-Experts provide advice and locally support importers, German exporters, and financing banks. They are offering their services from the German Chambers of Commerce (AHKs) in Singapore, Nairobi and Dubai, the latter with a regional responsibility for the Middle East and North Africa, including Iraq. This support is coordinated with the well-established advisory service of Euler Hermes to guarantee assistance from both Germany and the export destination. The Experts focus on the foreign buyers and financing banks active in their respective regions, which can receive individual advice on the spot according to their needs. In addition, exporters – especially small and medium-sized enterprises – are being offered support at meetings.

The permanent presence in these regions and the fact that the Experts are located in the respective German Chambers of Commerce with their established local networks and the wide range of services they offer, provide for additional synergies.

For more information, see www.agaportal.de/en

By

Eva Steinhaus

Competence Center for German Export Finance at AHK Dubai - Director



PUBLIC-PRIVATE PARTNERSHIP (PPP) IN IRAQ

In the light of the financial crisis that took place in Iraq in the last few years (caused by the drop in oil prices and terrorist attacks), the Government of Iraq (GoI) has noticed the importance of adapting new models to do projects and rebuild its infrastructure. One of the methods heavily discussed within GoI is the PPP one. It will help not only to build the infrastructure, but also will help the private sector invest its money within the country and import expertise.

Despite discussions within the government, PPP projects remain relatively new and Iraq is still not very familiar with them. The first real experience in this field was in 2008 with the General Company for Ports of Iraq to develop ports and services¹⁴².

One of challenges to do PPP projects in Iraq is the absence of a regulatory framework¹⁴³. For the time being, Iraq is depending legally on Article No. 15 of the Public Companies Law No. 22 for 1997¹⁴⁴. Therefore, interested private sector companies can have PPP contracts with Iraqi state-owned companies in compliance with the Government Contracts Instructions by Ministry of Planning. However, there is no explicit regulatory framework for the drafted PPP contracts as mentioned before¹⁴⁵. A drafted law specified for PPP projects is with Iraqi Parliament for approval. Article No. 16 of this drafted law mentions specific contracting types for private sector companies to follow and they are: BOT, BOR, BOOT, BLT, BRT, BTO, DBFO, DCMF, MOOT, ROOT, ROT and EPCF ¹⁴⁶.

¹⁴² (Ahmed Ratib Khalifa and Anhar Mohammed Shakir, 2016, p. 1)

¹⁴³ (Ahmed Ratib Khalifa and Anhar Mohammed Shakir, 2016, p. 19)

¹⁴⁴ (Ahmed Ratib Khalifa and Anhar Mohammed Shakir, 2016, p. 32)

¹⁴⁵ (World Bank Group, 2017, p. 6)

¹⁴⁶ (Iraqi Parliament, 2019)

BOT = Build – Operate - Transfer

BOR = Build - Own - Repair of concession

BOOT = Build - Own - Operate - Transfer

BLT = Build - Lease - Transfer

BRT = Build - Rent - Transfer

BTO = Build - Transfer - Operate

DBFO = Design – Build – Finance - Operate

DCMF = Design - Construct - Manage - Finance

MOOT= Modernize – Own – Operate - Transfer

ROOT = Rehabilitation - Own - Operate - Transfer

ROT = Rehabilitation – Own - Transfer

EPCF = Engineering – Procurement – Construction - Finance

Iraq's current experience in PPP projects is related to the sectors of electricity, ports, and ICT¹⁴⁷

¹⁴⁷ (World Bank Group, 2020).

Case Study and experience of PPP with Ministry of Interior by Veridos GmbH:

The Iraqi Government presented by the Ministry of Interior (signed in 2013 with Giesecke + Devrient) the contract of the National ID Project. The intention of the MOI was to build a factory for covering their demand of National ID Cards and Passports in the future. So, establishing a Cards and e-Passport Factory was part of the contract.

The Factory project was selected to be executed in a PPP-like framework between Veridos GmbH (the successor of Giesecke + Devrient for international governmental business) with a share of 60% and the Police Martyrs Fund with share of 40%. The contract was signed in 2015.

Projects executed as PPPs are important and useful for the Iraqi government. But it still must be considered that this business model needs to be legally developed with formalization from the higher authorities in the government in order to make it successful for both parties.

Phase 1 of the Factory project has been thoroughly implemented and executed. Since the beginning of 2019 and to date, all the Iraqi National Passports have been delivered from the Cards and e-Passport Factory inside Iraq.

We, Veridos, are currently working with MOI and PMF to continue the investment in the project to complete phase 2, which is related to the National ID Cards.

One of the biggest drivers for success in PPP projects is to have the right basis of practical regulations, law, and instructions to facilitate the investment and partnerships related to the PPP projects.

We recommend future PPP projects align and involve Ministry of Planning to get their advice on having the right clauses and instructions. This can smooth the process and will protect the investing parties, ensuring success for the government of Iraq.

By

Amer Rifat

Managing Director – Veridos GmbH - Iraq Branch

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq



FAIRS AND EXHIBITIONS

EXHIBITIONS IN IRAQ 2021-2022

EXHIBITION	DATE	LOCATION	SECTOR	LINK AND CONTACTS
3RD MOSUL SHOPPING FESTIVAL BY PYRAMIDS CO.	29 Sep- 10 Oct 2021	Nineveh International Fair Ground	Retail	Pyramids.exh.uae@gmail.com
2ND FUTURE TECHNOLOGIES EXHIBITION BY MAJED AL- AMAL CO.	5- 7/ Oct/ 2021	Baghdad International Fair Ground	Technology	eng.shahal@bg-iq.net
AGRO PACK EXPO SOFUAR COMPANY	17 – 20 /Nov/2021	Erbil International Fair	Agriculture	neriman@netorganizasyon.net
10TH BASRA OIL & GAS EXHIBITION & CONFERENCE	3- 5/ Dec/ 2021	Basra International Fair Ground	Oil& Gas	Pyramids.exh.uae@gmail.com
LUXURY IRAQ-ERBIL SOFUAR COMPANY	15- 18/Dec/2021	Erbil International Fair	Luxury	neriman@netorganizasyon.net
2ND ANNUAL ECONOMIC AND TRADE FORUM	18- 27/Nov/2021	Sulaymaniyah International Fair	Economic and Trade	wasef.shouayki@gmail.com
3RD ANNUAL SULAYMANIYAH INTERNATIONAL BOOK FAIR	18- 27/Nov/2021	Sulaymaniyah International Fair	Book and Education	wasef.shouayki@gmail.com

IRAQ OIL AND GAS SHOW	14-16/ Dec/2021	Basrah International Fair	Oil & Gas	https://www.tradefairdates.com/Basra-X2349-S1-Fairs-Basra.html
INTERNATIONAL FAIR OF THE BUILDING AND CONSTRUCTION SECTOR	Expected in April 2022	Basra International Fair	Construction	https://www.tradefairdates.com/Basra-X2349-S1-Fairs-Basra.html
7TH IRAQ'S POWER FAIR & CONFERENCE	6-8/2/2022	Baghdad International Fairground	Energy	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
7TH MADE IN IRAQ CONFERENCE AND EXHIBITION	10-14/2/2022	Baghdad International Fairground	Manufacturing	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
BOOK FAIR	12-23/2/2022	Baghdad International Fairground	Education	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
9TH DEFENSE, SECURITY, AND IRAQI MILITARY INDUSTRIES FAIR	19-22/3/2022	Baghdad International Fairground	Security and Military	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com

4TH GITEX TECHNOLOGY CONFERENCE AND EXHIBITION	7-11/4/2022	Baghdad International Fairground	IT and Technology	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
VEHICLES & SPARE PART SHOW	26-29/6/2022	Baghdad International Fairground	Vehicles and spare part show (Auto Show)	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
3RD HEALTH AND ENVIRONMENT CONFERENCE AND EXHIBITION	1-4/9/2022	Baghdad International Fairground	Health and environment	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
ANTI-TERRORISM, SPECIAL OPERATION AND CYBER SECURITY EXHIBITION	11-14/9/2022	Baghdad International Fairground	Security	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
Baghdad International Fair	1-10/11/2022	Baghdad International Fairground	Multi-sector	+9647800728276 iraqifairs@gmail.com

BOOK FAIR	10-20/12/2022	Baghdad International Fairground	Education and culture	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
-BAGHDAD TURKISH HEALTH (MEDICAL EXHIBITION) -BAGHDAD TURKISH BUILD (BUILDING & INTERIOR EXHIBITION) - BAGHDAD TURKISH AGROFOOD (FOOD & FOOD TECHNOLOGIES, CLEANING PRODUCTS)	6-9/12/2022	Baghdad International Fairground	Food and Heath	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
EXHIBITION AND CONFERENCE OF IRAQ, JORDAN AND EGYPT	9-13/1/2022	Basra		Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
MISAN SEVENTH INTERNATIONAL CONFERENCE AND EXHIBITION FOR ENERGY, RECONSTRUCTION AND INVESTMENT	20-23/2/2022	Misan	Energy and Construction	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
COMPREHENSIVE INTERNATIONAL AUTO SHOW	5-9/3/2022	Basra	Auto Show	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
BASRA INTERNATIONAL OIL AND GAS EXHIBITION AND CONFERENCE	14-17/3/2022	Basra	Real Estates	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com

RAMADAN SHOPPING FESTIVAL	15-25/3/2022	Basra	Shopping Festival	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
BASRA INTERNATIONAL BOOK FAIR	23/3- 3/4/2022	Basra	Education	Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
KARBALA INTERNATIONAL FAIR	22-25/5/2022	Karbala		Rana Al-Sadi +9647709267167 Hussam Shaeqi +964 772 485 1295 interior.fairs@yahoo.com
ERBIL INTERNATIONAL FAIR				Fall 2022 (Exact date TBC)
SULAYMANIYAH INTERNATIONAL FAIR				Fall 2022 (Exact date TBC)

Please note: Events are frequently postponed or cancelled. Exact dates are to be inquired from the contacts provided in the list.





6

LEGAL AND REGULATORY FRAMEWORK AND TAXATION

Important Legal Aspects of Doing
Business in Iraq

Entity Set-up – Republic of Iraq

Entity Set-up - Kurdistan Region
Iraq

Free Zones

Labor Law

Taxation for Foreign Companies
and Foreign Investors in Iraq

Taxes - FAQ



IMPORTANT LEGAL ASPECTS OF DOING BUSINESS IN IRAQ

IRAQI LEGAL SYSTEM

1. Overview

Compared to a number of other Arab states which established legal systems within the past thirty years, Iraq has had an older and more developed legal system which was partly based on continental European models. Like most Arab countries, the Iraqi legal system is burdened by a vast array of regulations and administrative restrictions. As a result of the political turmoil of the past, numerous legal provisions are no longer applied in practice or were suspended by Coalition Provisional Authority (CPA) “legislation.”

Iraqi business law relies on various Arab (especially Egyptian) and Western laws and certain principles of Islamic jurisprudence. According to Article 1 of the Civil Code, the law takes precedence

over custom, Islamic law (shari‘a) and equity. The law of personal status (governing matters of family and inheritance) is based on Islamic law.

The Iraqi judicial system continued to operate relatively efficiently until 1990, at which point the duration of legal proceedings increased significantly, the enforcement of judgments was delayed, Iraqi courts did not enjoy independence from the government, and business partners often experienced difficulties in finding reliable Iraqi arbitrators. While this situation has improved considerably, litigating, and enforcing court decisions in Iraq remain challenging tasks.

2. Sources of Law

a. The Constitution of Iraq

The former Iraqi Revolutionary Command Council enacted a series of preliminary constitutions after the revolution of July 14, 1958. The most recent of these was the Interim Constitution of 1990. Following the 2003 invasion of Iraq, the Transitional Administrative Law (TAL), the Supreme Law of Iraq during the “transitional period” entered into force on March 8, 2004 and expired on the approval of the permanent Constitution by the Iraqi people in the referendum on October 15, 2005. The full text of the Iraqi Constitution is available at:

https://www.constituteproject.org/constitution/Iraq_2005.pdf?lang=en

The new permanent Constitution consists of 144 Articles, divided into six Chapters.

b. Islamic Law

Constitutionally, Islamic law (shari’a) is an important source of legislation in most Arab countries. The same holds true for Iraq, and Article 2 of the Iraqi Constitution provides that Islam is a (but not the) foundation source of Iraqi legislation.

Shari’a law is not codified and is mainly derived from the Qur’an and the sunna, and the teachings of the prophet Mohammed. Like other jurisprudence, the shari’a developed different philosophical and legal schools during Islam’s history. In Iraq, the Hanafi School is the most authoritative for the Sunni population, while the Jafari School is dominant among Shias.

The application of Islamic law in Iraq has been generally limited to family and inheritance law. The role of Islamic law is minimal in commercial matters. The Iraqi Civil Code expressly provides that statutes are the primary source of law, followed by custom and then by Islamic law.

While the Iraqi legal system has been dominated by Sunni legal doctrine, the Shi’a sect accounts for the majority of the Iraqi population, and it is therefore anticipated that Shi’a influence will increase in the future. Mainly because of its methodology, Shi’a legal doctrine is considered— at least in theory—to be more flexible than Sunni legal doctrine.

c. CPA Orders and Regulations

During its mandate period, which ended on June 28, 2004, the CPA published a total of 12 regulations and 100 Orders which mainly focused on the political transition (e.g., De-Ba’athification), security related measures (e.g., creation of a new Iraqi Army), public law (e.g., Penal Law) and an array of business and economy-related provisions. Some of the CPA Orders continue in force to date, including but not limited to banking law, intellectual property law, and commercial company’s law.

3. Court Structure

The judiciary in Iraq is organized by Law No. 160/1979. It consists of the Civil Courts, Courts of Personal Status, and Criminal Courts. Civil Courts have jurisdiction in civil and commercial matters, and matters concerning the personal status of non-Muslims. Courts of Personal Status have jurisdiction over matters of the personal status of Muslims, including family and inheritance matters. In addition to these courts, there are some non-commercial courts of specialized jurisdiction, including administrative courts.

In civil matters, the Iraqi court system is divided into a three-tier hierarchical system; Courts of First Instance, Courts of Appeal, and a Court of Cassation. Cases in the Courts of First Instance are presided over by a single judge and may be appealed to a Court of Appeal, subject to some

exceptions. The Courts of Appeals are divided into seven districts and are each composed of three judges. Appellate decisions may be appealed to the Court of Cassation. The Court of Cassation, as the highest court, is only competent to decide questions of law. It is located in Baghdad.

A separate judiciary, with a separate Court of Cassation in Erbil, exists for the Kurdistan Region of Iraq.

In addition to the above courts, a Supreme Federal Court was established by the Constitution. It is competent to determine the constitutionality of laws, interpret the text of the Constitution, rule in disputes between the federal government and the governments of the regions, and handle other constitutional matters.



4. Kurdistan and Central Iraq

Even prior to the Baath party coming to power, there was de facto autonomy in certain parts of Iraqi Kurdistan. The liberated areas, as they were called by the Iraqi Kurds, covered some 35,000 square kilometers and extended from Zakho in the northwest to Khanaqin in the southeast. A Revolutionary Council, which served as a sort of Kurdish parliament began functioning in 1964.

In March 1970, the Iraqi government and representatives of the Kurds in Iraq entered into the Iraqi-Kurdish Autonomy Agreement. This agreement was to be implemented within four years and provided for the creation of an Autonomous Region consisting of the three Kurdish governorates (Erbil, Sulaimaniya and Duhok), and other adjacent districts that had been determined by census to have a Kurdish majority. Hence in theory, the Iraqi Kurds have had their own elected assembly since 1974. In practice the members of the assembly were all government nominees. This changed in 1991 following the Kurdish uprising against Saddam Hussein in the wake of the Second Gulf War.

Following the end of the Second Gulf War, elections held in Kurdistan in June 1992 produced an inconclusive outcome, with the legislative assembly divided almost equally between the two

main parties: the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). Tensions between these two parties ultimately led to the division in 1996 of the Kurdistan region into two areas- the governorate of Sulaimaniya governed by the PUK, and the governorates of Erbil and Duhok ruled by the KDP.

The Iraqi Constitution recognizes Iraqi-Kurdistan as a “federal region” and its right to exercise executive, legislative, and judicial powers in accordance with the Constitution, except for those powers stipulated as falling within the exclusive competence of the federal government. According to Article 141 of the Constitution, legislation enacted in the region of Kurdistan since 1992 will remain in force, and decisions issued by the Government of the Region of Kurdistan—including court decisions and agreements—are considered valid unless they are inconsistent with the Constitution or are amended or annulled pursuant to the laws of the region of Kurdistan by the competent authority in the region.

On January 21, 2006, the KDP and the PUK entered into the Kurdistan Regional Government Unification Agreement, aiming at the unification of these two parts of the Kurdistan Region.

5. Specific Laws and Treaties

d. Civil Code

The Iraqi Civil Code, Law No. 40/1951 (the “ICC”) was published on September 8, 1951, and enacted on September 8, 1953. The ICC was the outcome of numerous attempts to unite in a single legal instrument all principles related to civil matters which had been previously dispersed throughout several different legislative acts.

The ICC was mainly inspired by the Egyptian Civil Code, Islamic law as codified in the Ottoman “Mejelle” (Majallah al Ahkam al Adaliyya), based on the Hanafi School of law, and applied in Iraq prior to the enactment of the Civil Code, and a number of old Ottoman laws based on European codes.

The ICC is one of a number of similar codes in the Arab world that were directly influenced by the Egyptian Civil Code, including that of Syria, Algeria, Libya, and Kuwait. It represents a synthesis of traditional Arab legal rules and an understanding of the needs of modern times. The chairman of the drafting committee of the ICC was the Egyptian legal scholar Abdel Razzak Al-Sanhouri who sought to combine principles of Islamic law and civil law, principally the French Civil Code.

The ICC mainly follows the Egyptian Civil Code in its structure. It is divided into a

short introduction and two main parts. The introduction deals with general issues, such as applicable legal sources, the distinction between individuals and legal entities, the rules of application of laws, and certain classifications. The first main part of the ICC regulates the law of obligations, and contains general provisions on the laws of contract, tort and specific types of contracts including sales, barter transactions, gifts, partnerships, loans, lease, agency, and insurance. The second part deals with rights in rem and addresses property rights and related issues such as the transfer of property, usufruct, charges on real property and other issues.

e. Commercial Code

The Iraqi Commercial Code, Law No. 30 of 1984 (the “Commercial Code”), sets out provisions governing traders, including requirements for commercial registration, company books and records, trade names, banking transactions, international sales, letters of credit, and bank guarantees. It deals with sales transactions in detail, extensively addressing various forms of sale. As for provisions related to bankruptcy, however, the Commercial Code refers to chapter 5 of the otherwise repealed old Commercial Code, Law No. 149 of 1970.

The Commercial Code consists of six

main sections. The first section outlines the purpose of the law and the scope of its application. The second section defines commercial transactions and lays down the provisions governing the duties of traders. The law states that any person may engage in commerce, provided it first obtains a special license from the relevant authorities. In particular, the law addresses the obligation of traders to maintain commercial books, sets out the rules applicable to trade names and the provisions governing the commercial register.

The third section of the Commercial Code governs negotiable instruments which form the core of Iraqi commercial law. The first two chapters address bills of exchange and promissory notes. These represent the majority of negotiable instruments used in practice. The first chapter contains provisions regarding form, transfer, consideration, acceptance, payment and recourse in connection with bills of exchange. Limitation periods reflect those contained in most other Arab commercial codes, namely three years from the date of maturity for actions against the acceptor, and one year from the date of protest for actions against the drawer or endorser. The third chapter deals with the law applicable to cheques. As under other Arab laws, issuing a cheque not covered by sufficient funds, constitutes a penal offence. The prescription period for actions against the issuer of an unfunded cheque is 6

months from the date of its issue.

The fourth section of the Commercial Code is divided into two main parts. The first deals with commercial contracts and the second with banking operations. The first chapter of the first part sets forth the provisions governing commercial mortgages and charges which apply to movables where security is given for a commercial debt, (i.e., a debt between two parties of whom at least one is a trader and, as an exception to the provisions on rights in rem in the ICC, do not require possession by the pledgee). The second chapter governs deposits of goods in public depositories. The third chapter addresses current accounts which are not limited to current accounts with banks. In a current account, in the sense of the Iraqi Commercial Code, the parties agree to settle debts arising between them with reciprocal and overlapping payments and to replace the settlement of each debt by a final settlement resulting in the final balance of the accounts after they are closed. The remaining chapters in the fourth section of the Commercial Code deal with banking operations. These chapters concern deposits with banks, rental of safe deposit boxes, banking transfers, bank loans, documentary credits, discounts and letters of guarantee. However, these provisions are limited by the provisions of the Banking Law No. 94/2004 to the extent any discrepancy exists.

The fifth section of the Commercial Code

addresses international trade transactions.

The final section contains the final and transitional provisions.

f. Iraqi Product Protection Law

In March 2010, the Iraqi Product Protection Law No. 11/2010 was promulgated. The law aims to protect Iraqi products from harmful practices occurring in international trade with Iraq. It intends to create an environment that enables the establishment of local industries that are able to compete in both local and international markets. Foreign exporters must pay attention to this law. Upon an allegation by a local producer, the competent authorities can stop the import of foreign products in “unwarranted” quantities or at subsidized prices. Such abusive activities include “dumping” (the import of products into Iraqi markets at prices below “normal” prices in the country of origin).

g. Consumer Protection Law

While certain topics and specific aspects of consumer protection were treated in several pieces of Iraqi legislation (such as Law 89/1981 about General Health, 27/2009 about the Environment, Law 11/2010 for the Protection of Iraqi Products against unfair Competition from Foreign Products, as well as some special legislation with regard to agricultural and medical products) in

January 2010 the Law for Consumer Protection (Law 1/2010) was issued by the Iraqi Presidency. The Parliament of the Kurdistan Region of Iraq also ratified and adopted the Federal Consumer Protection Law No. 1/2010 pursuant to Law 9/2010.

The main purpose of the Law is: “to protect the consumer and to prevent harm to the consumer from illegal practices”, “to increase the level of consumer awareness”, as well as “to prevent any activity which contravenes the established principles of importing, manufacturing or marketing or weakens their benefits or results in misinformation to the consumer”.

The Law sets out the Regulatory and Administrative framework for the implementation of the Law, especially regulations for establishing a Board for Consumer Protection and its cooperation with other concerned Ministries and authorities and regulates also the responsibilities and rights of special surveillance and inspection committees for following up and executing the Law on the ground, especially checking the products in storage, sales locations etc.

The Law grants to the consumer particularly the right to obtain complete information about the characteristics and specifications of the products and information on the use of the product in Arabic. In case the consumer or anybody with a legitimate

interest has not received the above-mentioned information, he can return the goods completely or partly and claim damages before the civil courts where applicable.

The Provider (Manufacturer, Importer, Exporter, Intermediate, Seller as well as Marketer and Advertiser) is specifically forbidden to deceive or cheat the customer or make untrue announcements regarding specifications of the products or services, to sell products that

violate Public Order or are an offense to good manners. The provider is also forbidden to sell, exhibit or market products that do not clearly and completely describe on the package or the wrapping the exact specifications, or do not clearly point out dangers (if any), or do not clearly specify the start date and the expiry date of the durability of the product. The Law states punishment of minimum 1 million Iraqi Dinar and /or at least 3 months jail for any offender.

h. Competition Law

The Fair Competition and Anti-Trust Law No. 14/2010 aims to protect and ensure free and fair trading in Iraq. The law provides for a Fair Competition and Anti-Trust Council attached to the Council of Ministers which supervises Iraqi markets.

The Kurdistan Region of Iraq has also enacted its own Competition Law No. 3/2013 which is similar to the Federal Competition Law and establishes its own

Competition Protection Board.

i. ICSID

On 17 November 2015 Iraq signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States implementing the International Centre for Settlement of Investment Disputes (ICSID) which entered into force on 17 December 2015, thus Iraq became the Convention's 160th signatory State.

The primary purpose of ICSID is to provide facilities for conciliation and arbitration of international investment disputes between states and investors of other member states. In ratifying the Convention, Iraqi lawmakers further encouraged investments in Iraq and provided new levels of protection for foreign investors. The immediate impact of this step on the investment climate in Iraq is likely to be relatively limited given the small number of bilateral and multilateral investment treaties to which Iraq is party to and that are currently in force.

While there are publications listing up to 35 bilateral arrangements of some kind, only very few are in force including France, Kuwait and Japan. Other treaties are still awaiting ratification by the competent bodies.

j. MIGA Convention

In October 2007, Iraq joined the

Convention establishing the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group. Membership in MIGA will allow eligible foreign companies seeking to invest in Iraq the option of receiving political risk insurance (guarantees) for eligible investments in Iraq.

k. Iraq Stock Exchange (ISX)

The ISX was incorporated and began operations in June 2004. It operates under the oversight of the Iraq Securities Commission, an independent commission modeled after the US Securities and Exchange Commission. Currently, around 100 companies are listed on the ISX.

In April 2009, the ISX switched to electronic trading.

A new securities bill is expected to be issued in the future. Passing that legislation could result in the creation of such tools as custodian banks and mutual funds, which would allow online trading and the issuance of initial public offerings.

l. Other International Treaties

Another area for further legislative development lies in Iraq's international legal treaties. So far Iraq has not signed many of the relevant international treaties and conventions for the protection of intellectual property and foreign investment. Iraq became an observer at the World Trade Organization (WTO) on January 24, 2007 with full membership still pending. Iraq has also signed the Riyadh Convention on Judicial Cooperation (1983) and the League of Arab States Convention on Commercial Arbitration (1987). With regard to international trade agreements, Iraq signed the Agreement to Facilitate and Develop Trade among Arab States (1981) and the Greater Arab Free Trade Area (2005). Under the previous regime, Iraq signed 35 bilateral investment agreements.

Most importantly on March 4, 2021 the Iraqi Parliament ratified overdue the entry of Iraq as a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

FOREIGN INVESTMENT

On September 20, 2003 the CPA promulgated Order No. 39 which replaced “all existing foreign investment law[s]”, and was intended to serve, for an interim period, as the basis for future foreign investment in Iraq. CPA Order 39 set a very liberal framework for foreign investment in Iraq, and many foreign investors used the opportunities it provided to establish wholly foreign-owned subsidiaries in Iraq.

On October 15, 2006, the Presidency Council issued a new Investment Law

(Law No. 13/2006), expressly repealing CPA Order No. 39 and the Arab Investment Law No. 62/ 2002.

The Investment Law has been amended by Law No. 2/2010 and Law No.50 / 2015. Executive Regulations to the Investment Law have been issued by various Council of Ministers Resolutions including resolution No. 2/2009 and resolution No. 6/2017 concerning the sale and lease of government owned land for investment purposes.

1. Aims of the Investment Law

According to Article 2 the Investment Law’s purposes are:

- promote foreign and Iraqi investment in Iraq
- encourage the transfer of modern technologies
- diversify Iraq’s production and service base
- enhance Iraq’s competitiveness in local and foreign market
- develop human resources, and provide work opportunities to Iraqis;
- protect the rights and properties of investors
- increase exports
- improve the balance of payments and balance of trade for Iraq.

These aims should be achieved by granting benefits and guarantees to projects covered by the law.

2. Investment Authority

According to Article 4 of the Investment Law, the National Investment Commission (NIC) will be responsible for the Law's implementation.

Specifically, the NIC will be responsible for:

- drawing up national investment policies and monitoring the implementation of these policies
- building confidence in the investment environment, identifying investment opportunities, and promoting and stimulating investment
- simplifying procedures for registration, issuing investment licenses, following up on existing projects, and giving them priority in processing with official entities
- establishing a “one-stop-shop” for issuing investment licenses, and obtaining all required approvals from other relevant authorities
- providing advice, information, and data to investors
- setting forth and implementing programs to promote investment in different areas of Iraq in order to attract investors
- allocating the land required and renting properties out for establishing investment projects
- establishing secure and free investment areas
- encouraging Iraqi investors by providing loans and financial facilities.

The regions and governorates not organized in a region may form investment authorities in their areas. These regional authorities may grant investment licenses, draw up investment plans, promote investment and open branches in their areas within the provisions of the law and in consultation with the National Investment Commission. As set out further below, the Kurdistan Region has made full use of this right.

3. Investment Projects

Contrary to many other investment laws in the region, the Investment Law does not contain a list of activities eligible for its benefits and guarantees. In contrast, Article 29 provides that all areas of investments may be granted an investment license except for

those in oil and gas extraction and production, banking, and insurance companies. The insurance industry is regulated by a different law, which permits foreign participation.

In addition, Article 7 of the Investment Law provides that the Council of Ministers may issue regulations specifying minimum investment amounts.

4. Benefits and Guarantees

According to the Investment Law (as amended), an investment license will grant the investor the following benefits:

- ability of foreign investors to acquire land, subject to the consent of and conditions imposed by the National Investment Commission, for the exclusive purpose of housing projects to house Iraqi nationals
- repatriation of capital and profits
- ability to hold shares and bonds of companies listed on the Iraqi Stock Exchange
- ability to lease land for a period of up to 50 years
- ability to insure the investment project with any foreign or national insurance company
- ability to open accounts in Iraqi or foreign currency at a bank inside or outside of Iraq for the licensed project.

In addition, the licensed investment will enjoy the following guarantees:

- employment of foreign workers provided that it is not possible to employ an Iraqi national with the required qualifications and capable of performing the same tasks
- right of residency in Iraq
- no expropriation or nationalization of the investment project in whole or in part
- non-Iraqi employees working in any investment project may transfer their salary and compensation outside Iraq.

Article 13 of the Investment Law provides that any amendment to these provisions will not apply retroactively.

According to Article 15 of the Investment Law, the licensed investment project may benefit from an exemption from taxes and fees for a period of ten years as of the date of commencement, subject to the relevant development plan approved by the Council of Ministers.

The NIC has the right to increase the duration of the exemption in proportion to the participation of an Iraqi investor in the project to a maximum of fifteen years if the Iraqi investor's share in the project exceeds 50%.

In addition, a licensed investment project is exempted from:

- import duties on any item imported for the purposes of the investment project for three years as of the date the investment license is granted
- import duties on any item imported for the purposes of expanding, developing or modernizing the investment project for three years as of the date the Investment Authority is notified by of the intended expansion
- import duties on all spare parts imported for the purposes of the project, if the value of these parts does not exceed 20% of the fixed asset value.

Hotels, tourism facilities, hospitals, health institutions, rehabilitation centers and educational and scientific organizations may be granted additional exemptions from duties and taxes on imports of furniture, furnishings and requisites for renewing and updating purposes.

5. Investor's Obligations

Article 14 of the Investment Law provides that the investor must:

- notify the NIC immediately after the installation of the fixed assets for the purpose of the project, and the date that commercial activity begins
- keep proper records audited by a certified accountant in Iraq in accordance with Iraqi laws
- provide an economic and technical feasibility study for the project and any information, data or documents required by the National Investment Commission regarding the budget of the project and the progress made in its execution
- keep records of the project's duty-free imported materials specifying their depreciation value
- protect the safety of the environment, adhere to the applicable quality control systems, and comply with laws related to security, health, public order and the values of Iraqi society
- comply with Iraqi laws in force regarding salary, vacation, work hours and conditions
- comply with the time schedule for the execution of the investment project as submitted to the National Investment Commission
- employ, on a priority basis, Iraqi workers, and attempt to train and rehabilitate Iraqi employees and increase their efficiency, skill and capabilities.

6. Procedures for Obtaining Investment Licenses

The application for an investment license must contain a request form prepared by the Investment Authority, a confirmation letter regarding the investor's financial situation by an accredited bank, a list of projects performed by the investor inside or outside of Iraq, details of the investment project and its economic feasibility, and a timetable for completing the project.

The Investment Authority reviews the application and, if approved, request that all other concerned authorities issue required licenses and permits. These authorities must decide on the request within 15 days. In case of disagreement between the National Investment Commission and other concerned authorities, the dispute must be brought before the Prime Minister for settlement.

Contrary to widespread belief, it is not required to obtain an investment license

in order to validly operate a business in the Iraqi territory.

7. Dispute Resolution

The law expressly permits agreeing to local or international arbitration as a forum for settlement of disputes.

8. Kurdistan Region Investment Law

There is a separate Investment Law for the Kurdistan Region of Iraq set out below.

COMMERCIAL AGENCY

1. Iraq's Old Commercial Agency Law

Iraq followed in the legislative footsteps of many Arab countries by passing its first commercial agency law with Law No. 51 of 2000 (the "Old Law"). The Old Law supplemented existing civil and commercial codes to create a legal framework for the registration of Iraqi businesses as the commercial agents of foreign goods and services imported into and sold in Iraq.

The Old Law did not grant exclusivity to registered commercial agencies, although we are aware of some

instances where the Ministry of Trade did not permit new commercial agent registration, on the grounds that there was an existing registered commercial agent.

The Old Law was never strictly enforced. Following its enactment during the final years of the Saddam Hussein era, through the second Iraq War, and to the present day, in practice any Iraqi business could import goods and services so long as it was properly licensed to import.

2. New Commercial Agency Law of 2017

The Iraqi Parliament approved a new commercial agency law in August 2017. Following presidential approval on 1

November 2017 and publication in the Official Gazette on 13 November 2017, the new commercial agency law was

published as Law No. 79 of 2017 (the “New Commercial Agency Law”). The New Commercial Agency Law is effective from its date of publication in the Official

Gazette and repeals the Old Law but it gave businesses a year to come into compliance with its requirements

The principal changes introduced by the New Commercial Agency Law can be summarized as follows:

- Goods for trading purposes may only be imported through a registered commercial agent (Article 13).
- Foreign principals may not terminate or refuse to renew a contract with a commercial agent unless the termination or non-renewal is for a “reason that justifies” (Article 20).
- Commercial agent registration must be renewed annually.
- The New Commercial Agency Law extends the definition of “commercial agency” to cover distributor and franchise arrangements, in addition to agency relationships, a significant expansion when compared to the scope of the Old Law.
- The limit under the Old Law on a maximum of three agencies for each business is abolished.
- The restriction on public sector entities trading with commercial agents is abolished.

The changes in Article 13 and Article 20 may substantially impact businesses operating in Iraq and are explained in further detail below.

3. Restriction on Foreign Importers in Iraq (Article 13)

Article 13 contains a provision which empowers the State Company for Fairs (under the Ministry of Trade) and the Customs Authorities (under the Ministry of Finance) to prohibit the import of goods for trading purposes unless such import is through a commercial agent.

If implemented as written, which is not the case until to date, this provision will

mean that the import of goods to Iraq will only be permitted through a registered commercial agent. Therefore, as a registered commercial agent must be an Iraqi national or a company wholly- owned by Iraqi nationals, any existing Iraqi company with non-Iraqi shareholders that presently imports and distributes goods and services into Iraq may have to restructure its business.

4. Commercial Agent Protection from Termination and Non-Renewal (Article 20)

Article 20 of the New Commercial Agency Law introduces protection for commercial agents from termination or non-renewal without the principal having “a reason that justifies” (a material reason). There is no guidance as to what reasons could qualify for this standard, and it is also not established if termination without such a material reason results in a claim of compensation from the terminated commercial agent, or an invalid termination.

Courts have taken the position that this protection applies to all new and existing contracts that fall under the scope of the law. Additionally, Iraqi companies that currently have valid agency contracts with foreign principals, including contracts that were previously outside the scope of commercial agency registration, such as distributor, dealer and franchise agreements, may be able to register themselves and benefit from this new statutory protection.

5. Iraqi Kurdistan

The New Commercial Agency Law is not currently being reviewed by the Iraqi Kurdistan Parliament in Erbil and will, therefore, not be applicable to commercial agency relationships in the territories controlled by the Government of Iraqi Kurdistan. Commercial agency relationships in Iraqi Kurdistan will continue to be subject to the previous legal framework, which is technically within the scope of the Old Law, in addition to the civil code and commercial code where applicable.

Consequent differences between both jurisdictions in the application of commercial agency legislation have surfaced following the ratification of the new Commercial Agency Law (79/2017) by the Iraqi Parliament. While this new

law has replaced the old Commercial Agency Law (51/2000) in Federal Iraq, it is yet to be deliberated by the Kurdish Parliament, where the old law remains applicable for all commercial agency matters in the Kurdistan Region of Iraq, along with the general provisions of the Iraqi Civil Law (40/1951) and the Companies Law (21/1997).

While the Old Law, still applicable in the KRI is - from the viewpoint of a foreign Principal - rather liberal, the “new” Commercial agency law, now in force in Federal Iraq is in some aspects more in line with commercial agency laws in other Arab countries, regulating the commercial agency more extensively and at the same time providing more protection and rights of the commercial agent vis a vis his foreign Principal.

Based on the foregoing, the variations between Federal Iraq and the Kurdistan Region of Iraq from both a legislative standpoint, the enforcement of this legislation in practice and consequently

the adjustment of current commercial agencies as well as the drafting of new commercial agency contracts or even the re-drafting of existing commercial agency contracts should be considered carefully.



INTELLECTUAL PROPERTY PROTECTION

In recent decades, Iraq enacted laws in almost all fields of intellectual property rights. However, almost all Iraqi intellectual property laws became outdated upon the appearance of the World Trade Organization (WTO) and the

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In April 2004 CPA Orders No. 80, 81 and 83 amended the existing laws to a considerable degree.

1. Patent Law

Patents are regulated in Iraq by Law No. 65/1970 on Patents and Industrial Designs ("Patent Law"), as amended by Law No. 28/1999 and CPA Order No. 81.

a. International Agreements

Iraq is a member of the Convention establishing the World Intellectual Property Organization (WIPO) and the Paris Convention for the Protection of Industrial Property, but has not yet adhered to either the Strasbourg Agreement concerning International Patent Classification, the Patent Cooperation Treaty (PCT), or the Patent Law Treaty (PLT).

b. Patentability

According to Article 2 of the Patent Law, patents protect inventions that are applicable to industry, are novel or involve an innovative step and concern new industrial products, new industrial methods, or new applications of known industrial methods.

Inventions that contravene public order are not patentable. The provision prohibiting the patentability of pharmaceuticals was repealed in 1999.

Since Iraq is not a member of the PCT, a patentee may not seek protection simultaneously in Iraq and other countries by filing an international patent application.

c. Patent Holders

The inventor or his successor is the holder of the patent. The following persons may apply for patents:

- Iraqi nationals and citizens of Arab countries
- foreigners residing in Iraq
- foreigners belonging to a state having a reciprocal agreement with Iraq concerning patent registration
- public departments
- companies and establishments organized and existing in Iraq or in a state having a reciprocal agreement with Iraq concerning patent registration.

In the case of inventions by employees working under an employment contract or in an employment relationship, the rights of the invention belong to the employer if the invention is contemplated as the subject-matter of the contract or the employment relationship provided that the employee is paid for that purpose and that the name of the employee is stated in the patent. If the invention is not

contemplated as the subject-matter of the contract but is nevertheless made in the execution of the employment contract or relationship, the rights in the invention will still belong to the employer, but the employee is entitled to equitable remuneration to be defined according to the importance of the invention. In both cases, the inventor retains his right to be recognized as the inventor.

d. Patent Rights

A patent grants its owner:

- where the subject of the patent is a product, the right to prevent any person who has not obtained the owner's authorization from making, exploiting, using, offering for sale, selling or importing that product
- where the subject of the patent is an industrial process, the right to prevent any person who has not obtained the owner's authorization from using the process or a product directly made by the process, offering for sale, selling or importing the product.

According to Article 27 of the Patent Law, the patent may be subject to a compulsory license in certain circumstances to be granted by the registrar to any person requesting a license.

e. Duration

Patents are protected for 20 years from the date of the filing. They may not be renewed or extended.

f. Registration

Patent applications must be submitted in Arabic, contain a detailed description of the invention, and be accompanied by a number of documents. Each application will be examined for conformity with formal requirements and patentability according to the Patent Law, especially regarding innovative content. The Patent Authority may request amendments to ensure conformity. The application will be

refused in cases of non-compliance with the required amendments within a time fixed by the Patent Authority.

g. Transfer of Patents

Patents may be assigned or licensed without any restrictions (other than those relating to competition rules). Transfer of patents must be in writing, and will become effective against third parties upon publication in the Iraqi Official Gazette, and upon entry into the patent register.

h. Infringement Action

The Patent Law affords patent holders a wide range of penal and civil actions for the protection of rights to the patent. Civil actions are either actions for infringement or actions against patent owners for declarations of invalidity (declaratory judgments). Infringers may be manufacturers, retailers, and users in the case of a process or method.

The available civil remedies include:

- a search (description) and seizure order
- an injunction to prevent the continuation of the infringing activity
- assignment of ownership of the goods seized
- destruction of the infringing articles
- damages
- publication of the decision.

Counterfeit seizure is an efficient remedy available to patent holders that are victims of counterfeiting or other infringements. This procedure is useful as a temporary measure facilitating the collection of evidence with respect to the existence, size and scale of the counterfeiting, and for use in later proceedings on the merits of the case.

An expert is appointed to describe the alleged infringement and the description is then filed at the relevant court office.

The plaintiff may request a preliminary injunction in summary proceedings, and

the judge may issue a provisional “cease and desist” order, prohibiting the production, use, exhibition and advertising of all infringing materials. Note that injunctions and injunctive-type relief are judicially recognized and available in Iraq, but rarely issued.

i. Other Protected Items

In addition to the protection of inventions by patents, the Patent Law, as amended by CPA Order No. 81, grants protection for industrial designs, undisclosed information, integrated circuits and plant varieties.

2. Trademarks

Trademark protection is governed by the Trademark Law No. 21/1957, as amended by CPA Order No. 80.

1. International Conventions

Iraq is a member of the Paris Convention on the Protection of Industrial Property (Stockholm Act). However, it is not a party to the Madrid Agreement or Madrid Protocol for international registration of marks.

2. Protected Marks

Pursuant to Article 1 of the Trademark Law, any mark which can be graphically represented and is suitable for distinguishing goods and services from other goods and services may be protected by a trademark. The term “mark” includes trademarks, service marks, collective marks and certification marks.



According to Article 5 of the Trademark Law, the following marks may not be registered:

- marks devoid of any distinctive character or which are used in trade to describe the kind, nature, quantity or place of production of the goods, or marks which in the ordinary language of Iraq indicate any of such matters. Where signs are not inherently capable of distinguishing the relevant goods or services, registration will depend on distinctiveness acquired through use
- marks, expressions, or designs which are contrary to public order or morality
- marks which are identical with, or similar to armorial bearings, flags or other State emblems of Iraq or other countries of the Paris Union or international intergovernmental organizations, official signs or hallmarks indicating control and warranty adopted by them, and any imitation from a heraldic point of view
- marks which are identical with, or similar to, the insignia of the Red Cross, Red Crescent, or Geneva Cross
- the name, title, portrait, or armorial bearing of a person except with that person's written consent
- designations of honorary degrees to which the applicant is unable to establish a right
- marks which are likely to mislead or confuse the public, or which contain false descriptions as to the origin of products, whether goods or services, or their other qualities, as well as the signs that contain an indication of a fictitious, imitated or forged trade name
- marks which are identical or similar to a well-known mark, or marks that are identical or similar to a previously registered trademark if registration of that mark would result in confusing the consumer public as to the goods distinguished by the mark or other similar goods.

3. Duration of Protection

Trademark protection by registration may be obtained for 10 years, commencing from the end of the month

in which the application was filed. Protection may subsequently be renewed every 10 years.

4. Registration

In principle, the right to a trademark is acquired through its registration at the Trade Mark Registry. However, according to Article 3 of the Trademark Law, a person able to establish his use of the mark prior to its registration may contest this right during the first five years after registration.

Applications must be submitted in Arabic and accompanied by a number of documents. Use of trademarks is not a requirement for the filing of applications for registration. Application fees will be charged for each class. The Registrar may impose the limitations or modifications he considers necessary in respect to the form, mode or place of use of the mark to prevent confusion between the mark and a similar registered mark, or for any other reason

he may consider appropriate.

Few trademarks and patents were registered or renewed during war times and the embargo. Therefore, trademark and patent holders are advised to check their registration status with the competent register.

5. Trademark Collision

In cases where two or more persons apply for registration at the same time, the trademark officer may suspend all applications for the registration of a trademark until the applicants submit a duly certified document containing a waiver of rights or a final court decision in favor of one of the parties. The same applies to applications for registration of an identical or similar trademark for goods belonging in the same category.

6. Cancellation

Third parties may initiate cancellation proceedings if the registered mark:

- becomes the generic name of the goods or services for which it is registered, or a portion thereof
- was obtained fraudulently or contrary to the requirements for registration
- has remained unused for an uninterrupted period of three years, unless the absence of use is established as being due to an uncontrollable cause or lawful excuse
- is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used.

7. Transfer of Trademarks

The ownership of a trademark is transferable, and it may be pledged or seized together with the business dealing in the goods bearing that mark. According to current Iraqi law, trademarks may only be sold together with the products of the enterprise to which the marks are attached. However,

this rule will need to be modified when Iraq joins the WTO, to comply with the requirements of TRIPS allowing the transfer of a mark with or without the business to which it is attached. Additionally, under Iraqi law the transfer of a business includes the transfer of the mark, unless otherwise agreed.

8. Infringement Action

Iraqi law provides both penal and civil remedies to protect the rights of a trademark holder against infringement. Acts which are considered to constitute infringements of trademarks are the application, registration or use of an identical or similar trademark for identical or similar goods and services.

Legal relief available to the owner of the prior trademark rights includes the following:

- preliminary and permanent injunctions (although, in practice, injunctions are difficult to obtain and enforce)
- damages
- destruction of the goods bearing the infringing trademarks
- publication of the court decision.

Prior to instituting a civil action, it is a recommended common practice to send a 'cease and desist' warning letter to the infringer, in order to ensure that the infringer is put on notice of the alleged claim.

Upon becoming aware of trademark infringement, a trademark owner may apply to the competent court for a preliminary injunction. When a preliminary injunction has been obtained it must be served upon the defendant.

Infringement of a registered trade mark is a criminal offence punishable by imprisonment for a term between one to five years or a fine between IQD 50,000,000 to 100,000,000.

3. Copyright

Law No. 3/1971 (“Copyright Law”), as amended by CPA Order No. 83 governs Iraqi copyright and related rights. A new copyright law, designed to fulfill international requirements under the Berne and Rome Conventions, the TRIPS Agreement, the 1996 WIPO Copyright Treaty (WCT), and the WIPO Performance and Phonogram Treaty (WPPT) is expected however not issued yet.

a. International Agreements

Iraq is not a member of either the “Revised Berne Convention” (Paris text), the “Convention for the Protection of The protection includes works expressed in writing, sound, drawing, painting or movement including:

- written works of all types
- computer programs, whether in source or object code, which are protected as literary works
- works conveyed orally such as lectures, lessons, speeches, sermons
- works conveyed by drawing and painting with lines and colors, engraving, sculpture, and architecture
- dramatic works and musical plays
- works performed by artistic movement or steps and that are materially prepared for production
- musical works, whether or not accompanied by words
- photographic and cinematographic works
- works prepared for radio and television
- charts, drawings, and scientific three-dimensional figures
- public recitals of the Qur’an
- sound recordings
- compilations of data

Producers of Phonograms against Unauthorized Duplication of their Phonograms” (the “Geneva Phonogram Convention”), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the WPPT, or the WCT.

b. Protected Works

The Copy Right Law protects the authors of original literary, artistic, and scientific works whatever their type, method of expression, importance or purpose. No registration is required to obtain protection.

Protection also extends to the title of the work, if it is characterized by originality and not indicative of the work's subject matter. The protection also extends to derivative works on the condition that the rights of the original author are preserved. Accordingly, any person who translates a work into Arabic or any other language, reviews it, changes it from one type of literature, art or science to another, summarizes, adapts or modifies it, comments on it or makes an index to it in such a manner as to render it in a new form enjoys copyright protection.

The law provides protection to performers, without prejudicing the rights of the original author. Thus, any person who executes or transmits to the public a work of art created by another whether such performance consists of singing, playing music, delivery, painting, drawing, movement, steps or of any other method, is considered a performer and enjoys protection.

c. Author

In the absence of contrary evidence, the person in whose name the work is

published whether by mention of his name on the work or by any other means is considered the author. This provision also applies to pseudonyms provided there is no doubt as to the identity of the author.

It must be noted that legal protection is limited to works published in Iraq and works of Iraqi authors published abroad. Works of foreigners published outside Iraq are only protected if reciprocity is granted by the country of the author.

d. Transfer of Licenses

The exclusive right to use the work and grant licenses for each act of exploitation of the work is the core of the author's economic rights. A license may only be granted by means of a licensing agreement concluded with the user. Copyright licensing agreements oblige users (licensees) to pay a fee for use of the works which, unless otherwise agreed by the parties, is in due proportion to the revenues generated through the use of the work.

e. Scope of Protection

According to Article 8 of the Copyright Law, no person shall engage in any of the following without the written consent of the author or his/her successors:

- reproduce a work in any manner or form, whether transitory or permanent, including onto photographic (including cinematographic) film or onto a digital or electronic storage media
- translate, adapt, musically arrange or otherwise transform a pre-existing work
- authorize commercial rental to the public of the original or copies of the work
- distribute original and copies of a work through sale or other transfer of ownership
- import any copies of a work (including copies prepared with the consent of the copyright owner)
- transmit or otherwise communicate a work to the public by means of a recital, speech, lecture, display, acting performance, radio or television broadcast, cinema or any other wire or wireless means, including making available a work to the public in a manner giving members of the public access to the work from a place and at a time individually chosen by them

These economic rights may be assigned, devised, or inherited. No other person may exercise this right without prior permission of the author or of the party to whom the right is transferred (Article 7 of the Copyright Law).

The heirs of an author shall have the

exclusive right to decide on publication of works not published during the lifetime of the author unless he dictates otherwise by testamentary disposition. If the author fixed a date for publication, the work may not be published before that date (Article 18 of the Copyright Law).

f. Period of Protection

The author's economic rights are protected through the lifetime of the author, and for 50 years from the date of his death.

The economic rights in works of joint authorship are protected through the lives of all co- authors, and for 50 years from the death of the last survivor.

The economic rights relating to a work published for the first time after the death of the author expire 50 years after the date on which the work was first published or made available to the

public, whichever is earlier.

The economic rights in a work published anonymously or under a pseudonym are protected for a period of 50 years from the date on which the work was first published or made available to the public, whichever is earlier.

The economic rights of the author of a work of applied art expire 50 years from the date on which the work was first published or made available to the public, whichever is earlier.

g. Infringement Action

Acts of infringement may be penalized under Article 45 of the Copyright Law.

Legal relief available to the copyright owner under these provisions include:

- injunctions to order the cessation of the infringing act
- confiscation of the original and copies and materials used to manufacture infringing copies
- claims for damages and confiscation of the proceeds of sale

DOING BUSINESS IN THE KURDISTAN REGION OF IRAQ (KRI)

As provided by the Constitution of Iraq, the Kurdistan National Assembly (KNA) has the power to debate and legislate on all matters not expressly reserved for the federal government of Iraq. These exclusive federal powers are listed in Article 110 of the Constitution.

The KNA shares certain legislative powers listed in Article 114 of the Constitution (including but not limited to customs management, energy production and distribution, environmental, health and educational policy) with the federal authorities in these areas, but priority is given to the powers of the Kurdish authorities once exercised.

Despite the above, the most important federal business laws such as the Civil

Code, the Civil Procedure Law No. 83/1969, the Income Tax Law, the Labor Law, the Companies Law, the Commercial Law, the Customs Law, and the Banking Law are applied in the KRI subject to certain modifications by the Kurdistan legislative authority. Currently we see a tendency of the Kurdish legislation to enact separate business laws for the Kurdistan Region of Iraq, such as the Competition Law No. 3/2013.

While some legal fields of doing business in the KRI (such as Oil and Gas and Commercial Agency) have already been dealt with in the foregoing, other important legal fields are summarized in this chapter.



a. Company Registration

Initially, the amendments to the Companies Law introduced by CPA Order No. 64 with the intention to allow 100% foreign ownership of shares in Iraqi companies were not applied in Kurdistan. During that time, foreign investors were not able to hold more than 49% of the shares in companies established in the KRI. Since then, the KNA has adopted the Federal Companies Law pursuant to KRI Law No. 28/2007 and, as a result, companies in the KRI may be 100% foreign owned. Accordingly, foreigners may own up to 100% of the share capital in any company registered in Kurdistan. The

application to establish a company in KRI may be filed in Erbil, Duhok or Sulaimaniya.

b. Branch Office Registration

Foreign companies may register a branch office in the KRI which would be an extension of the foreign parent company. A branch office does not have a separate legal personality and hence the parent company is liable for all the obligations of the branch office.



2. Kurdistan Investment Law

In July 2006, the President of the KRI issued Law No. 4/2006 on Investment in the Kurdistan Region. This Law is in conflict with the Federal Investment Law No. 13/2006 which provides a legal framework for all regions of Iraq and

contemplates regional investment authorities. Nevertheless, the current practice by the authorities in KRI is to follow the provisions of Law No. 4/2006 and there appears to be no objection from the Federal NIC.

The main features of Kurdistan Investment Law No. 4/2006 are:

a. Administration

The Investment Board, located in Erbil, is responsible for approving investment projects in the KRI. Supervision is vested with the Supreme Council for Investment

which consists of the Prime Minister, a number of Ministers of the KRI, and the Chairman of the Investment Board.

b. Areas of Investment

According to Article 2, the provisions of the Kurdistan Investment Law apply to projects in any of the following sectors:

- manufacturing industries, electric power and related services
- agriculture, whether crop-growing farms or animal husbandry, forestry and related services
- hotels, tourist and recreational projects, fun-fairs, and amusement parks
- health and environment
- science and technology research and information technology
- modern communication and transport
- banks, insurance companies, and other financial institutions
- infrastructure projects, including construction, reconstruction and housing projects, roads and bridges, railways, airports, irrigation and dams
- free zones, modern commercial markets, and relevant advisory services
- education at all levels, within the framework of the educational policy of the Region
- any project in any other industry which the Supreme Council of Investment deems to be subject to the Law

c. Treatment of Foreign Investors

Article 3 of the Law provides that foreign

investors and foreign capital must be treated in the same way as national investors and national capital. A foreign investor has the right to own all capital for any project that he establishes in the KRI under the Investment Law.

d. Allocation of Land

Any project approved by the Investment Board may be allocated plots of land required for the project by way of lease or usufruct. In specific circumstances, in particular if the nature and importance of the project and the public interest so require, foreign investors may acquire ownership of plots of land that are allocated to strategic projects.

e. Incentives

Any project licensed under the Kurdistan Investment Law may benefit from the following:

- exemption from all taxes for 10 years
- exemption from customs and taxes for equipment and machinery imported for the project within two years from the start of the project
- exemption from customs and taxes for spare parts imported for the project provided that their value does not exceed 15% of the price of equipment and machinery
- exemption from taxes for equipment, machines and tools required to expand, develop or modernize the project
- exemption from customs duties for raw materials imported for production

Projects established in under-developed areas in the KRI, joint ventures established by national and foreign investors, and specific projects such as hotels, hospitals, tourist resorts, universities and schools may be granted additional exemptions.

f. Guarantees

Projects approved under the Kurdistan Investment Law benefit from certain guarantees, including:

- the investor may employ local and foreign staff needed for the project
- the foreign investor may transfer the profits and interests of his invested capital abroad
- the project's non-Iraqi members of staff, and their agents outside the Region, may transfer their dues and wages abroad
- the foreign investor may repatriate his capital abroad upon winding-up or disposal of the project
- the foreign investor may transfer his investment totally or partly to another foreign investor or to a national investor, or may assign the project to his partner with the approval of the Board of Investment. The new investor then replaces the previous investor with regard to rights and obligations arising from the project
- the foreign investor may open bank accounts in national currency, foreign currency, or both, with banks located inside or outside the Region

g. Licensing Procedures

To obtain the benefits and guarantees provided by the Kurdistan Investment Law, the investor must have a license issued by the Investment Board. The Investment Board must decide whether to issue a license within thirty days from the date the technical, legal and economic conditions of the Investment Law are fulfilled. In reality, the approval process for an investment license usually takes up to 12 months, and requires constant follow up with the local authorities. As part of the approval process, the Investment Board must consult the competent authorities who have thirty

days from the date of the Investment Board's referral of the application to them to comment on the project. Failure to reply is deemed approval, and in the event of rejection, the decision will have to be justified.

When an application is rejected, the applicant may raise an objection to the President of the Supreme Council of Investment within fifteen days from the date of notification of the rejection decision. The President of the Supreme Council of Investment will have to determine whether the objection is valid within thirty days, and his decision on the matter shall be determinative

h. Dispute Settlement

According to Article 17 of the Kurdistan Investment Law, investment disputes must be settled in accordance with the contract concluded between both parties, and if the contract does not contain a clause dealing with dispute settlement, the disputes should be settled amicably between both parties. If

the parties fail to reach an amicable settlement, they may refer the matter to arbitration in accordance with the laws applicable in the Kurdistan Region, or in accordance with the rules of dispute settlement mentioned in any of the mutual or international conventions of which Iraq is a member.



3. Tax Law in the KRI

On January 1, 2008 KRG Law No. 26/2007 came into effect. The law amends the application of the Iraqi Income Tax Law No. 113/1982 in the Kurdistan Region and repeals the former KRI Income Tax Law No. 5/1999. The changes are intended to harmonize the corporate income tax structure of the Kurdistan Region with that of federal Iraq. The law is part of a series of tax reforms in the region designed to promote investment in strategic industries. The tax reform package includes laws amending real estate taxes and taxes on vacant land.

Whereas Law No. 5/1999 had originally provided for a progressive corporate income tax with tax rates of up to 40% of corporate profits, Law No. 26/2007 institutes a more favorable flat tax rate of 15% on the profits of all companies operating in Kurdistan. This new corporate income tax rate in KRI is now in line with the amendments made by the Coalition Provisional Authority in 2003 and 2004 to Law No. 113/1982 establishing a flat income tax rate of 15% on profits of limited liability companies, and private and public joint stock companies in Iraq.

Law No. 26/2007 provides an income tax scale for per capita income (after deduction of legal allowances) in Kurdistan as follows:

- 3% up to two million IQD
- 5% from two million IQD to four million IQD
- 10% from four million IQD up to six million IQD
- 15% above six million IQD

Law No. 26/2007 further provides for specific regulations setting out the income tax rate for salary income at a flat 5% rate for salaries exceeding IQD 1,000,000. Although the wording of the law is not entirely clear, we tend to understand the provision to tax only the part of the salary actually exceeding the

threshold of IQD 1,000,000. Any salary amount below shall be regarded as tax free.

This information is not a substitute for professional tax advice which should be sought before any investment decision in Kurdistan is being taken.

4. Visa Requirements

Citizens of the EU, the US, Canada, Mexico, Australia, Turkey and some other so-called favored nations may obtain an entry visa valid for a fifteen-day period at their point of arrival in Kurdistan. Other nationals will need to acquire an entry visa for Kurdistan prior to arrival in KRI. The entry visas issued by the government of KRG are valid only within the KRI. For traveling to Mainland Iraq from KRI, an Iraqi visa is required. As visa requirements keep continuously changing, we advise to always obtain updated information before travelling to the KRI

a. Work Permits

In 2013 the Kurdish authorities issued new regulations regarding the requirements and process to obtain a work permit for foreign employees as set out in Article 23 of Law No. 71/1987.

However, these regulations have not yet been applied and the authorities solely request the employees to dispose of a valid residence permit issued for the duration of their activity in the KRI. Employers in the region should closely monitor the development of work permit requirements in the KRI.

b. Public Tenders

Government spending and government contracts are generally regulated by the Government Contract Instructions No. 2/2016 issued by the Ministry of Planning. According to the Instructions No. 2/2016, government spending should follow clear and transparent procedures based on competitive bidding. Alternative methods of award are permitted in specific circumstances.



ENFORCEMENT OF FOREIGN JUDGEMENTS AND ARBITRAL AWARDS

It has always been difficult to enforce foreign judgments and arbitral awards in Iraq. This is due to the small number of bilateral and international agreements to which Iraq is a party, strict legal requirements for enforcement, and uneven application of the law by the judiciary.

No express provision of Iraqi Commercial Law restricts the parties' rights to provide for non-Iraqi jurisdiction over disputes arising from a contract. However, Iraqi judges have traditionally been reluctant to enforce such provisions and tend to consider rules relating to jurisdiction of Iraqi courts as a matter of public policy not at the disposition of the parties.

1. Foreign Judgments

The enforcement of foreign judicial awards in Iraq is regulated by Law No. 45/1980. According to Article 3 of the Law

such awards are enforceable pursuant to Law No. 30/1928 on enforcement of foreign judgements.

a. General

Pursuant to Article 11 of Law No. 30/1928, foreign judgments are only enforceable in Iraq if issued in countries maintaining bilateral agreements with Iraq allowing enforcement of foreign judicial awards, or in countries named by Iraqi

regulations. For example, Regulation No. 29 of 1932 provides for the enforcement of judicial awards issued in Canada, Hong Kong, New Zealand, Malta, and Cyprus. In either case, the condition of reciprocity must be fulfilled.

If these requirements are met, the civil court of first instance having jurisdiction over the defendant may issue an execution order if:

- notice of the proceeding resulting in the judgment was properly served on the defendant
- the foreign court that rendered the decision had jurisdiction to try the case; the determination of whether the court had jurisdiction or not must be made according to Iraqi law
- the foreign judgment is for payment of a certain sum of money on a known claim or civil compensation if the foreign judgment is issued in connection with criminal proceedings
- the judgment is final according to the law of the country of issue
- enforcement of the foreign judgment does not conflict with Iraqi public order

b. Riyadh Convention

Iraq is a signatory state of the 1983 Riyadh Convention for Judicial Cooperation. According to Article 31 of the Convention, judgments rendered in a member state are enforceable in another member state if they are recognized in that state.

Article 30 of the Convention provides that such recognition may be refused, if:

- the judgment is contrary to Shari'a or the public order of the signatory state in which enforcement is sought
- the judgment was by default, and the unsuccessful party was not duly summoned or notified
- the rules on legal representation in the state in which enforcement is sought have not been complied with
- the dispute had already been determined, and the judgment is res judicata in the state in which enforcement is sought; or if
- the dispute is subject to legal proceedings in the state in which enforcement is sought

It should be specifically noted that the recognition or enforcement of an arbitral award against a member state of the convention is **not** permitted.

2. Foreign Arbitral Awards

Arbitration is regulated by Articles 251-276 of the Iraqi Civil Procedure Law, according to which any matter capable of amicable settlement may be subject to arbitration. However, the Iraqi Civil Procedure Law does not contain provisions relating to foreign arbitral awards. Law No. 30/1928 does not regulate the enforcement of foreign arbitral awards either. Since March 2021 Iraq is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958. Prior to the accession, the enforcement of a foreign arbitral award was mostly dependent on the Riyadh Convention on Judicial Cooperation of 1983. That Convention prescribed conditions that have often delayed the enforcement process, such as the requirement for a statement from the local judicial authority certifying that the award was final and a double exequatur requirement. The Riyadh Convention

also did not permit enforcement proceedings against Iraqi government entities. Under the New York Convention, no separate certification is required, and enforcement may be sought against state entities. Accession to the New York Convention should significantly facilitate the enforcement of foreign arbitral awards in Iraq.

In addition to the New York Convention and the Riyadh Convention, Iraq is also a member of the ineffective Arab Convention on Commercial Arbitration of 1992.

a. Riyadh Convention

Article 37 of the Riyadh Convention requires member states to recognize and enforce arbitral awards issued in other member states in the same manner as judgments of the courts of a member state; the requirements for such recognition have been outlined above.

According to Article 37 of the Riyadh Convention, the enforcement of arbitral awards made in a member state may only be refused, if:

- the dispute cannot be resolved by arbitration under the law of the state in which enforcement is sought
- the award was made on the basis of a void arbitration agreement
- the arbitrators had no jurisdiction
- the parties were not duly summoned
- the award is contrary to the Shari'a or the public order of the state where enforcement is sought

It should be taken into consideration that the Riyadh Convention is based on the principle of double exequatur. This means that the claimant must first obtain an execution stamp for the arbitral award in the jurisdiction of origin.

b. New York Convention

On 4 March 2021, the Iraqi Parliament ratified its accession to the New York Convention by passing the “Law on the Accession of the Republic of Iraq to the New York Convention on the Recognition

and Enforcement of Foreign Arbitral Awards” (“Law”). This accession to the New York Convention should facilitate the enforcement of foreign arbitral awards in Iraq.

It is noteworthy that:

- The New York Convention will not apply retroactively. It will apply only to foreign arbitral awards made after promulgation of the Law.
- The Law specifically states that arbitral awards against another member state will be enforced only on the basis of reciprocity, i.e., Iraqi courts will only enforce arbitral awards of other signatory states if such states allow for the enforcement of Iraqi arbitral awards.
- The New York Convention will apply only to awards settling disputes arising out of contracts of a commercial nature, as defined by Iraqi law, e.g., commercial transactions and practices stated in Articles 4, 5, 6 and 7 of the 1970 Commercial Code. This excludes awards concerning disputes of a non-commercial nature, including family, civil and criminal matters. It remains to be seen whether the Iraqi courts will consider administrative contracts to be of a commercial nature if they regulate commercial activities as defined by the Iraqi Commercial Code.

As a caveat it may be observed, that it remains to be seen how the Iraqi courts will apply the order public reservation.

c. Arab Convention on Commercial Arbitration

According to its Article 2, the Arab Convention on Commercial Arbitration applies to commercial disputes between natural or legal persons, regardless of nationality, that are connected by means of commerce with any contracting government or one of its nationals. Its provisions recognize the right of the parties to agree on commercial arbitration by the Arab Centre for Commercial Arbitration either in the

contract or in a separate agreement concluded after the dispute has arisen. According to Article 35 of the Arab Convention on Commercial Arbitration, the supreme court of each signatory state must give leave to enforce awards of the arbitral tribunal of the Arab Centre for Commercial Arbitration. The Arab Centre for Commercial Arbitration, however, has not yet been established, so the utility of the Arab Convention on

Commercial Arbitration is extremely limited.

In summary, the only means enabling claimants to enforce foreign arbitral awards, other than those falling under the New York Convention or the Riyadh

Convention, is to obtain an execution order from a domestic court and then proceed to enforce that order pursuant to the Iraqi procedures for the enforcement of foreign judgments outlined above.

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ENTITY SET-UP – REPUBLIC OF IRAQ

Legal Entities in Iraq – Available for Foreign Investment (Individuals & Corporates) – General Guidelines

Introduction

The Republic of Iraq “IRAQ” has its standalone law concerning formation of legal entities under the Companies’ Law number 21 for the year 1997 as amended in 2004 and subsequently amended by law No. 17 for the year 2019, collectively called the “Law”.

The Law states that foreign companies are allowed to be registered, or being shareholders in Iraq with the competent authorities by taking one of the below forms:

- Limited Liability Company (LLC): Foreign Shareholders Shares Restriction Applicable.
- Branch Office of a Foreign Company: Foreign Shareholders Shares Restriction Not-Applicable;
- Joint Stock Company (JSC): Foreign Shareholders Shares Restriction Applicable;
- Holding Companies. Foreign Shareholders Shares Restriction Applicable;

Noting that Joint Ventures are not recognized as Legal entity under Iraqi’s Companies Law.

The most common forms of companies’ registration are the LLCs and branches of foreign companies. Holding Companies are a new concept of legal entities recognized in Iraq.

Foreign Ownership Restrictions & Corporate Restructuring

- Amendment No. 17 for 2019 to the Companies Law has abolished the right and privilege for foreigners under the previous amended law to hold 100% of the shares in Iraqi companies. Now it is mandatory to have an Iraqi shareholder(s) with a share of at least 51% of the company prescribed shares.
- Changing the shareholding structure calls for the need (and business requirement) to restructure the management rights, powers, signing rights, etc. Therefore, a foreign shareholder is advised to consult a local law firm to undertake the restructuring of the company to preserve and secure the rights and interests

of the foreign shareholder.

Forms of Legal Entities “Business Vehicles” – Available for Foreigners

Selecting legal entities largely depends on the potential investors “Foreigners–Corporates |Individual” which legal entity mostly suits their requirements, business activities, capital requirements, and whether or not they are allowed to fill management positions, (e.g., manager, deputy manager, member of board of directors, etc.). All the above are indicative but are not limited elements, and practically determine which legal entity is recommended. This is done without ignoring the businesses climate, and other factors (other than legal aspects).

A. The Limited Liability Company (LLC)

1. According to Law No. 21 for 1997, an LLC can be established with one shareholder or more, up to a maximum of 25 shareholders¹⁴⁸. It can be set up with one director who can be a non-resident foreign national. Furthermore, share capital of at least (1,000,000 IQD ¹⁴⁹) must be deposited with an Iraqi bank prior to company registration¹⁵⁰.
2. Any foreigner, whether a natural person or a legal entity, must pass security clearance by the Iraqi Ministry of Interior (MOI) before being permitted to becoming a shareholder in an Iraqi company. The procedures approximately but not a definitive timeline, may take generally (6) six weeks depending on the process of the registration application by the Registrar of Companies and may take considerably longer in specific cases and/or circumstances. Shareholders may transfer the shares in an LLC and, if such transfer involves a foreign buyer the same security clearance procedure will apply again.
3. To register an LLC company, the applicant is required to submit the following documents to the Companies Registrar of the Ministry of Trade:

- Proposed name of the company;
- Type of intended business activity (s);
- Head Office address, and contact details (including address, phone number, mobile number and email address);
- Details of the founder(s), including (ID) and copy of passports, contact details, nationality, address. etc.);
- Memorandum of Association;
- Share Capital;
- Appointment of a Legal Advisor;
- Appointment of an Auditor;
- Appointment of the LLC's manager;

¹⁴⁸ See Article 6.2 of Companies Law No. (21) for the year 1997 as amended (2004);

¹⁴⁹ See Article 25.1 & 28.1 of the Companies Law No. (21) for the year 1997 as amended (2004);

¹⁵⁰ See Article 53 of Companies Law No. (21) for the year 1997 as amended (2004);

B. Foreign Branch Office

Foreign companies are permitted to have a legal presence in the jurisdiction of Iraq by establishing a branch office subject to satisfy, and fulfill the requirements prescribed under both the provisions of Regulation No. (5) of 1989 and the "Instructions Order – Number 2 of 2017 " issued by the Council of Ministries concerning opening branches of Foreign Companies in Iraq. The order identifies the needed documents and details so the Foreign Company registering will be

eligible to be registered and recognized as a Foreign Branch Office. As an exception from the requirements stipulated under "Instructions Order – Number 2 of 2017, the" Foreign Branch Office may conduct the licensed activities.

The branch can issue invoices to the local customers, sign local contracts, and receive income from local customers. The branch can do business in Iraq in accordance with the scope identified by its parent company

Required documents to register a Foreign Branch Office are as follows:

- Legal name;
- Type of business activity;
- The applicant company Certificate of Incorporation;
- The applicant company Memorandum of Association (or equivalent document);
- The applicant company audited financial statements for the most recent fiscal year
- The applicant company board resolution resolving the registration of a branch for the company in Iraq;
- Appointing a manager for the branch and grant authorities;
- The full address of its office in Iraq;
- Contact details of the branch, including: telephone, mailbox, mobile number and electronic mail in Iraq, where available;
- The amount of its charter or authorized capital (mentioning the currency);
- Net worth at the end of the most recent fiscal year (mentioning the date and specifying the currency);
- The names and addresses of the applicant foreign company owners;
- The applicant company list of board members.

C. The Joint Company

1. The mixed or joint company may be an option for companies that would like to benefit from cooperation with the Government of Iraq, a state entity, or a ministry (i.e., sharing the capital & risks, taxation exemption, facilitation in logistics... etc.). The share of the Iraqi Government should be 25% at least. However, the 25% is subject to exceptions for certain activities (e.g., insurance, reinsurance, etc.).

2. Forms of Joint Companies

Joint companies (JCs) may only take one of the following forms, (1) limited liability companies ("L.L.C."), (2) or Joint-Stock companies. The cost for establishing a JC depends on its area of specialization (e.g., If it is a bank, then the cost will be in the range of USD 80,000. If it is a trading company, accordingly the cost will be around USD 35,000). The establishment cost is based on today's currency rate exchange. Foreign companies should be aware that Iraq's Dinar rate of exchange against the US Dollar is variable.

Powers of LLC's Manager

According to the Companies Law, and subject to the decision of the general assembly, the manager of an LLC has the same powers, and is subject to the restrictions, that apply to the Board of Directors of a Joint-stock company. Further, the LLC's manager will enjoy similar powers as the BOD of a JSC.¹⁵¹

The establishment of joint stock companies does not generally require authorization from the Minister of Commerce. Instead, the clerk of the Commercial Register reviews the documents and the company's feasibility study and issues a decision inviting the founders to legalize the contracts at his department. If the registration application is rejected, reasons for such decision must be given.

¹⁵¹ Article 123.1 of Companies Law No. (21) for the year 1997 as amended (2004);

Share Capital | Shareholders | Right of First Refusal | Management

1. Joint stock companies must have a minimum capital of ID 2,000,000¹⁵². The clerk of the Commercial Register may accept the respective corporate request to increase the capital to an amount sufficient for the objectives. The capital of a joint stock company is divided into shares of equal value.
2. A joint stock company must have at least five shareholders, whose liability are limited to the amount payable on their shares.
3. In principle, all shares grant their owners equal rights. A joint-stock company may only issue nominative shares. Bearer shares and preferred shares are not recognized under Iraqi's Companies Law.
4. The management's structure of the Joint-stock companies is governed by a board of directors "BOD" composed of a minimum of five and a maximum of nine original members elected by the company's general assembly following the mechanism prescribed under the provisions of the Law. The board of directors must elect a chairman and a vice-chairman among its members. The board of directors also appoints a managing director who may not be the chairman, nor the vice-chairman. The managing director can be one of the Members of the Board of Directors, or a third party not a member of the board of directors. The appointed managing director must be an expert in the company's field of business. The responsibility to undertake the day-to-day business of a joint-stock company is usually carried out by the managing director. Each member of the board of directors must own at least 2000 shares in the company. If the shares fall below 2000, the board member will not be qualified as a board member of the JSC.
5. Unlike shareholders of LLC's, shareholders of joint-stock companies do not have the privilege of a Right of First Refusal", and thus the shareholders do not have to notify the other shareholders before exercising the transferring of their shares. Otherwise, joint-stock companies follow the same procedures as LLCs on the transfer of shares.
6. Transfers of shares of joint-stock companies listed with the Baghdad Stock Exchange are subject to special rules and regulations which are strict to be followed and implemented.
7. The Companies Law does not provide any model contract.

¹⁵² Article 25.1 of Companies Law No. (21) for the year 1997 as amended (2004);

But articles of association of joint-stock companies must include the following information:

- Name and form of the company, and its objectives;
- Head office address in Iraq;
- Name, address, occupation and nationality of the founders;
- Share capital, amount of the contributions in cash and in-kind,
- description of the contributions, the value of in-kind contributions as approved by the founders and names of the contributors; and
- The number of the elected members of the board of directors.

1. Holding Companies

1. In the latest amendment to the Iraqi Companies Law, Law No. (21) for the year 2019, the said law introduces a new corporate form, “Holding Companies”. The law defines the Holding Company as either a Joint-Stock Company, or a Limited Company that controls also either a Joint-Stock Company, or a Limited Company.
2. Holding Companies globally known as the legal entities are being formed for the reason of establishing subsidiary legal entities, wholly or partially controlled by the Holding “Parent Company”, and retain the management and decision-making authority.
3. A Holding Company controls an LLC by owning at least 50% of the shares capital and the management of the LLC.
4. A Holding Company controls a JSC if the members of the board of directors are under the Holding Company’s control.
5. A Holding Company is a preferable and advisable form of a legal entity, if the purpose of the forming is to conduct various business activities in different segments in this regard; and from a corporate structure point of view, reducing risks, administer different businesses, costs and other reasons, and the Holding Company will procure to establish several “Subsidiaries” each conducting activities differing from the other Subsidiaries.
6. A Holding Company may form an LLC for a “Specific Project”, in other countries (such as the UAE as an example. In particular, within the real estate sector, a Holding Company may be formed for the sole purpose of developments and selling real estate

units. In this regard, Subsidiaries are created for a specific matter “Developing and Selling Project (s). These Subsidiaries are in fact, SPVs “Special Purpose Vehicles” and the purpose of such Subsidiaries ends upon selling the entire project units.

7. A Holding Company is subject to “Foreign Ownership Limitation” and the foreign shareholders must not exceed 49% of the shares, and 51% must be held by an Iraqi shareholder

whether individuals and/or corporates.

8. Holding Companies are expected to be the future of “Family Businesses”. With regards to foreign investments, the ownership restriction likely is enough reason to discourage foreigners from purchasing significant shares in the Holding Company (as they generally seek to possess full control over their investments).

2. Joint Ventures (JV)

First of all, JVs’ are not recognized as a legal entity under the Iraqi’s Companies Law. In addition, in practice, using a JV is not very popular in the business environment.

A JV is a technical and commercial concept referring to the collaboration of a minimum of two shareholders, one local and the other is foreign. Both agree to form a legal entity towards achieving a particular goal, such as developing a real estate project, carrying out the construction works of the project, etc.

Under Iraqi Companies Law, a JV can take the form of an LLC, under the provisions of the Iraqi Companies Law. Keep in mind the latest amendments to the said law has imposed “Ownership Restrictions”. Now, an LLC must be owned by an Iraqi shareholder holding at least 51% of the prescribed shares of the LLC, and permits foreigners to hold 51% of the shares.

Are there any particular provisions related to the JV?

No.

If the JV can take the form of an LLC, why not just simply form an LLC?

The difference between them is not purely legal, rather it is due to commercial and other factors. The JV is formed to achieve a certain goal (s) that in practice is known in advance to the JV’s shareholders. On the other hand, if the parties intend to form an LLC, they only agree on the LLC’s activity, and they intend to operate for an unlimited period. Accordingly, the parties’ business goal and intention determines whether to go ahead with the choice of an “LLC” or “JV – LLC”.

Are the JV’s parties required to execute certain agreements?

Legally speaking, the JV will be formed as an LLC. Therefore, the registration processes shall be the same. From a practical point of view, prospective foreign investors are advised to approach a domestic law firm specialized in corporate matters to provide advice in respect of what agreements/ documents that need to

be concluded. In principle, the JV's parties will be required to sign a "Non-Binding Letter of Intent" to govern their negotiations and discussions before forming the LLC formally. Finally, a JV is more about sharing know-how, experience, manpower, expanding the market presence, etc.

FAQ's	LLC	Branch office	JSC	Holding Company
CORPORATE TAX PAYABLE IN IRAQ	15%	15%	15%	The related Law has not yet identified the mechanism for calculating taxes.
HOW LONG TO SET THE COMPANY UP?	2 working weeks	9 working weeks	2 working weeks	30 working days
MINIMUM SHARE CAPITAL REQUIRED AT INCORPORATION	1000,000 IQD	2000,000 IQD	N/A	2000,000 IQD
HOW LONG DOES IT TAKE TO OPEN A COMPANY BANK ACCOUNT?	Around 1-2 months with governmental banks Around 4-14 days with private banks	Around 1-2 months with governmental banks Around 4-14 days with private banks	Around 1-2 months with governmental banks Around 4-14 days with private banks	Around 1-2 months with governmental banks Around 4-14 days with private banks
CORPORATE BANK ACCOUNT NEEDED?	Yes	Yes	Yes	Yes
CAN RENT OFFICE IN IRAQ?	Yes	Yes	Yes	Yes
CAN RENT OFFICE IN A RESIDENTIAL AREA?	No	No	No	No

TENANCY AGREEMENT REQUIRED BEFORE INCORPORATION?	No	No	No	No
ALLOWED TO IMPORT RAW MATERIALS?	Yes	Yes	Yes	Yes
ALLOWED TO EXPORT GOODS?	Yes	Yes	Yes	Yes
CAN THE ENTITY HIRE EXPATRIATE STAFF IN IRAQ?	Yes	Yes	Yes	Yes
DO YOU NEED TO VISIT IRAQ FOR INCORPORATION/REGISTRATION?	No	No	No	No
RESIDENT DIRECTOR/MANAGER REQUIRED?	No	No	No	No
RESIDENT SHAREHOLDER REQUIRED?	No	No	No	No
MINIMUM NUMBER OF DIRECTORS	1	1	1	1
MINIMUM NUMBER OF SHAREHOLDERS	1	Not limited	2	1
INDIVIDUAL SHAREHOLDERS ALLOWED?	Yes	Not applicable	Yes	Yes
CORPORATE SHAREHOLDERS ALLOWED?	Yes	Not applicable	Yes	Yes
CORPORATE DIRECTOR(S) ALLOWED TO BE SHAREHOLDERS?	Yes	Not applicable	Yes	Yes
PUBLIC REGISTER OF SHAREHOLDERS AND DIRECTORS	Yes	Yes	Yes	Yes
STATUTORY AUDIT REQUIRED?	Yes	Yes	Yes	Yes
ANNUAL TAX RETURN TO BE SUBMITTED?	Yes	Yes	Yes	Yes
ACCOUNTANT NEEDED	Yes	Yes	Yes	Yes
LAWYER NEEDED	Yes	Yes	Yes	Yes
AMT OF LIABILITY?	No	No	No	No
CAN I TRANSFER MY TURNOVER/PROFIT GENERATED IN IRAQ OUTSIDE THE COUNTRY?	Yes	Yes	Yes	Yes
SUBSEQUENT ANNUAL COSTS (SUCH AS PREPARING ANNUAL FINANCIAL STATEMENTS,	Around		Around	

STATUARY REQUIREMENTS) THIS SHOULD NOT INCLUDE TAXES THAT IS SUBJECT TO GENERATED REVENUES	1,400 USD	Around 2,000USD	2,000USD	Around 4,500USD
TOTAL BUSINESS SETUP FEES/ONE-TIME PAYMENT	Around 1,500USD	Around 2,500USD	Around 3,000USD	Around 4,000USD

DISCLAIMER AND CLOSURE STATEMENT

1. The above information and details are provided for “General Guidelines” purposes only. They should not be considered, interpreted, or understood as commercial, legal, financial, tax, and or any other form of advice.
2. To verify or confirm any portion of these “General Guidelines”, you may approach an Iraqi firm licensed to provide the services in the field you seek to obtain advice, e.g., Law Firms, Audit Firms, etc.
3. Any user of these General Guidelines hereby and forever absolves/ discharges AHK from any and all types of liabilities, monetary and non-monetary damages, claims, etc.

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ENTITY SET-UP – KURDISTAN REGION IRAQ

Legal Entities in Kurdistan Region of Iraq “KRI” Available for Foreign Investment (Individuals & Corporates) – General Guidelines

Introduction

In the Kurdistan Region, the Federal Companies Law No. 21 for the year 1997, as amended, is applicable and in force, on the other hand, the Regulation No. 5 for the year 1985 “The system of branches and representation offices of foreign companies and economic institutions” is currently in force.

The process of registration starts at Companies Register at one of the Ministry of Trade branches in Erbil,

Dohuk or Sulaymaniyah, depending upon the location of operations. In case a company operates in more than one governorate in KRI, then registration is needed in the two or three governorates that the operations take place in.

The documents required for registration are generally the same as those used in federal Iraq (companies’ law number 21 for 1997 and its amendment of 2004).

If you are doing business in the KRI, you are required to register a legal presence:

- Limited liability company (LLC)
- Foreign branch office
- Joint-Stock Company (JSC)
- Joint Venture (JV): Not Recognized as Legal entity under Iraqi's Companies Law

The most common forms of companies' registration for foreign entities are the LLCs and branches of foreign companies. The Holding Companies are not recognized as the KRI did not approve the latest amendment to the Iraqi Companies Law No. 17 of the year 2019.

No Foreign Ownership Restrictions

Amendment No. 17 for 2019 to the Companies Law is not adapted by the Parliament of KRI, and accordingly it is not mandatory to have an Iraqi shareholder(s) with a share of at least 51% of the company prescribed shares. Such a condition is in force in the remainder of Iraq's jurisdiction, except for KRI.

Forms of Legal Entities “Business Vehicles” – Available for Foreigners

Selecting legal entities largely depends on the potential investors (Foreigners, Corporates, Individuals) and which legal entity suits their requirements, business activities, capital requirements, and whether or not they are allowed to hold management positions (e.g. manager, deputy manager, board of director, etc). All the above are indicative but are not limited elements, but they practically support the decision to determine which legal entity is recommended to form or take part of. This is without ignoring the businesses environment and other factors, other than the legal aspects.



A. Limited Liability Company “LLC”

Foreign investors have the right to establish or participate in KRI companies without any ownership or restriction/limitations. The approvals of the relevant KRI's ministries/departments, as applicable at the time of commencing the formation procedures, are in force as a condition to register an LLC.

A limited liability company is subject to the corporate governance rules of Law No. 21/1997 (the "Companies Law"). A company may participate in commercial activities as long as they

are mentioned in the company's documents of registration with the competent Chamber of Commerce or any other province chamber of commerce throughout Iraq. The company's constitutional documents must also set out its objectives and corporate powers. It is not possible to use a "general purposes" clause.

Some of the important characteristics of establishing an LLC and its formation under the Companies Law are explained below.

The Memorandum of Association of an LLC is its governing document and should contain the following:

- Name and form of the company, and its objectives.
- Address of head office address in Iraq
- Name, address, occupation, and nationality of the founder(s)
- Share capital

The timeline to incorporate an LLC in the Kurdistan Region of Iraq is considerably shorter in comparison with other regions in Iraq, ordinarily ranging between two to four weeks on

average.

Legal requirements for registering a new Limited Liability Company (LLC): Below is an example of requirements.

However, the below list is not exhaustive:

- Corporate name must be reserved at the local Chamber of Commerce
- An application form must be completed
- Articles/Memorandum of association must be drafted and signed
- For each corporate shareholder a certificate of incorporation, articles of association/charter, last filed financial statements, and a power of attorney in favor of a Kurdistan region lawyer is to be signed by the authorized signatory of the corporate shareholder. For individuals, providing copies of their ID's is required.
- Proper valid lease agreement
- Appointing a legal adviser
- Appointing an auditor

B. Branch Office of Foreign Company

Foreign companies are permitted to have a legal presence in the jurisdiction of KRI by establishing a branch office subject to satisfy and fulfill the requirements prescribed under the provisions of Regulation No. (5) of 1989.

Companies Registrar in KRI does not require a government contract in order as a pre-condition to register a branch office of a Foreign Company. A qualifying contract with a governmental or private sector is only required if the parent entity has been incorporated for less than a year.

Furthermore, the timeline to incorporate a branch office in the Kurdistan Region is considerably shorter in comparison with other the other regions in Iraq, ordinarily ranging between one to four weeks on average.

From a procedural perspective, registration of a branch office can be faster than an incorporation of a limited liability company.

The ability of a branch office to retain its parent entity's name may also be attractive from a marketing perspective.

Legal requirements to open a Branch company:

- Login to the Foreign Company Registration application and fill the form.
- The branch of a foreign company may commence business once it is registered with the General Directorate of Companies Registration. This is on the condition that the branch does not require any other licenses/approvals from other government agencies in order to carry out the business activities.
- The company name and details on the trade activities
- The address of the company office
- Details of the proposed director and his/her ID. A foreigner, who wants to set up his own company in KRI, is required to appoint a locally resident director.
- Appointing a legal adviser
- Appointing an auditor

C. Representative office

According to the Law No.2/2017, the Iraqi law no longer recognizes representative offices. Existing representative offices must adapt to the new law and change into a branch office.

Foreign companies are permitted to have a legal presence in the jurisdiction of KRI by establishing a Representative Office (Rep Office) subject to the satisfaction and fulfillment of the requirements prescribed under the provisions of Regulation No. (5) of 1989.

In addition to setting up Branch Offices of foreign companies, foreign companies may opt to have a limited legal presence in KRI by setting up Representative Office or, in short, called "Rep Office". The registration of the Rep Office must also have gone through a registration process. In particular, they must have followed the provisions of Regulation No. 5 1985 and the applicable and relevant provisions of the Iraqi's Companies Law No. 21 for the year 1997 as

amended (except for the latest amendment 2019 which is not approved by in KRI), and the registration process determined by the relevant authority, the KRI Ministry of Trade and Industry and the General Directorate of Company Registration.

Setting up a Rep Office may be for marketing purposes, testing the business climates, study of the market, market survey, understanding the business culture, learning the way of conducting business, and understanding the laws and regulations relevant to the business intended to be conducted in the KRI.

As per Iraqi's Companies Law, the Rep Office is prohibited from conducting any business activities and signing any business contract selling and or buying services goods.

Commercially, setting up a Rep Office will be the preferred and less risky option rather than opening a Foreign Branch Office if the foreign company is uncertain whether or not will conduct business in Iraq.

D. Joint Stock Companies

Companies Law (as applicable in KRI) also provides joint-stock companies as an option that foreign investors may opt to adapt to do business in the KRI. A joint-stock company benefits from a more sophisticated corporate

governance regime than that applicable to limited liability companies, but must offer part of its shares to the public. As a result, companies listed on the Iraq Stock Exchange predominantly use it.

Legal requirements to establish Joint Stock Company:

- The application for establishment shall be submitted to the Registrar in KRI with the following attachments (please refer to LAW NO. 21 for 1997 (as amended in 2004):
- The founders submit an application to register the name with the local Chamber of Commerce, and this application should include the company's name, company competence or kind of business activity and names with nationalities of the founders (copy of passports).
- Once you get the approval, prepare company's contract.
- The subscription document of the joint-stock company is signed by the founders.

According to the LAW NO.21 of 1997 article 19 (The Registrar shall approve the application unless it finds it contrary to a specific provision of this law and shall issue the approval or disapproval of the establishment application within 10 days from the date of receiving it. Except for joint-stock companies, the certificate shall be issued at the time of the approval

and shall be the evidence of the company's establishment. If the Registrar disapproves an application, it shall issue a written decision stating the reasons for its disapproval. In the case of a joint stock company, the Registrar shall issue a written notice of its decision at the time of approval or disapproval. No certificate shall be issued without payment of the applicable fee.



Share Capital | Shareholders | Right of First Refusal | Management

Joint-stock companies must have a minimum capital of ID 2,000,000. The clerk of the Commercial Register may approve the founders' request to increase the capital to an amount sufficient for the objective. The capital of a joint-stock company is divided into shares of equal value.

A joint-stock company must have at least five shareholders, whose liability are limited to the amount payable on their shares.

In principle, all shares grant their owners equal rights. A joint-stock company may only issue nominative shares. Bearer shares and preferred shares are not recognized under Iraqi's

Companies Law (As Applicable in KRI).

The management's structure of the Joint-stock companies is governed by a board of directors "BOD" composed of a minimum of five and a maximum of nine original members elected by the company's general assembly following the mechanism prescribed under the provisions of the Law. The board of directors must elect a chairman and a vice-chairman among its members. The board of directors also appoints a managing director who may not be the chairman nor the vice-chairman. The managing director can be one of the Members of the Board of Directors, or a third-party not a member of the board

of directors. The appointed managing directors need not be board members but must be experts in the company's field of business. The responsibility to undertake the day-to-day business of a joint-stock company is usually carried out by the managing director. Each member of the board of directors must own at least 2000 shares in the company. If the shares fall below 2000, the board member will not be qualified as a board member of the JSC.

Unlike shareholders of LLC's, shareholders of joint-stock companies

do not have the privilege of a "Right of First Refusal". Therefore, the shareholders do not have to notify the other shareholders before exercising the transferring of their shares. Otherwise, joint-stock companies follow the same procedures as LLCs on the transfer of shares.

Transfers of shares of joint-stock companies listed with the relevant Stock Exchange are subject to special rules and regulations which are strictly to be followed and implemented.

E. Joint-Venture (JV)

First of all, JVs' are not recognized as a legal entity under the Iraqi's Companies Law. In addition, using a JV is not very popular in the business environment.

A JV is a technical and commercial concept referring to the collaboration of a minimum of two shareholders, one local and the other is foreign. Both agree to form a legal entity towards achieving a particular goal, such as developing a real estate project, or carrying out the construction works of the project, etc.

Under Iraqi Companies Law, a JV can take the form of an LLC, under the provisions of the Iraqi Companies Law.

related to the JV?

No.

If the JV will take the form of an LLC, why not just simply form an LLC?

The difference between them is not purely legal, rather it is due to

commercial and other factors. The JV is formed to achieve a certain goal(s) that in practice is known in advance to the JV's shareholders. On the other hand, if the parties intend to form an LLC, they only agree on the LLC's activity, and they intend to operate for an unlimited period. Accordingly, the parties' business goal and intention determines whether to go ahead with the choice of an "LLC" or "JV – LLC".

Are there any particular provisions

Do the JV's parties required to execute certain agreements?

Legally speaking, as the JV will be formed as an LLC. Therefore, the registration processes shall be the same. From a practical point of view, prospective foreign investors are advised to approach a domestic law firm specialized in corporate matters to provide advice in respect of what

agreements/documents that need to be concluded. In principle, the JV's parties will be required to sign a "Non-Binding Letter of Intent" to govern their negotiations and discussions before forming the LLC formally.

Finally, a JV is more about sharing know-how, experience, manpower, expanding the market presence, etc.

FAQ'S	LLC	JSC	Branch office
HOW LONG TO SET THE COMPANY UP?	2 weeks (approx.)	5 weeks (approx.)	One week (approx.)
HOW LONG TO OPEN COMPANY BANK ACCOUNT?	2-3 days	2-3 days	2-3 days
MINIMUM SHARE CAPITAL REQUIRED AT INCORPORATION	1,000,000IQD	2,000,000IQD	Not Limited
ALLOWED TO SIGN SALES CONTRACTS WITH IRAQI CLIENTS?	Yes	Yes	Yes
ALLOWED TO INVOICE IRAQI CLIENTS?	Yes	Yes	Yes
CORPORATE TAX PAYABLE IN IRAQ	15%	15%	15%
CORPORATE BANK ACCOUNT NEEDED?	Yes	Yes	Yes
CAN RENT OFFICE IN IRAQ?	Yes	Yes	Yes

CAN RENT IN A RESIDENTIAL AREA?	No	No	No
TENANCY AGREEMENT REQUIRED BEFORE INCORPORATION?	No	No	No
ALLOWED TO IMPORT RAW MATERIALS?	Yes	Yes	Yes
ALLOWED TO EXPORT GOODS?	Yes	Yes	Yes
CAN THE ENTITY HIRE EXPATRIATE STAFF IN IRAQ?	Yes	Yes	Yes
RESIDENT DIRECTOR/MANAGER REQUIRED?	Yes	Yes	Yes
RESIDENT SHAREHOLDER REQUIRED?	No	No	No
MINIMUM NUMBER OF DIRECTORS	Not Applicable	5	Not limited
MINIMUM NUMBER OF SHAREHOLDERS	1	25	Not limited
INDIVIDUAL SHAREHOLDERS ALLOWED?	Yes	Yes	Not applicable
CORPORATE SHAREHOLDERS ALLOWED?	Yes	Yes	Not applicable
CORPORATE DIRECTOR(S) ALLOWED TO BE SHAREHOLDERS?	Yes	Yes	Not applicable
PUBLIC REGISTER OF SHAREHOLDERS AND DIRECTORS	Yes	Yes	Yes
STATUTORY AUDIT REQUIRED?	Yes	Yes	Yes
ANNUAL TAX RETURN TO BE SUBMITTED?	Yes	Yes	Yes
ACCOUNTANT NEEDED?	yes	yes	yes

LAWYER NEEDED?	yes	yes	yes
AMT OF LIABILITY?	No	No	No
CAN I TRANSFER MY TURNOVER/PROFIT GENERATED IN IRAQ OUTSIDE THE COUNTRY?	yes	yes	yes
SUBSEQUENT ANNUAL COSTS (SUCH AS PREPARING ANNUAL FINANCIAL STATEMENTS, STATUARY REQUIREMENTS) THIS SHOULD NOT INCLUDE TAXES THAT IS SUBJECT TO GENERATED REVENUES	Around 1000 USD	Around 2,500 USD	Around 2,500 USD
TOTAL BUSINESS SETUP COSTS/ONE-TIME PAYMENT	Around 1,000 USD	Around 2,000 USD	Around 1,500 USD

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2. To verify or confirm any portion of these “General Guidelines”, you may approach an Iraqi firm licensed to provide the services in the field you seek to obtain advice, e.g., Law Firms, Audit Firms, etc.
3. Any user of these General Guidelines, hereby and forever absolves/discharges the German Liaison Office for Industry and commerce Iraq from all types of liabilities, monetary and non-monetary damages, claims, etc.

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MANAGEMENT, LTD.**

PROFILE

Al Muhamoon Al Mutaheedoon is a full-service firm duly incorporated and operating in Iraq bringing more than 31 years of experience in the legal and consulting industry. Since its foundation; our firm major objective is to practice its activities in accordance to the highest level of integrity, followed a people-oriented approach, and given back to the society whenever possible.

INTERNATIONAL RANKING

Notwithstanding the local success achieved by Al Muhamoon Al Mutaheedoon locally, our firm adopts high international standards and was recently ranked by **Legal 500**, a research, ranking and publishing firm based in United Kingdom, as a leading law firm in Iraq/2021.

TEAM

All of **Al Muhamoon Al Mutaheedoon** cadre of attorneys, CPAs, consultants and other professionals were educated in prestigious institutions in Iraq and abroad. In addition to rich local experiences, most of our professionals have also worked with international firms and government-

related legal organizations. All that had effectively contributed to our team in having the adequate and professional knowledge to serve our clients in Arabic, English, German and French languages.

**REGIONAL & INTERNATIONAL
PRESENCE**

In order for Al Muhamoon Al Mutaheedoon to fulfill its clients' needs; our firm establishes and always keen on maintaining an integrated-services formula extending its range of services Iraq wide as well as other countries in the region and internationally through its affiliated firms, including France, Jordan, Turkey, Egypt, United Arab Emirates, Qatar, Bahrain, Kuwait & Saudi Arabia.

SERVICES

Al Muhamoon Al Mutaheedoon continuously and diligently work on promoting the value added to its clients serving a wide range of services in one integrated gateway, these includes the legal services, such as but not limited to litigation, corporate services, tax, social security, arbitration and ADR, consultancies, intellectual property rights, accounts management, bookkeeping and payroll services. As required, the firm ensures assigning experts and consultants, such as financial consultant, banking consultant, and so on as the need may be.

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LABOR LAW

Overview of Labor Law and Social Security Laws Applicable in Republic of Iraq and Kurdistan Region of Iraq (KRI)

What are the laws governing and regulating labor and employment relationship?

For Republic of Iraq except for KRI, below are the laws governing the employment relationship and social security:

- Labor Law (37/2015), which replaced its predecessor, Law 71/1987, in 2016.
- The Retirement and Social Security Law (39/1971), as amended.
- The Civil Code (40/1951), as amended; and
- The Penal Code (111/1969), as amended.
- Rules, regulations, instructions, and decisions of the Ministry of Labor and Social Affairs and customary practices further regulate employment in Iraq.

For KRI, below are the laws governing the employment relationship and social security:

- Labor Law No. 71 for the year 1987. Concerning Labor Law (37/2015), yet to be endorsed by KRI Local Parliament.
- The Retirement and Social Security Law No. (4) for the year 2012 (Issued by KRI) amending the Law No. (39) for the year 1971.

Does the labor and social security laws in Iraq and Republic of Iraq differ from those applicable in KRI?

Yes, we refer to the above sections.

Frequently asked questions

FAQ's	Kurdistan Region of Iraq	Republic of Iraq
WHAT IS THE CONTRACT FORM?	Written contracts are more common and must be in Kurdish or Arabic.	Oral, written both recognized and valid under the applicable labor law, valid, whereas the written one must be in Arabic pursuant to Article (16) of Labor Law No. 37 for the year 2015.
IS THERE A MINIMUM MONTHLY WAGE?	Yes, 300.000 IQD	Yes, 350.000 IQD
CURRENCY OF WAGE PAYMENT	To be agreed by the parties under the employment agreement	To be agreed by the parties under the employment agreement
DO I HAVE TO PAY TAXES AND OTHER BENEFITS?	<ul style="list-style-type: none"> • Social security: 17% of gross monthly wages social security (12% to be paid by the employer, 5% to be paid by the employee). • Income tax: 5% depending of the gross monthly wages and allowances 	<ul style="list-style-type: none"> • Social security: 17% of gross monthly wages social security (12% to be paid by the employer, 5% to be paid by the employee). • Income tax: 3%-15% depending of the gross monthly wages subject to allowances applicable to each employee.
PROBATION PERIOD IS ALLOWED?	Yes, up to 3 months.	Yes, up to 3 months.
MAXIMUM WORKING HOURS PER DAY?	8 hours daily, exceptions to be considered.	8 hours daily and 48 hours weekly. Exceptions to be considered.
MAXIMUM WORKING DAYS PER WEEK?	6 days	6 days
ARE OVER WORKING HOURS ALLOWED?	Yes, in exceptional cases, but not more than 4 hours a day (for non-industrial works) and a total of 300 hours per year but must	Yes, based on exceptions issued by the Iraqi Ministry of Labor and Social Affairs according to article 67 of Iraqi Labor Law No. 37 for 2015.

	be compensated with a 50% - 100% wage increase.	Compensation of 50% increase of the wage must be paid in case the over hours were in the daytime, and 100% increase in case the overtime has been done during night time, or was dangerous, or affect health. If the employer asked the employee to work during the weekend, then the employee is entitled to have one day rest during the week.
HOW LONG IS MATERNITY LEAVE?	Up to 9 months whereas 72 days are fully paid, and the rest is unpaid leave.	Up to 9 months whereas 14 weeks are fully paid, and the rest is unpaid leave.
EMPLOYMENT OF LOCALS IS A MUST?	Yes	Yes
IS IT PERMITTED TO EMPLOY NON-LOCALS?	Yes	Yes
CAN I HIRE FREE-LANCE EMPLOYEES?	Yes	Yes
WHAT IS THE ANNUAL LEAVE BY LAW?	The employee is eligible for 20 days for each year of work. The worker's annual leave shall be increased by 2 days every additional 5 years.	The employee is eligible for 21 days full paid leave per year.
IS PART-TIME WORK ALLOWED?	Yes	Yes
IS SICK LEAVE PAID OR UNPAID?	Yes, the worker is entitled up to 30 days of sick leave per service year.	Yes, the worker is entitled to up to 30 days of sick leave per service year.
ARE FIXED CONTRACTS TERM ALLOWED?	Yes, as an exception depending on the nature of work, could be seasonal or temporary.	Yes, provided that the fixed term employment contract should not exceed One year.

WHAT ARE THE CONDITIONS FOR DISMISSAL?	If illegally disclosed an employer's professional secret, appears drunk or drugged, engagement in conduct not compliant with work, or in case of absence without notification for 10 consecutive and 20 non-consecutive days, but in both cases, a letter of warning must be lodged with the Workers' Union.	If illegally disclosed an employer's professional secret, appears drunk or drugged, engagement in conduct not compliant with work, or in case of absence without notification for 10 consecutive and 20 non-consecutive days, but in both cases, a letter of warning must be lodged with the Workers' Union.
MECHANISM TO SETTLE LABOR DISPUTES?	Labor courts	End of Services Committee or the or Labor Court.
IS AN END SERVICE BENEFIT PAID WHEN A SERVICE OF AN EMPLOYEE IS ENDED?	Yes, 2 weeks of the agreed wages for each service year, subject to exceptions pursuant to Law.	Yes, 2 weeks of the agreed wages for each service year, subject to exceptions pursuant to Law.

What must a written contract contain?

- The name of the employer and the type and address of enterprise.
- The name, date of birth, qualifications, profession, residence, and nationality of the employee.
- The nature, type, duration, and date of commencement of employment.
- The basic wage plus all increments or allowances and the date and place of payment; and
- Working hours

Personal Income Tax (PIT) calculation for Republic of Iraq and KRI

According to Income Taxation Law No. (113) of 1982 adopted in Republic of Iraq and KRI as amended, PIT percentage is to be calculated based on salaries scale as the following:

Republic of Iraq
<ul style="list-style-type: none"> • From 0 to 250,000 IQD, rate of 3% to be paid yearly. • From 250,000 IQD to 500,000 IQD, rate of 5% must be paid yearly. • From 500,000 IQD to 1,000,000 IQD, rate of 10% must be paid yearly. • Above 1,000,000 IQD, rate of 15% to be paid yearly.

Above rates are subject to allowances specified by Taxation Law No. (113) of 1982, Chapter 8, Article (12) and its amendments adopted in KRI depending on the employee material status and number of children as per below detailing:

Deductions from salaries received from the private sector equal to the following:

1. Allowances stipulated by Law:

Republic of Iraq
<ul style="list-style-type: none"> • ID 2,500,000 for the single employee; • ID 2,000,000 for a non-working wife; • ID 200,000 per child, regardless of the number of children; • ID 300,000 for persons over 63 years old; • ID 3,200,000 for a widow or divorcee and ID400,000 for every child lawfully maintained by such person, regardless of the number of children.

2. Contributions to a social security system, provident fund medical insurance plan, pension fund or similar fund approved by the tax authorities.
3. Delegation or overseas allowances received by foreign employees, up to 25% of the basic salary.

4. The Iraqi tax authorities allow an exemption from tax in relation to 'risk allowances'; in practice, such allowances should not exceed 30% of the basic salary.

To obtain such allowances, proper supporting documents are required to be presented to the concerned tax authority in order to be effective; otherwise, the tax authorities shall treat the taxpayer as a 'bachelor' and grant the annual eligible allowance accordingly.

Employers are responsible for and should guarantee the payment of tax. Tax is withheld from the employees' income for each month of the fiscal year. The withheld tax must be sent monthly to the General Commission for Taxes, one of its branches, or to an authority designated by the tax authority by the 15th day of the month following the month of withholding.

If the tax is not paid by the due date, an addition of 5% of the tax amount is imposed on the employer after the lapse of 21 days from the due date. This percentage is doubled if the amount is not paid within 21 days after the expiration of the first 21-day period.

At the end of the fiscal year, reconciliation takes place as to the annual staff personal income tax with the total monthly amounts paid during subsequent months.

For KRI: Five percent (5%) Personal Income Tax percentage is to be paid by the employee and to be deducted from the gross basic salary. Salaries less or equal to 1000.000 IQD] are PIT-free.



Example Calculation (Republic of Iraq) PIT + Social Security

Mr. Hasan receives a gross monthly salary of 2,000,000 IQD, whereas 500.000 IQD are allowances and the basic salary is 1,500.000 IQD.

Social Security calculation

Monthly gross salary	2,000,000 IQD
Social security paid by the employer is 12% (Not deductible from Gross salary)	240.000 IQD
Social security paid by the employee is 5% (deductible from gross salary)	100.000 IQD

PIT calculation

Gross salary	2,000,000 IQD
Personal income tax deductible from gross basic salary assuming Mr.Hasan is single, hence, the minimum legal allowance is applicable.	247,083 IQD

Mr. Hasan's net payable salary	IQD	1,652,917.00
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Example (KRI)

Mr. Muqdad is employed by company in KRI with a monthly gross salary of 2,600,000 IQD, whereas 600,000 IQD are allowances and the basic salary is 2,000,000 IQD.

Social Security calculation

Monthly gross salary	2,600,000 IQD
Social security paid by the employer is 12% (Not deductible from Gross salary)	312,000 IQD
Social security paid by the employee is 5% (deductible from gross salary)	130,000 IQD

PIT calculation

Basic salary	2,000,000 IQD
Personal income tax deductible from Mr. Muqdad salary (per month) $(2,000,000 - 1,000,000 - 130,000) * 5\%$	43,500 IQD

Mr. Muqdad's net payable salary	IQD	2,426,500.00
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Please note:

For non-locals employed in the Republic of Iraq, could be exempted from payment of social security in case they are covered under social security in their home countries, however, such exemption is not applicable in KRI.

While other exemptions may be applied, in Republic of Iraq and KRI, in some other cases such as for diplomats and employees of Non-Governmental Organizations registered in Iraq.

Where are social security and personal income tax to be paid?

Social Security	Republic of Iraq and KRI: Ministry of Labor and Social Affairs
Personal Income Tax	Republic of Iraq: General Commission of Taxation/ Ministry of Finance KRI: General Directorate of Taxation & State Real Estate

How do I pay Social Security?

Seventeen percent (17%) of the Social Security tax is paid on the total gross salary, whereas 12% are paid by the employer on top and 5% by the employee and are to be deducted from the gross salary.

Am I allowed to hire free-lance employees? If yes, what are the conditions?

Pursuant to Labor applicable laws in Republic of Iraq and KRI, the employer is allowed to hire freelancers as the need may be provided that the employer is required to fulfill its legal obligations stipulated by Law towards those employees considering the pension and health insurance paid by the competent associations to those employees (such as Engineers Association, Iraqi Bar Association), and so on.

What are the general requirements needed to apply for work permit for a non-local employee?

Central South

- A request printed on the header letter of the company must be sent to the Iraqi Ministry of Labor/ Employment and Loans Directorate/ Foreigners Department.
- Copy of passport of the non-local employee must be attached to an authorization letter printed on the header letter of the company addressed to the Ministry of Labor/ Employment and Loans Directorate/ Foreigners Department.
- Copies of the CEO IDs if Iraqi (and passport if foreigner) must be attached to the request.
- Copy of the last receipts and applications of the social security must be submitted.
- Certified copies of all company's documents (i.e. registration document, renting contract...etc).
- Official fees of 250,000 IQD must be paid to the relevant Officer at the Foreigners Dept/Ministry of Labor and Social Security. After receiving the license, an additional fee of 1,500,000 IQD must be paid as well.

KRI

Issuing work permission for non-local employees in KRI depends on the residency card held.

They are two types of residency cards:

- Long term residency card (for a work permit)
- Short term residency card

General requirements needed for obtaining a work permit are:

- A valid passport with at least 6 months expiry date.
- Support letter from the applicant's sponsor (employer/company) and the company registration/incorporation documents in KRI.
- Residency card
- Blood test to be conducted in KRI.
- Official fees for taking a blood test required for issuing the work permit is 31,500IQD (assuming that the applicant holds a valid long-term residency), while the official fees required to renew the work permit equals to 175,000 IQD yearly.

Does the Iraqi labor system prohibit employees' discrimination?

Yes, direct and indirect discrimination both are prohibited and all employees must be dealt equally and no preference based on sex, age, etc.

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FREE ZONES

Comparison of Free zones in republic of Iraq

The Iraq Government currently operates three free trade zones in the country. The three free zones in federal Iraq are: Khor Al-Zubair (Basrah governorate), Qaim (Anbar governorate), and Flaifil (Ninewah governorate). Because of the security situation only Khor Al-Zubair achieved a real commercial standing in Iraq.

The Free Zones Commission: Under the authority of the Ministry of Finance and the Free Zones Commission Law (3/1998), goods imported/exported from the free zones are exempt from all taxes and duties, unless transported to areas where customs are enforced.

Capital, profits, and income derived from investment in projects within the free zones are also exempt from all taxes and duties.

Both Iraqi and foreign companies' investors need a license from the GCFZ (General Commission for Free Zones) and are required to submit a certificate of incorporation which has been authenticated in the year of application to prove the company's good standing.

Iraqi and foreign companies are required to sign an undertaking to transfer 50% of the profits of the free zone project outside of the free zone. The foreign company should submit all company documents plus staff IDs for local and foreign staff.

The foreign companies are required to register an entity at the Baghdad Companies Registry in addition to obtaining an investment license from the GCFZ

1. Basra/Khor Al-Zubair Free Zone

This zone of 1 million sq m was established in 2004 and is located 40 kilometers southwest of Basra on Khor al-Zubair port (which is to be rebuilt with a \$1.2 billion

loan from Japan). A new oil and gas international free zone is located within the Basra International Oil & Gas Hub (BIOGH) and is slated for completion in 2025.

Benefits:

- No customs duties or taxes on imports or exports
- No value-added tax (VAT)
- No capital gains or corporation tax
- Offshore banking is permitted
- No foreign exchange restrictions

Industries:

- Production, sales, assembly, manufacturing (currently petrochemicals, fertilizer, iron, steel, and gas) and re-packing.
- Warehousing (re-export and trade)
- Transport and logistics
- Banking, insurance, and re-insurance
- Professional support services for industrial activities in addition to its proximity to the sites of raw materials and manufactured goods.

2. Nineveh/Falafel Free Zone

Nineveh/Falafel Free Zone: This zone (400,000 sq m) is in the north (20 km north of Mosul) and is near roads and railways that connect to Turkey, Syria, Jordan, and the Basra ports. The zone is near energy resources, and qualified labor is available

in the region. The Nineveh/Falafel zone is the only EZ that has firms operating in it.

The 400,000 sq m zone in Nineveh in northern Iraq started operating in 2010 and provides access to Turkey, Syria and Jordan.

Benefits:

- No customs duties or taxes on imports or exports
- No VAT
- No capital gains or corporation tax
- Offshore banking is permitted
- No foreign exchange restrictions

Industries

- Transport and logistics
- Import/export

Annual rents

From \$1.50 a sq m

3. Al-Anbar/Qayem Free Zone

This zone, located near the Iraqi Syrian border, is planned in two phases: 70,000 sq m and 200,000 sq m. The zone is near roads and railway connecting to

Turkey, Basra, and Jordan. The zone's first phase is limited to commercial and service activities

Facilities

Stage 1 covers 70,000 sq m and the planned Stage 2 will cover 200,000 sq m (with road and rail links to Turkey, Jordan, and Basra).

Industries

Commercial/service



Comparison

	Khor al-Zubair Free Zone	Falafel Free Zone	Al-Qayim Free Zone
CAN A FREE ZONE COMPANY DO BUSINESS ON THE MAINLAND?	Yes, but please note that all goods and services that are being delivered to the mainland in Iraq will be subject to tax, tariffs, and other fees. Exemptions for contracts with the government of Iraq are possible.	Yes, but please note that all goods and services that are being delivered to the mainland in Iraq will be subject to tax, tariffs, and other fees. Exemptions for contracts with the government of Iraq are possible.	Yes, but please note, that all goods and services that are being delivered to the mainland in Iraq will be subject to tax, tariffs, and other fees. Exemptions for contracts with the government of Iraq are possible.
AVERAGE ANNUAL INDUSTRIAL SPACE RENT PER 1000 SQ. M.	US \$10,000	US \$2,000	US \$2,000
HOW LONG TO SET THE COMPANY UP?	1 month	1 month	1 month
HOW LONG TO OPEN COMPANY BANK ACCOUNT?	It is not a must to open an account in Iraq	It is not a must to open an account in Iraq	It is not a must to open an account in Iraq
QUALITY OF UTILITIES	Satisfactory	Satisfactory	Poor
ALLOWED TO SIGN SALES CONTRACTS WITH LOCAL CLIENTS?	Yes (if these contracts are within the free zone)	Yes (if these contracts are within the free zone)	Yes (if these contracts are within the free zone)
ALLOWED TO INVOICE LOCAL CLIENTS?	Yes, after getting free zone's approval.	Yes, after getting free zone's approval.	Yes, after getting free zone's approval.
CORPORATE TAX PAYABLE IN IRAQ	0%	0%	0%
PHYSICAL OFFICE SPACE REQUIRED	No specific space is required	No specific space is required	No specific space is required

ALLOWED TO IMPORT RAW MATERIALS?	Yes	Yes	Yes
ALLOWED TO EXPORT GOODS?	Yes	Yes	Yes
CAN BE WHOLLY FOREIGN OWNED	Yes	Yes	Yes
CAN THE ENTITY HIRE EXPATRIATE STAFF IN IRAQ?	Yes	Yes	Yes
MINIMUM NUMBER OF DIRECTORS	Not specified	Not specified	Not specified
MINIMUM NUMBER OF SHAREHOLDERS	Not specified	Not specified	Not specified
INDIVIDUAL SHAREHOLDERS ALLOWED	Yes	Yes	Yes
CORPORATE SHAREHOLDERS ALLOWED	Yes	Yes	Yes
CORPORATE DIRECTORS ALLOWED?	Yes	Yes	Yes
PUBLIC REGISTER OF SHAREHOLDERS AND DIRECTORS	They should provide their full name to the free zone.	They should provide their full name to the free zone.	They should provide their full name to the free zone.
LLC COMPANY ALLOWED?	Yes	Yes	Yes
ANNUAL AUDITED FINANCIAL STATEMENTS	Yes, before having the contract with the free zone and for the last two years.	Yes, before having the contract with the free zone and for the last two years.	Yes, before having the contract with the free zone and for the last two years.

By

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq



Tax Law

TAXATION FOR FOREIGN COMPANIES AND FOREIGN INVESTORS IN IRAQ

Taxes Rates | Exemptions | Deductions | Trading IN – WITH Iraq | Oil and Gas Sector

Preamble

Taxes are a crucial and essential element that are considered by Foreign Companies to determine which jurisdiction imposes lower taxes rates. Their generated profits and incomes are directly affected by the applicable taxes rates. Therefore, Tax Regime may redirect foreign investment from one jurisdiction to another to minimize the impact of the assessed tax rate.

Tax Legislation

Income Taxation Law No. 113 of 1982 as amended in 2003 represents the main legislation regulating matters, and subjects related to Taxation Regime in Iraq. It works alongside with the instructions, rules, and regulations related to tax matters issued and amended from time to time. For the Kurdistan Region of Iraq “KRG” the same Law (Income Taxation Law No. 113 for 1982) as amended from time to time is also applicable (notwithstanding the variance in the procedural matters).

Are Foreign Companies Established under Iraq’s Companies Law Subject to Tax?

- Yes, they are subject to pay a corporate tax at the flat rate of 15%.
- For those working in the Oil and Gas sector, the applicable tax rate is 35%. This applies to contracts as well as subcontractors included in this sector.

Which authority is responsible and oversees taxation matters in Iraq?

The General Commission of Taxes and Ministry of Finance, while in the Kurdish Region of Iraq, is the responsible authority

looking after taxation matters (called the Income Tax Directorate).

Tax year, filing and Submitting Obligation

- The tax year in Iraq is a calendar year “Annual Basis” and the tax return must be filed by the 31st of May. Otherwise, the corporation that does not comply and delays in filing its corporate tax return shall be subject to fines imposed on a daily basis.
- Taxable Corporations must submit their financial statement in the Arabic language, and in accordance with Iraqi Uniform Accounting Standards (UAS). Also, it should be audited by an Iraqi statutory auditor.

Trading in Iraq vs. Trading with Iraq -any distinction between them?

The Instructions No. 1 for 2014 concerning “Tax Accounting Instructions for Contracts Concluded Between Iraqi and Foreign Contracting Parties” Chapter No. 1, Supply Contracts has identified under which conditions businesses consider “**Trading in Iraq**” that identifies which trading will be subject to Income Tax “**Taxable Person**”. It also identified the concept of “Trading with Iraq”, where the respective person and completed transaction is not subject to Income Tax.

What are the Conditions for a foreign “corporate/ individual” to be identified as ‘Trading in Iraq’?

Chapter No. 1, Supply Contracts, Article No. 1, sub-articles first, second, third, fourth and five have determined the cases under which the transaction is considered subject to Income Tax under Iraqi Tax Law for “Foreign” whether “Corporate | Individual”. Any contract between an Iraqi entity (governmental, or entities that are not linked with a ministry) and foreign entities, whether it is a natural or legal person, would be subject to tax if

1. If the foreign supplier that is not a resident in Iraq has an office or a branch, and the contract is completed or executed through either their office, branch, or an authorized person.
2. If the foreign supplier or vendor who is not a resident in Iraq has authorized a person who is a resident in Iraq to sign a contract and execute it on his/ her behalf, the taxes will be estimated against his/ her name, and whoever acting on his/ her behalf who are not resident in Iraq in addition to the achieved commission if he is a commercial agent.
3. If the contract legal requirements are completed in Iraq in the name of a supplier or vendor (i.e., customs clearance, payment of customs duties, opening letter of credits) and any related procedures in Iraq (even if the supplier or vendor doesn't have a branch, office or agent in Iraq).
4. If the contract value has been paid partially or fully in Iraq with any currency.
5. If the service provider or vendor has been paid in barter.
6. Any income that resulted from complementary works mentioned in the contract (i.e., installment, supervising, maintenance, and engineering works) fulfilled in Iraq.
7. Any income results from a service or expertise agreed in a contract in Iraq even if the payment has been done outside of Iraq, whether the service or the expertise has been delivered by a natural or legal person.

What are the Conditions for a foreign “corporate/ individual” to be identified as, ‘Trading with Iraq’?

Chapter No. 1, Supply Contracts, Article No. 2, sub-articles first, second and third has determined the cases under which the transaction is not considered subject to Income Tax under Iraqi Tax Law for “Foreign” whether “Corporate | Individual” Any contract between an Iraqi entity (governmental, private sector natural or legal person) and foreign entities, whether it is a natural or legal person, would not be subject to tax if:

1. If the foreign supplier who is resident outside of Iraq and the contract has been completed and signed outside Iraq and fulfilled its legal requirements (i.e., customs clearance, cost of opening letter of credits and all related procedures) are completed in Iraq in the name of the Iraqi entity.
2. If the foreign supplier who is not resident in Iraq has an office or a branch, and the contract has been concluded and signed outside of Iraq and the office and or the branch is not a party to the contract, nor its execution, the tax accounting is limited to commissions or earned by the authorized person, branch or agent.
3. Amounts paid in relation to contracts involved for services or expertise outside of Iraq such as supervision of shipping or inspection of equipment.

Tax Exemption, Exemptions applicable to Foreign Corporations | Foreign Investors

Chapter Four, Article (7) of Taxation Law No. 113 for 1982 Exemptions, determine the incomes that are exempted from paying tax. Below are the relevant exemptions applicable to foreign companies/foreign investors (Corporate | Individual). However, the below list is not exhaustive (Indicative List):

1. Agricultural income generated from farmers and animal breeders from agricultural and animal products, including cattle breeding.
2. Income generated to owners or lessee of the means of marine transportation provided for in Article 50 in Law No. 113 of 1982, if these means of transport are used for "Oil Transport".¹
3. Income generated from Deluxe and first-class hotels invested located in Baghdad during the construction and within the first 5 years of its investment commencement. While the exemption for similar hotels located outside of Baghdad will be an exemption period of 7 years of its investment commencement. hotel's affiliated facilities, and not connected with the investment, such as stores or shops, shall not benefit from the exemption stipulated herein.
4. Income generated by the non-Iraqi owners of land transportations means those who have contracts with Iraqi Oil Products Distribution State Company to transport the oil products inside Iraq, or export outside Iraq.¹
5. Income of aviation organization subject to the existence of "Reciprocal Treatment"

In addition to the tax exemptions stipulated by Taxation Law No. 113 for 1982, Article (3) of Investment Law No. 13 for 2006 as amended states companies that have investment projects in Iraq can have a 10 years exemption of the corporate income tax and employment taxes.

Tax deductions, whether or not, the Iraqi's Tax Income law provides that any expenses be deducted from the generated income?

Yes, the Deductions concept is regulated under Chapter Five – Article. 8 of Taxation Law No. 113 for 1982. Expect for sub-articles 8.8 & 8.9 which are not relevant, nor apply for the purpose of this Guidebook, in principle, the remainder of Article 8 applies to foreign corporations, as well as foreign investments.

Below are examples of deductions stipulated under Article 8 relative to foreign companies/foreign investors (Corporate | Individual). However, the below list is not exhaustive (Indicative List):

1. Interests paid on money borrowed and invested in the production of the income or its increase.
2. (a) The rental of the place occupied for earning income.
(b) Depreciation of the building owned by the taxpayer and used by the taxpayer to earn income. The estimated rental shall be exempted from the Real Estate Tax [Note: Law #162]
(c) The annual cost of superfluous which includes the cost of the rental of the lands and cost of the buildings constructed on them if the building occupied for earning income is being built on leased land. The estimated rental shall be exempted from the Real Estate Tax [Note: Law #162].
3. Amounts expended for the maintenance of machinery and equipment or for replacement of tools and parts.
4. The proportion, determined by regulation, of the cost of tangible fixed assets (excluding buildings and lands), such as machinery and other equipment, for depreciation or consumption by reason of their use during the year in which the income has arisen.



Double Taxation, tax treaties

Federal Income Taxation Law No. 113 for 1982 outlined the “Double Taxation” situation under Article 5, sub-article Point 4 as follows:

“Income tax paid to a foreign country on income earned in that country may be credited against tax paid to Iraq. The amount of the credit may not exceed the amount of tax assessed in Iraq on the income earned in the foreign country at the rate in effect in Iraq. If taxes paid to a foreign country exceed the amount of this limitation, then the excess taxes may be carried forward to credit in 5 consecutive years subject to the limitation in those years. The taxes paid in the carried forward

year will be credited first. If during a taxation period, income is earned in more than one country, the credit allowed by this paragraph will be applied on an individual basis to the income earned in each foreign country. To be credited, the amount of foreign tax paid to the foreign country must be confirmed by either a copy of the tax paid receipt or a confirmation of the amount of tax paid from the tax collection agency of the foreign country”.

Up to date, Iraq has entered into few double taxation treaties. Iraq is a signatory to the Arab economic Union Council Agreement. However, the applicability of the said treaty is indeed limited.

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FAQ's Taxes and Invoicing

I have sold a product from Germany to Iraq. If I issue the invoice, does it need to show Value Added Tax?

As specifically related to the taxes applicable in Iraq, Value Added Tax (VAT) is not yet regulated under Iraqi's Law.

I have company in Germany with a branch in Iraq and I want to send goods to Iraq. How much tax do I have to pay?

The taxes shall be levied to the importing party. In your case (being an exporter from Germany to Iraq) no taxes shall be levied. However, the importer shall pay a certain percentage of taxes depending on the type of imported goods. Pursuant to applicable tax regulations, the applicable taxes equal 18% of "good value + calculated customs". But certain types of goods (such as food, medicines, animal feed, school supplies, books, spices, oats, medical equipment, medical lenses, detergents, live calves, fertilizers, seeds, potato seeds and agricultural pesticides, disposable water bottles, and others as specified under the related regulations) are excepted, and their applicable tax equals to only 2% of "good value + calculated customs".

I am registered in Germany want to provide legal services to a company in Iraq. What are the applicable taxes?

No applicable taxes in Iraq.

I want to sell online services to KRG and Central south. If my company is only registered in Germany, how much VAT should I add to the invoice?

VAT is not applicable in Iraq.

I am selling software from Germany to Iraq. Do I have to include VAT in the invoice to my client in Iraq?

As specifically related to the taxes applicable in Iraq, Value Added Tax (VAT) is not yet regulated under Iraqi's Law.

Is there a reverse charge method between Iraq and Germany?

No

Is there a tax treaty between Germany and Iraq?

No

Does the Tax authority impose any penalties on late tax payment?

Yes. It's 5% of any outstanding amount not paid with 21 days of being due and payable to the concerned tax authority. And an additional 5% will be imposed if the delay

continues for another 21 days until the payment of the outstanding amount.

Is VAT applicable in Iraq?

No, however, Sales Tax is applicable but should not be mixed up with VAT

Examples of Sales tax? See below

- Sales tax of 300% is imposed on alcohol and tobacco (cigarettes).
- Sales tax of 15% on travel tickets and cars.
- Sales tax of 20% mobile recharge cards and internet.
- Sales tax of 10% on services of 5-Star hotels and luxury restaurants.

Disclaimer and Closure Statement:

1. The above information and details are provided for “General Guidelines” purposes only. They should not be considered, interpreted, or understood as commercial, legal, financial, tax, and or any other form of advice.
2. To verify or confirm any portion of these “General Guidelines”, you may approach an Iraqi firm licensed to provide the services in the field you seek to obtain advice, e.g. Law Firm, Audit Firms, etc.
3. Any user of these General Guidelines, hereby and forever absolves/discharges AHK from all types of liabilities, monetary and non-monetary damages, claims, etc.

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7

BANKS AND
INSURANCES

Banking
System and
Insurance

Banking and
Insurance
FAQs



BANKING SYSTEM AND INSURANCE

EMERGING IRAQI BANKING AND INSURANCE SECTOR

Over the past few years, political and security conditions in Iraq have improved significantly, which led to significant growth of the Iraqi economy, driven mainly by increase in oil production.

Despite the economic growth Iraq achieved in the past years, banking system in Iraq remains one of the most underdeveloped systems in the MENA region, which has held back many companies from growing and developing.

With total banking assets of USD ~91 Bn., 73 banks currently operate in Iraq through 881 branches

Currently, 73 banks operate in Iraq, of which 7 are state-owned, 48 are local private and 18 are foreign. Out of all banks, 46 are traditional banks and 27 are Islamic. As for branches network, Iraq currently has 881

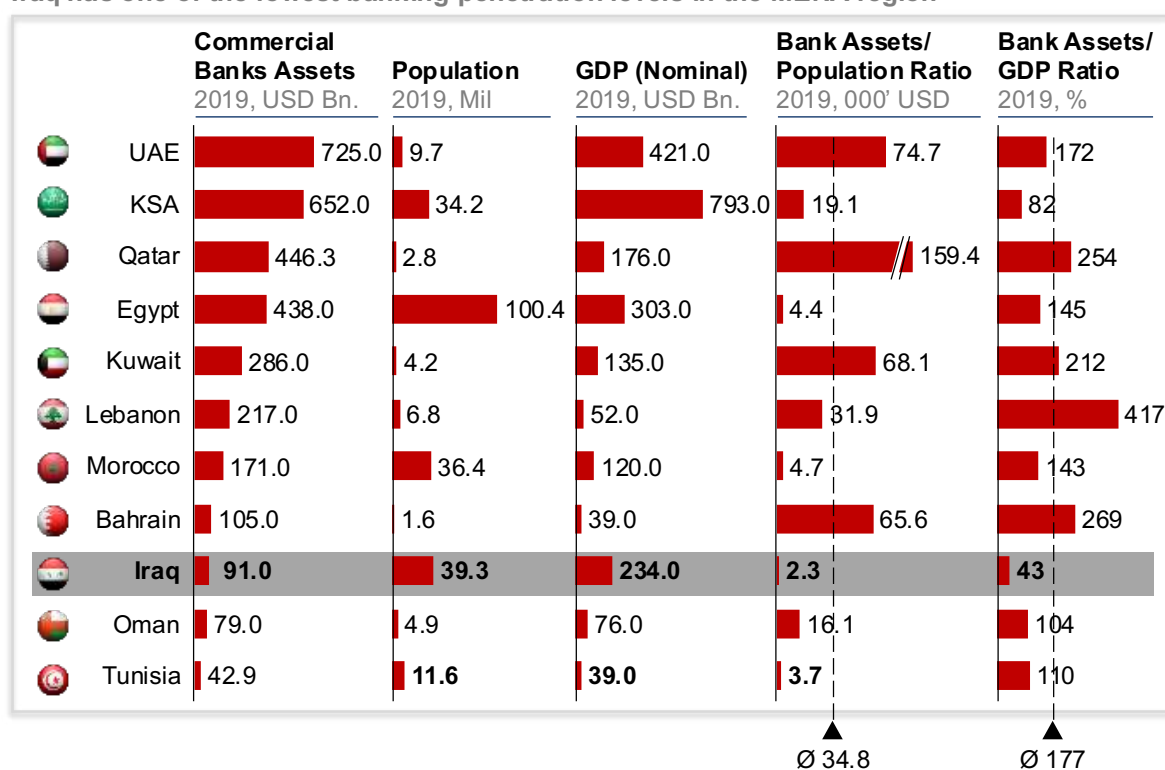
bank branches across different governorates. Overall, the Iraqi banking sector is underdeveloped, which, combined with Iraq's projected economic growth, makes it an attractive market for regional and international financial institutions.

Iraqi Banking Sector is mainly characterized by low penetration, high asset concentration, small branch/ATM network and poor banking technology infrastructure

Low Sector Penetration: Iraqi banking sector is significantly underpenetrated compared to MENA countries. With 2019 total asset size of only USD ~91 Bn., Iraq has an asset to population ratio of USD 2,300 per Capita, compared to an average of USD 34,800 for MENA region, and assets GDP ratio of only 43%, compared to a MENA regional average of 177% (figure 1).

Figure 1

Iraq has one of the lowest banking penetration levels in the MENA region



Iraq is also lagging behind MENA region in loans and deposits penetration. The main reasons for low loans penetration in Iraq are the highly strict lending criteria, with some banks requiring collateral equivalent to over 200% of the loan value, and the significantly high spread between lending and borrowing rates, which reached 7% in

2019, being the highest in MENA and 80% higher than the regional average (figure 2). Moreover, despite the improvement in the economic and security conditions in Iraq over the past 4 years, real interest rates on loans in Iraq increased over the same period from 10.4% in 2016 to 11.2% in 2020 (figure 3).

Figure 2

Iraq has the highest interest rate spread in MENA, implying high funding cost for the private sector

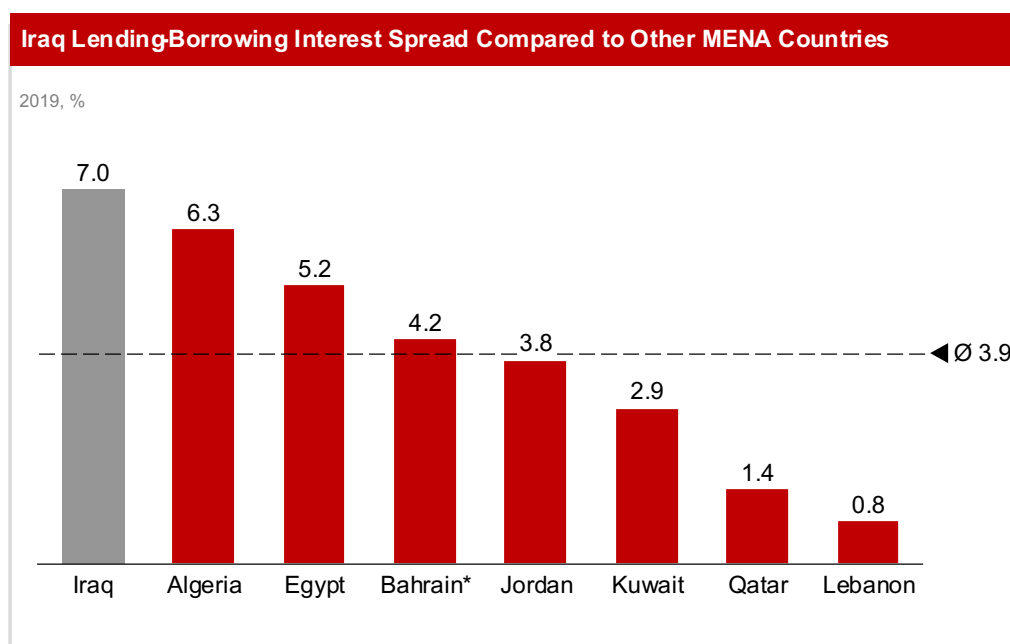
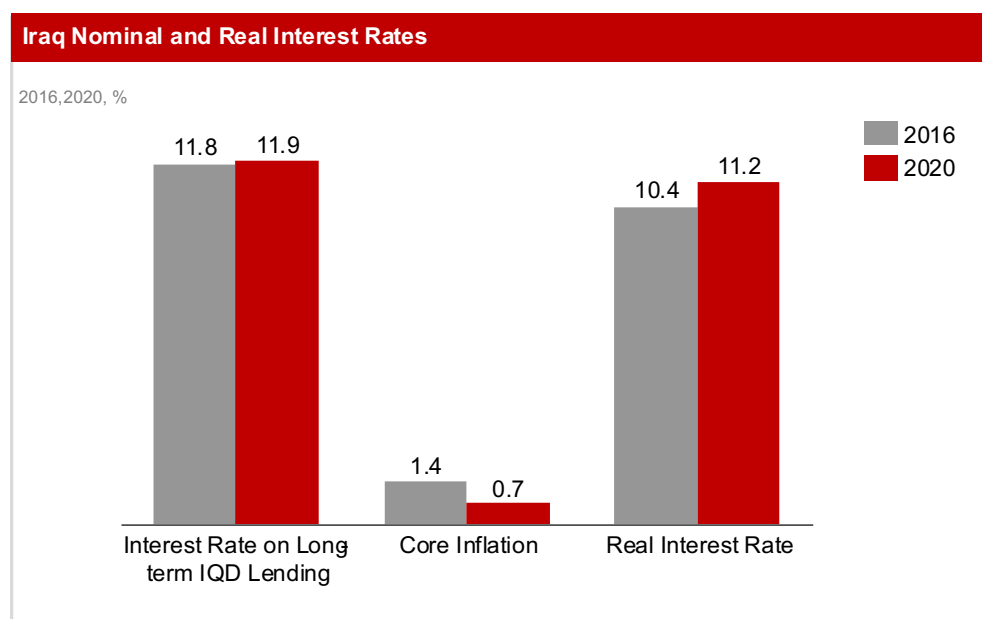


Figure 3

Real interest rate in Iraq has slightly increased over the past 4 years, driven mainly by the decrease in core inflation

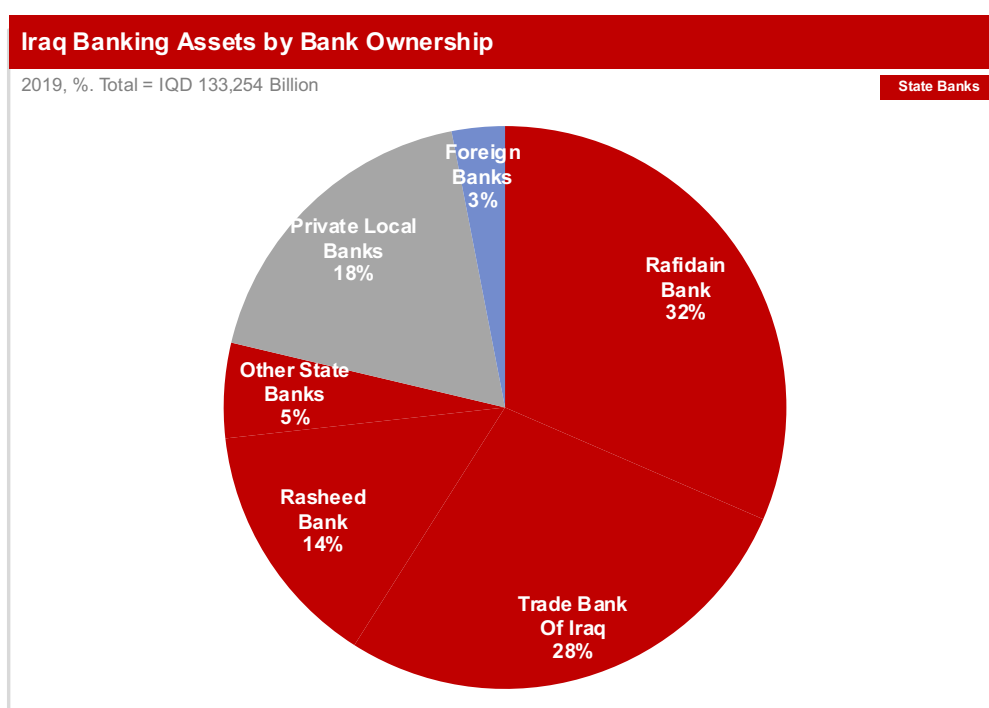


High Assets Concentration in state-owned banks: With 73 banks currently operating in Iraq (7 state, 48 local private and 18 foreign), Iraqi banking sector is highly concentrated towards state banks, who manage 80% of the banking assets. Of those 7 state banks, the top 3, namely

Rafidain Bank, Trade Bank of Iraq, and Al Rasheed Bank, manage 74% of total banking assets (figure 4). The same top 3 state banks hold the majority of the government deposits (liabilities) and facilitate the majority of the government loans

Figure 4

Banking sector in Iraq is highly dominated by State Banks, which, despite representing less than 10% of number of banks in Iraq, control ~80% of total banking assets



There are several reasons that led to the domination of state-owned banks in Iraq, mainly the following

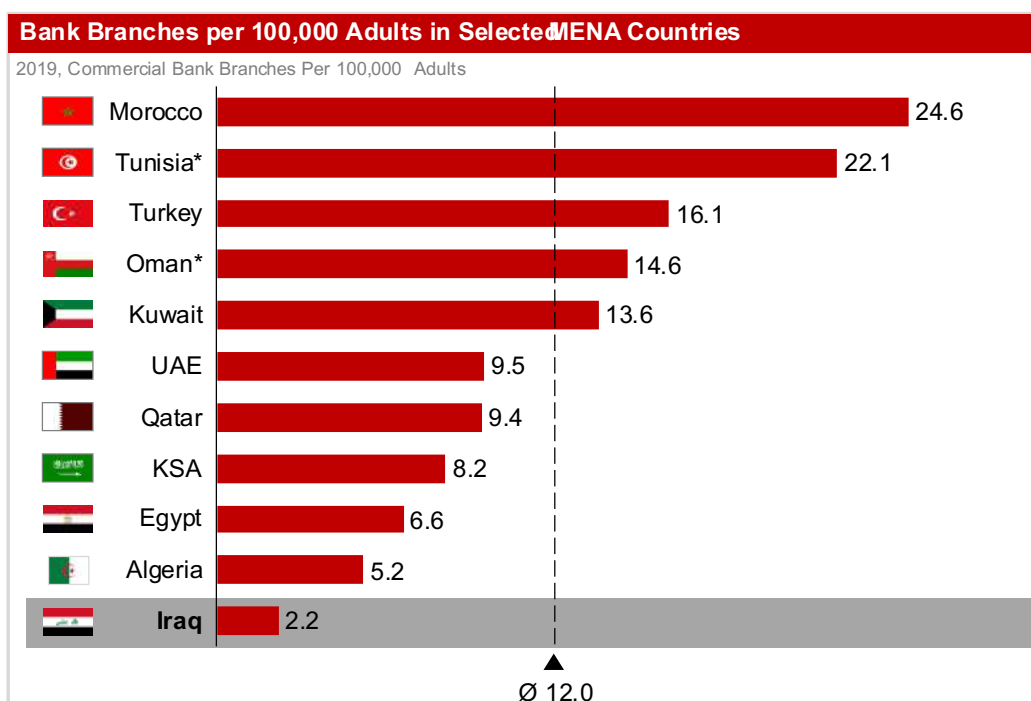
- Deposits in state banks are implicitly perceived as government guaranteed, while the public does not trust the private banks as they think they are unreliable.
- Private banks are held to a strict capital requirement whereas rules are less strict for state-owned banks.

Small Branches/ATMs Network Size: With only 881 bank branches in 2019, Iraq is significantly lagging behind MENA countries in branches to population ratio. Iraq has 2.2 bank branches per 100,000 capita,

compared to an average of 12.0 for MENA region (figure 5). Moreover, bank branches in Iraq, while evenly split between state and private banks, are concentrated in Baghdad, where ~40% of Iraq bank branches are located (figure 6).

Figure 5

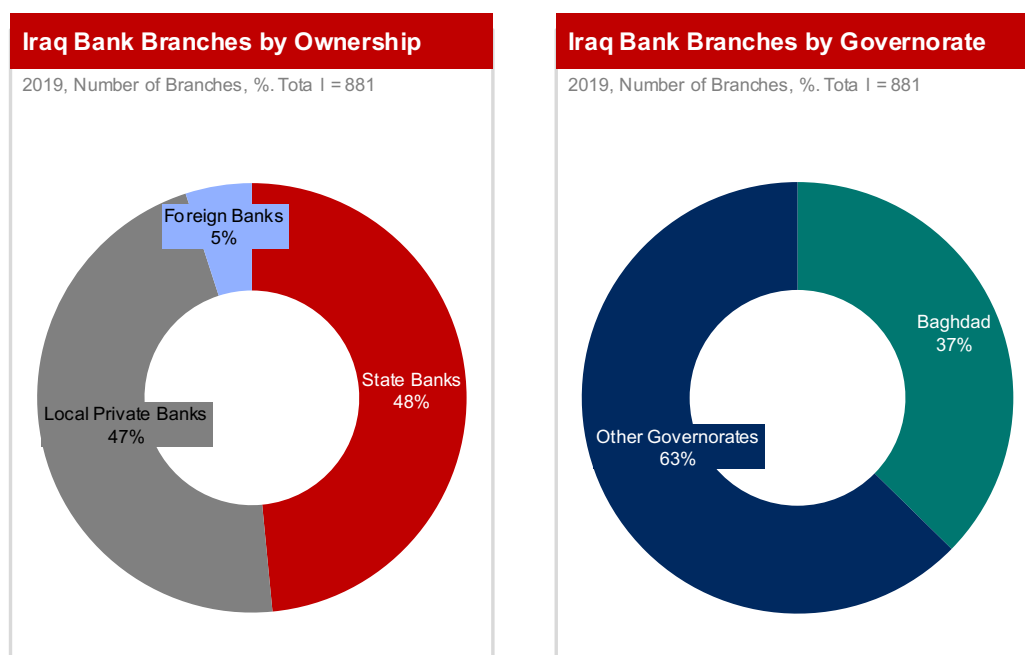
With only 881 bank branches, Iraq has the lowest bank branches to population ratio in MENA



* 2018 Data

Figure 6

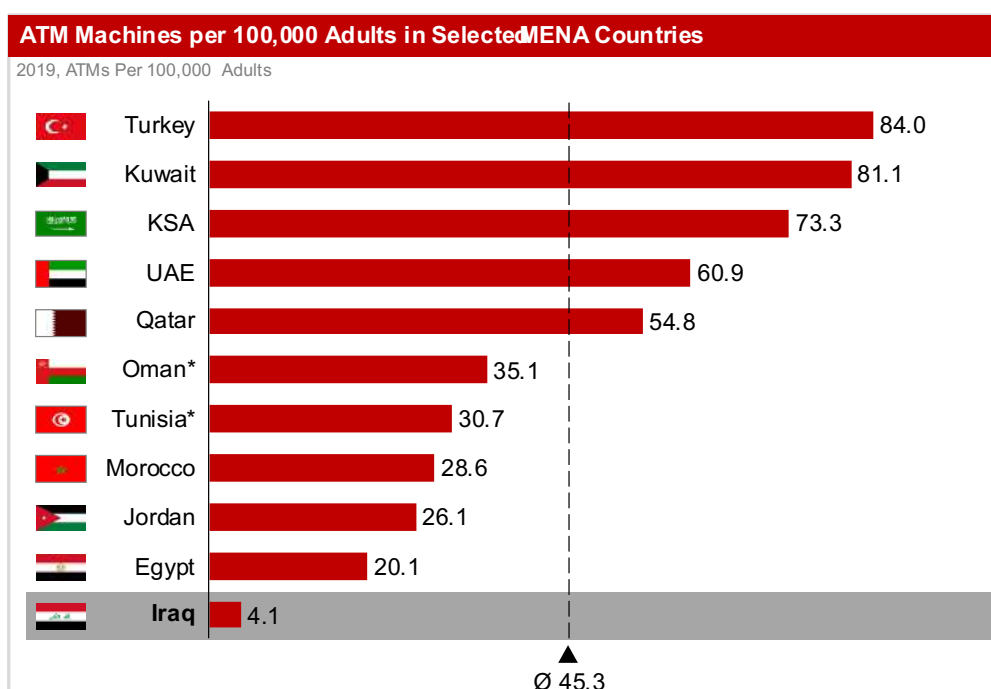
Iraq has only 881 bank branches that are equally split between state and private banks, with ~40% of them located in Baghdad



For ATM machines, Iraq has the smallest ATM machine network in the MENA region, with 4.1 ATM machine per 100,000 inhabitants, compared to 45.3 as a regional average (figure 7).

Figure 7

Iraq has the lowest ATM to population ratio in MENA



* 2018 Data

Poor Banking Technology Infrastructure:

Iraq suffers from limited/poor banking technology infrastructure, including no FX market, credit reference agency, cheque clearing system, nor payment systems. On the front-office technology, Iraq lacks full online banking, telephone banking,

investments risk advisory, money transfer, and other enabling technology. On the back-office technology, there are limited/poor solutions for account opening/monitoring/screening technology, annual account analysis, risk rating, and others.

Iraq has currently 77 banks that fall into three categories: state banks, private local banks, and foreign banks

State Banks: 7 banks, who altogether manage 79% of banking assets in Iraq (USD ~72 Bn.) and have 48% of bank branches in Iraq. The top three state banks are Rafidain Bank, Trade Bank of Iraq and Al-Rasheed Bank.

Rafidain Bank: Rafidain Bank was established in 1941 as the first bank in Iraq, with headquarter in Baghdad and 2019 paid-up capital of IQD 226 Bn. (USD 154 Mn.). The bank currently manages USD ~28.8 Bn. of assets (32% of the total assets in Iraq), through 167 branches located in 15 governorates and ~8,300 employees, being the bank with the largest branches network and number of employees.

Trade Bank of Iraq (TBI): TBI was established in 2003, with headquarter in Baghdad and 2019 paid-up capital of IQD 2,750 Bn. (USD 1.9 Bn.). The bank currently manages USD ~25.1 Bn. of assets (28% of the total assets in Iraq), through 26

branches located in 9 governorates and ~1,500 employees.

Al-Rasheed Bank: Al-Rasheed Bank was established in 1988, with headquarter in Baghdad and 2019 paid-up capital of IQD 50 Bn. (USD 34 Mn.). The bank currently manages USD ~13 Bn. of assets (14% of the total assets in Iraq), through 158 branches located in 15 governorates and ~7,000 employees.

Other state-owned banks are Agricultural Cooperation Bank, Real Estate Bank, Industrial Bank of Iraq and Alnahrain Islamic Bank, who altogether manage USD ~4.5 Bn. of assets (5% of the total assets in Iraq).

Private Local Banks: Iraq has 48 private local banks; the largest ones are Mansour Bank for Investment, Kurdistan International Bank and Bank of Baghdad.

Mansour Bank for Investment: Largest private bank in Iraq, in terms of assets

under management. It was established in 2006; with headquarter in Baghdad and 2019 paid-up capital of IQD 250 Bn. (USD 171 Mn.). The bank currently manages USD ~1 Bn. of assets through 9 branches and ~180 employees. 54% of the bank shares are owned by Qatar National Bank (QNB).

Kurdistan International Bank: Largest Islamic Bank and second largest private bank in Iraq, in terms of assets under management. It was established in 2005, with headquarter in Erbil and 2019 paid-up capital of IQD 400 Bn. (USD 274 Mn.) The bank currently manages USD ~0.9 Bn. of assets through 5 branches and ~500 employees.

Bank of Baghdad: Established in 1992, with headquarter in Baghdad and 2019 paid-up

capital of IQD 250 Bn. (USD 171 Mn.). The bank currently manages USD ~0.9 Bn. of assets, through 31 branches located in 15 governorates and ~800 employees. 51% of the bank's shares are owned by Burgan Bank of Kuwait.

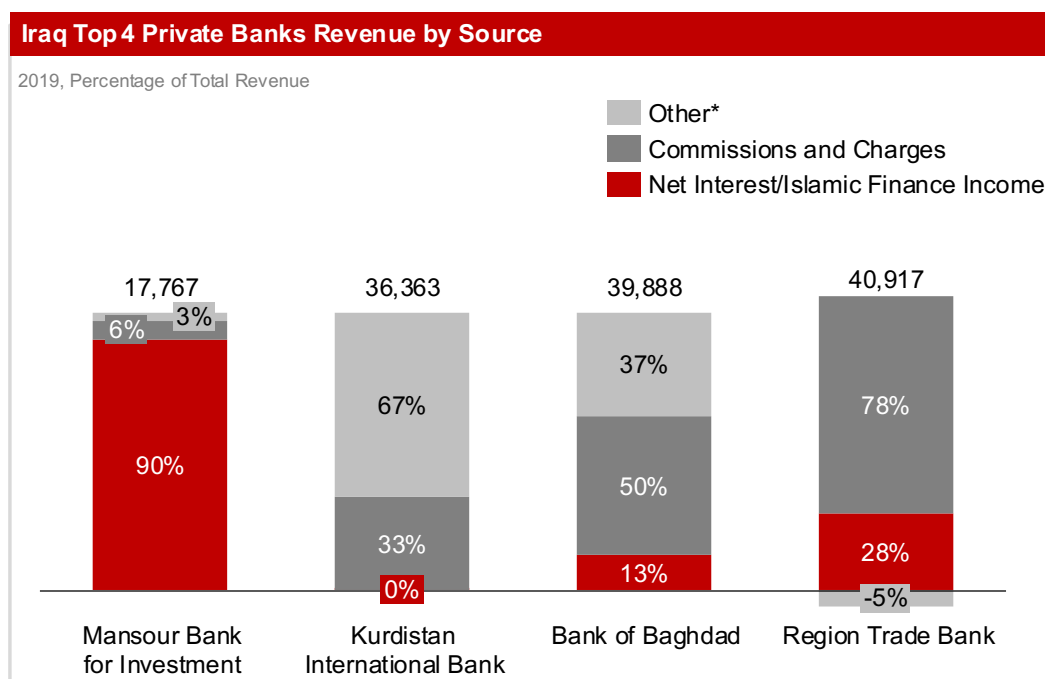
Foreign Banks: The main foreign banks operating in Iraq are either GCC banks, (e.g. Abu Dhabi Islamic Bank and Al-Baraka Bank, both Islamic), Iranian (e.g. Bank Melli Iran), Turkish (e.g. Ziraat Bank, Vakif Bank and IshTurkiye Bank) or Lebanese banks (e.g. Audi Bank, Blom Bank, Byblos Bank of Lebanon, Credit Libanais Bank and Banque Libano-Française). Standard Chartered Bank was the first international bank to enter Iraq in 2013. The majority of the foreign banks in Iraq focus on the Kurdish Region.

Top Iraqi private banks have different revenue drivers

While net interest income represented the vast majority of Mansour Bank's revenue in 2019, commissions and charges represented the majority of revenue for other banks (figure 8).

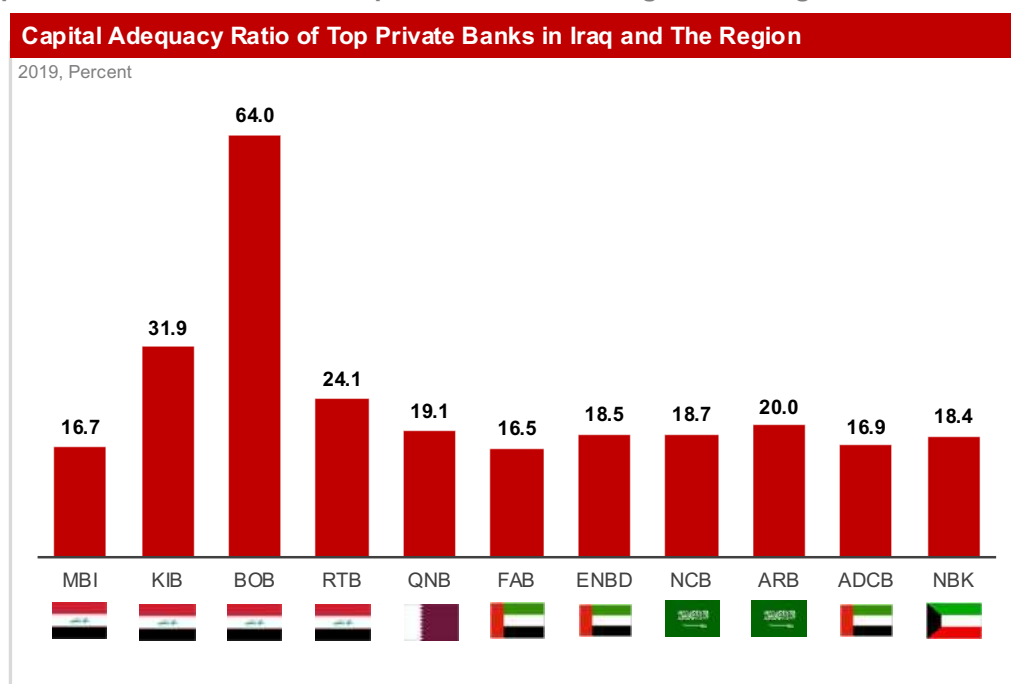
Figure 8

Main sources of revenue differ significantly for top private banks in Iraq



Iraqi private banks have similar capital structure to top private banks in the region

Iraqi's top private banks have similar capital structure to top regional banks, with similar capital adequacy ratio that ranges between 17% and 24%, with the exception of Bank of Baghdad, which has a capital adequacy ratio of 84% (figure 9).

Figure 9**Iraqi private banks have a better capital structure than regional average**

With several successful entry cases for global and regional banks, Iraq private banking sector is promising

With some estimates that 80% of the Iraqi population have no access to banking services, the current sector penetration level and the projected economic growth in Iraq, private banking in Iraq is a major opportunity.

Over the past years, several global/regional banks have been involved in the Iraqi market, either via acquiring shares in existing banks or establishing their own legal entities. Those banks included, but not limited to, the following:

Standard Chartered Bank: The bank opened its first branch in Baghdad in 2013 and has presence in Erbil as well.

Citi Bank: In 2011, the bank signed an agreement with **Bank of Baghdad** to manage global client cash management requirements. In 2011, Citi established correspondent banking network of more than 100 branches in Iraq with key banks.

QNB: In April 2012, the bank increased its share in **Mansour Bank** from 23% to a majority stake (54%)

Abu Dhabi Islamic Bank: In July 2012, ADIB opened its first branch in Baghdad, being the first UAE bank to operate in Iraq.

Several Turkish Banks: In 2011, İşbank, Vakıf Bank and Ziraat Bankası opened their first branches in Erbil, with plans to open branches in Baghdad.

Bank Melli Iran: In 2007, Bank Melli Iran opened its first branch in Baghdad.

Burgan Bank: In 2010, The Kuwaiti bank increased its share to 50.6% in Bank of Baghdad.

Digitization of Iraqi Banking Sector

Despite the current technology limitations, the government of Iraq has been working on digitizing the banking sector. In 2017, the government of Iraq has issued a resolution that salaries of all public sector employees shall be paid via bank transfers, thus helping to increase banking penetration. In 2008, Iraq's largest two state-banks established a national Electronic Payments System card called Qi Card, used to disburse government salaries, pensions and welfare. Currently, Qi Card offers three key services:

Digital Financial Transactions: Citizens can receive salaries and pensions, pay bills, share money with friends and family and shop online.

Salifni Relief Loans: A temporary, emergency loan program, Salifni allows qualified, government employees to receive up to 200K IQD short-term loans.

Personal Lending: Since 2018, Qi Card has disbursed more than USD 4 Bn. in loans to more than 800,000 Iraqi citizens. Top uses for these loans include financing small

projects, paying for medication and healthcare needs, repaying a loan, and financing a home renovation. The Qi Card Credit suite options includes instant approval for salary-backed loans, access to more than 6,000 merchants operating in the merchant funded instalment platform, credit cards, collateral-backed loans, bridge financing and insurance to lenders and merchants for all loans being granted.

Utilizing the high penetration level of smart phones in Iraq, three mobile wallets have been launched, including Taif eWallet, Zain Cash and Asia Hawala. These mobile wallets allow citizens to deposit, withdraw, transfer money, and pay for goods and services, including bills, via their mobile phones.

In March 2021, First Iraqi Bank, the first digital-only bank in Iraq, was announced, to become the first bank in Iraq to provide full digital banking solution. First Iraqi Bank will enable customers to open a fully licensed bank account using the mobile app and use the app to do all banking transactions, including making online payments, money

transfer, receive salary and all other bank services.

Insurance Sector in Iraq

Similar to banking sector, Insurance sector in Iraq is quite underdeveloped, with limited product offer and dominance of state-owned insurance companies.

Iraq has currently 39 insurance companies registered with the Insurance bureau, of which 3 are state-owned and are 36 private. For insurance brokers, 10 companies operate, all of which are private

In terms of products, all companies offer life, car, fire, accidents, engineering and marine/goods insurance, with Iraqi Insurance and Al Ahlia Insurance companies offering health insurance as well.

State Insurance Companies:

National Insurance Company: Being the oldest insurance company in Iraq, National insurance company was established in 1950 with headquarter in Baghdad and a total capital of IQD 7 Bn. The company achieved a total revenue of IQD 92.5 Bn. in 2012.

Iraqi Insurance Company: Established in 1959 with headquarter in Baghdad and a

total capital of IQD 7.5 Bn. The company achieved a total revenue of **IQD 70.2 Bn.** in 2019.

Iraqi Reinsurance Company: Established in 1998 with headquarter in Baghdad and a total capital of IQD 15 Bn. The company focuses on reinsurance business. The company achieved a total insurance revenue of **IQD 14.2 Bn.** in 2017.

Private Insurance Companies:

The top 5 private insurers, in terms of revenue, are:

Al Hamra Insurance: Established in 2001 with headquarter in Baghdad and a total capital of IQD 7 Bn. The company achieved a total insurance revenue of **IQD 5.4 Bn.** in 2019.

Dar El Salam Insurance: Established in 2006 with headquarter in Baghdad and a total capital of IQD 7 Bn. The company achieved a total insurance revenue of **IQD 3.6 Bn.** in 2019.

Al Amin Insurance: Established in 2000 with headquarter in Baghdad and a total capital of IQD 3.8 Bn. The company achieved a total insurance revenue of **IQD 360.7 Mn.** in 2019.

Al Khaleej Insurance: Established in 2004 with headquarter in Baghdad and a total

capital of IQD 2 Bn. The company achieved a total insurance revenue of **IQD 125.9 Mn.** in 2019.

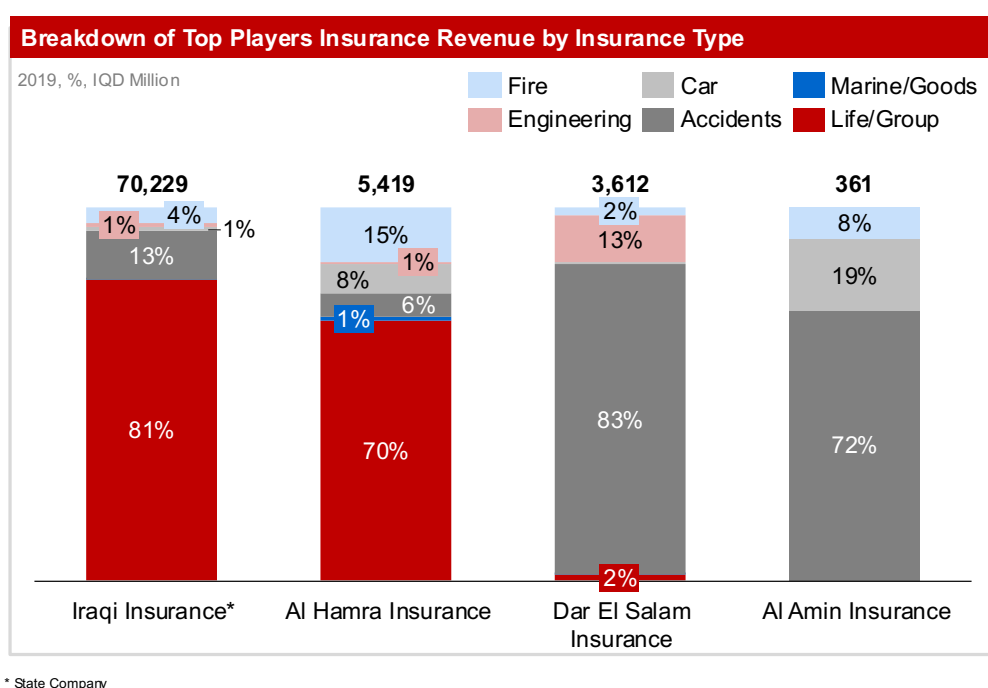
Al Ahlia Insurance: Established in 2000 with headquarter in Baghdad and a total capital of IQD 7 Bn. In addition to general, life and

car insurance, the company offers health insurance services. The company achieved a total insurance revenue of **IQD 14.5 Mn.** in 2019.

Figure 10 shows the revenue breakdown of top insurance players by insurance type.

Figure 10

While top insurance players offer the same products, the revenue drivers are significantly different for each



Conclusion

Iraqi banking sector is developing, with growing banking assets and increasing number of both foreign and local banks. The government has been supporting sector development through legislations and partnerships with banks and other financial solutions providers. Moreover, the introduction of digital and mobile wallets has significantly expanded and improved banking services penetration, achieving financial inclusion. While the layout has a wide portfolio of players, there is still considerable room for new investors in banking (with digital banking as a priority service), digital wallets and other fintech solutions.

The insurance sector on the other hand is highly underdeveloped and small in size in relation to Iraq's USD 234B GDP with services beyond the reach of Iraqis. The companies lack the capabilities and resources to diversify their services and expand their reach. Innovation and digitalization across the value chain will have a significant impact on the sector. Health insurance is one area with huge potential amid the COVID 19 pandemic interventions and recovery measures that has prioritized the topic to the top of the Health Minister's agenda for 2021.

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Insurance

BANKING AND INSURANCE FAQS

IRAQI BANKING AND INSURANCE SECTOR: FREQUENTLY ASKED QUESTIONS

Q: How many banks currently operate in Iraq and who owns them?

A: Currently, Iraq **has 73 commercial banks operating**, of which, 7 are state-owned, 48 are local private and 18 foreign banks. 46 banks in Iraq offer traditional banking service, while 27 offer Islamic Banking Services. The leading banks in each category are:

- **State Banks:** Rafidain Bank, Trade Bank of Iraq, and Rasheed Bank.
- **Private Local Banks:** Mansour Bank for Investment, Kurdistan International Bank (Islamic) and Bank of Baghdad.
- **Foreign Banks:** Iraq houses banks of different nationalities, including GCC (Abu Dhabi Islamic Bank), Iranian (Bank Melli Iran), Turkish (Ziraat Bank) and Lebanese (Byblos Bank). Standard Chartered Bank is the only international bank operating in Iraq. No German banks are present in Iraq.

Below is a full list of commercial banks in Iraq by type

BANK TYPE	State Banks	Private Local Banks	International Banks
TRADITIONAL BANK	1. Rafidain Bank	1. Bank of Baghdad	1. Bank Melli Iran
	2. Rasheed Bank	2. Commercial Bank of Iraq	2. Byblos Bank of Lebanon
	3. Trade Bank of Iraq	3. Basrah International Bank for Investment	3. Ziraat Bank
	4. Agricultural Cooperation Bank	4. Iraqi Middle East Bank for Investment	4. Intercontinental Bank
	5. Industrial Bank of Iraq	5. Investment Bank of Iraq	5. Bank of Beirut & the Arab Countries
	6. Real Estate Bank	6. United Bank for Investment	6. Bank Med
		7. National Bank of Iraq	7. IsTurkiye Bank
		8. Credit Bank of Iraq	8. Banque Libano-Francaise
		9. Dar Alsalam Investment Bank	9. Parsian Bank
		10. Babylon Bank	10. Credit Libanais
		11. Economic Bank for Investment	11. Vakif Bank
		12. Summer Commercial Bank	12. Standard Chartered Bank
		13. Warka Bank	13. Francbank
		14. Gulf Commercial Bank	14. MEAB Bank
		15. Mousel Bank	15. BLOM Bank
		16. North Bank	16. Audi Bank (sold its business in Iraq to National Bank of Iraq in December 2020)
		17. Union Bank of Iraq	
		18. Ashur International Bank	
		19. Mansour Bank for Investment	
		20. Trans-Iraq Bank	
		21. Region Trade Bank	
		22. Al-Huda Bank	
		23. Erbil Bank	

24. International Development Bank			
ISLAMIC BANK	1. Alnahrain Islamic Bank	1. Iraqi Islamic Bank for Investment and Development	1. Abu Dhabi Islamic Bank
		2. Elaf Islamic Bank	2. Al Baraka Bank
		3. Dijlah and Furat Bank	
		4. Kurdistan International Bank	
		5. Islamic National Bank	
		6. Islamic Regional Cooperation Bank	
		7. Bilad Islamic Bank	
		8. Cihan Bank	
		9. Al Janoob Islamic Bank	
		10. World Islamic Bank	
		11. International Islamic Bank	
		12. Iraq Noor Islamic Bank	
		13. Zain Al Iraq Islamic Bank	
		14. Al Arabiya Islamic Bank	
		15. Islamic Bank Trust	
		16. Al Ansari Islamic Bank	
		17. Al Rajhi Islamic Bank	
		18. Al Kabith Islamic Bank	
		19. Qurtas Islamic Bank	
		20. Asya Aliraq Islamic Bank	

21. Al Mustashar Islamic Bank
22. Al Mashreq Al Arabi Bank
23. Ameen Al Iraq Bank
24. Al-Taif Islamic Bank

Q: What is the Accessibility of Bank Branches in Iraq?

A: Overall, Iraq has 881 bank branches. State-banks have the largest branches network, with 427 bank branches. Local private banks have 410 branches and foreign banks have only 44 branches. Below are the top 3 banks per category, in terms of number of branches. 37% of bank branches in Iraq are located in Baghdad.

State Banks	# of Branches	Private Banks	Local	# of Branches	International Banks	# of Branches
RAFIDAIN BANK	174	Bank of Baghdad	of	31	Byblos Bank of Lebanon	4
RASHEED BANK	158	United Bank of Investment		21	Bank Melli Iran	3
AGRICULTURAL COOPERATION BANK	46	Gulf Commercial Bank		19	Is Turkiye Bank	3

Q: What are the corporate banking services available in Iraq?

A: Iraqi banks offer typical banking services to corporates, including credit facilities (e.g., loans, project financing), trade financing (letters of credit/guarantee) and accounts (current and deposit accounts). They also offer remittances and foreign currencies exchange. Multiple current accounts are rare in Iraq, hence companies usually open two accounts, one in Iraqi Dinars and one in USD.

Q: What are the different banking channels available in Iraq?

A: In addition to the bank branches (881 branches), Iraq has ~1,600 ATM machines, having the lowest ratio of ATMs per 100,000 adults in MENA. Online/mobile banking in Iraq is available mainly in some foreign banks (e.g., Byblos Bank of Lebanon). Some local private banks (e.g., Commercial Bank of Iraq, Credit Bank of Iraq, and National Bank of Iraq) offer partial online banking services (e.g., account balance inquiry, transactions details, currency exchange rates and information on loans and deposits).

Q: Are credit cards available in Iraq?

A: Yes, several banks in Iraq offer credit cards, including National Bank of Iraq (Visa credit cards with up to USD 7,500 spending limit), Byblos Bank (Mastercard, including USD credit cards) and Cihan Bank.

Q: What are the requirements for a foreign company to open a bank account in Iraq?

A: The following documents/requirements are needed for a foreign company to open a bank account in Iraq:

- A letter issued by the foreign company addressed to the bank requesting the opening of a bank account signed by the managing director of the company
- Original (or certified copy) of the license to establish a branch or office of the company in Iraq issued by the Department of Registration of Iraqi companies (The branch shall obtain the validity of issuing the license)
- Papers and documents of the foreign company in the country concerned issued by the competent authority and certified by the Iraqi Embassy in that country and the Iraqi Ministry of Foreign Affairs
- A copy of the powers of the managing director of the foreign company and notes whether he has the power to open bank accounts
- A copy of personal identifiers of people authorized to operate the account, whether they are Iraqis or foreigners
- A copy of the budget of the last two financial years of the foreign company
- Acting representative of the company in Iraq certified by the tax Directorate and the Iraqi Ministry of Foreign Affairs
- Company's seal in Arabic and English
- Confirmation of residency of companies branch from the municipal council
- Company's tax ID number

Q: What are the restrictions on international money transfer in Iraq?

A: There are no major restrictions for money transfer to and out of Iraq. For inward remittances to Iraq, standard AML regulations applies as informed by the remitting bank at the sender's country. Similarly, outward transfers out of Iraq follows the AML and KYC regulations of the Iraqi Central Bank, which are in line with international guidelines. One aspect to note is the regulations on the purchase of USD required for the outward transfer. For business transfers, an export license is required to certify the reasons of the transfer. Retail remittances usually applies the market exchange rate for USD/IQD.

Q: What are the typical charges for banking transactions (top 5 services)?

A: Banking charges in Iraq are quite competitive with regional countries. For instance, charges applicable on trade transactions levied by an international Bank (Standard Chartered Bank Iraq) include:

- Account opening: Free of charge
- Irrevocable Documentary Credit: A commission of %0.25 of the Credit value per month
- Bills for Collection Import Commission (handling fees): A commission of %0.40 of the bill value
- Issuance of bank guarantee: A commission of %0.25 of guarantee value for each month
- Documentary Credits / amendments advised through Courier: USD 400

Q: I do not have branch or any other legal registration in Iraq but would like to participate in a tender. Can I receive a bank guarantee? From where?

The Iraqi government has facilitated the participation of foreign companies into public tenders by allowing the submission of offers even if the company does not have presence in Iraq. In the event the company wins the tender, it is mandated to open a branch or a local entity prior to starting the work. In most of the contracts, a bid bond or a bank guarantee is required. Therefore, a foreign company without an office in Iraq can still obtain a bank guarantee through their local bank, which in turn will approach their corresponding bank in Iraq and seek a back-to-back arrangement of the guarantee or the bid bond in any currency desired. Such an arrangement is acceptable by Iraqi entities.

Q: Who are the main insurance companies in Iraq?

A: Iraq has currently 39 insurance companies, of which 3 are state-owned and 36 are private. The market is dominated by state-owned players. Below are the top public/private companies.

- State Companies:
 - National Insurance Company
 - Iraqi Insurance Company
 - Iraqi Reinsurance Company
- Private Companies:
 - Al Hamra Insurance
 - Dar El Salam Insurance
 - Al Amin Insurance
 - Al Khaleej Insurance
 - Al Ahlia Insurance

Q: What are the main insurance services available in Iraq?

A: Insurance companies in Iraq offer a variety of insurance services, including life, car, fire, accidents, engineering, and marine/goods insurance. Iraqi Insurance (state-owned) and Al Ahlia Insurance (private) companies offer health insurance as well.

By

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Management Partners is a top-management consultancy advising leading private and public sector institutions in Europe and the Middle East, with a particular regional focus on the UAE, Saudi Arabia and Iraq. The consultancy's focus is assisting clients in areas such as designing growth strategies, implementing operational performance measures, identifying cost improvement levers, reshaping organization structures, and managing outsourcing deals

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8

TRANSPORT AND LOGISTICS

Laws and
Regulations

Obtaining an
Import License –
Republic of Iraq

Obtaining an
Import License –
Kurdistan
Region Iraq

LAWS AND REGULATIONS

Republic of Iraq

SUBJECT	INFORMATION
Total Population	More than 39 Million
Capital	Baghdad (More than 8.1 Million Inhabitants)
Ports	Umm Qasr is the main commercial port in Iraq
Customs Airports	Baghdad, Basrah, Erbil, Najaf, Sulaymaniyah
Currency Unit	1450 Iraqi Dinar (IQD) = 1.00 USD
ISO Currency Code	IQD
Correspondence Languages	Arabic and Kurdish
Weights and Measures:	Metric System
Customs Tariff:	Harmonized System
ISO Country Code	IQ
Rest Days	Friday, and the Official Holidays
GMT	Spring + 0300 / Fall +0300

Important link

SUBJECT	INFORMATION	LINK
Sea Ports	Umm Qasr Port	https://www.ictsiiraq.com/
Airports	Basra International Airport	https://erbilairport.com/Main/Main.aspx
	Erbil International Airport	https://www.sulairport.krd/
	Sulaymaniyah International Airport	https://www.baghdad-airport.com/
	Baghdad International Airport	NJF.AERO » Najaf International Airport

	Al Najaf International Airport	
Sea Transport Organizations	Iraq Port Authority	http://scmt.gov.iq/
Air Transport Organizations	Iraq Civil Aviation Authority	https://icaa.gov.iq/home/
Road Transport Organizations	Ministry of Transportation in Iraq	https://motrans.gov.iq/
Rail Transport Organizations	Iraq Republic Railways Company	http://scr.gov.iq/

Shipping your goods to Iraq

Before shipping goods to Iraq, make sure the below documents are available:

Importer's documents and approvals:

- Certificate of Registration
- Import License (For Erbil, IL is not mandatory if the consignee is a registered company in Kurdistan)
- Certificate of Conformity
- KMCA approval for Health Care Commodities (required for Kurdistan)
- MOI approval for Communication & Security Equipment
- MOH approval for Food & Beverages

Original Shipping Documents as per below:

- Bill of Lading or Airway Bill
- Legalized Invoice (must be certified by the Iraqi embassy in the exporting country)
- Packing List
- Legalized Certificate of Origin (must be certified by the Iraqi embassy in the exporting country)
- Certificate of Conformity (CoC)

For food items only:

- Health Certificate from the country of origin attested by the Iraqi Embassy in the country of origin
- Food test results are to be translated into Arabic for each shipment
- The expiration date is not to be less than the minimum allowed period
- This needs to be checked with the Ministry of Trade (MoT) and the Ministry of Health (MoH) in Baghdad
- Because of this, the importing organization should take into consideration the possible delays at any stage of the import clearance process

Import Customs Process:

- Once the delivery order is collected from carrier and custom declaration filled, physical inspection will be conducted by the Security and Customs official
- If applicable/required, samples will be taken from the cargo by the MoT or MoH representatives for laboratory analysis
- After completing all steps, the Customs Declaration form will be issued with all approvals on it, including security approval
- Customs official defines HS code to apply the Duty / Tax tariff

The customs duties tariff can be found on the website of the General Directorate of Customs at

<http://www.customs.mof.gov.iq/> This contains a list, in Arabic, of various types of materials and the customs duties percentage. The customs duties are calculated as a percentage, depending on the type of item. The item's value is in turn estimated by a customs committee at the entry point.

- Free of storage period at Um Qasr port is 7 days. Thereafter, storage charges apply as per below tariff:
- IQD 8000.00 per container per day
- IQD 2250.00 per W/M per day for breakbulk, LCL, Reefer containers, and Flat racks
- IQD 12000.00 per Open Top containers
- No Free of storage period at Airport. Storage charges apply from first day of arrival and calculated at USD 0.5 per KG per Week
- The estimated lead time to custom clear cargos in Iraq is around 4 to 6 working days at the seaport and 3 to 4 working days at the airport.

Diplomatic shipments Exemption/Facilitation Letter

- For UN agencies, humanitarian organizations, Embassies, or diplomatic officials, an official Exemption/Facilitation request letter needs to be submitted to the MoFA – Protocol Office with the details of the items to be imported (quantities, weight, volume, etc.) and listed on the standard MoFA form (in Arabic and English) along with the Invoice and Certificate of Origin
- MoFA approves the request letter and sends the approved copies to the Ministry of Finance (MoF) for approval
- MoF sends the approved copies to the General Directorate of Customs and General Directorate of Taxes
- The General Directorate of Customs sends the approved copies to the border crossing customs office to exempt the shipment from customs duties
- General Directorate of Taxes sends the approved copies to the border crossing taxes office to facilitate the procedure
- The Exemption/Facilitation letter must be received and registered at the customs office of Umm Qasr Port through the official channels, before the arrival of the shipment to the port

In Iraq

For special attention!

- There are export restrictions on the part of the European Union.
- Details can be found on the website of the Federal Office of Economics and Export Control (www.bafa.de) under Export Control, Embargos.

Attention: Since some different regulations may apply for the Kurdistan Region Iraq, precise instructions must be obtained from the importer.



Certificate of Registration

- The State Company for Iraqi Fairs and Commercial Services, a subsidiary of the Iraqi Ministry of Commerce, has introduced the Certificate of Registration (CoR) program for manufacturers and suppliers from exporting countries.
- The CoR program started on October 1, 2020, to be implemented gradually depending on the product category according to a set schedule
- After that, the Certificate of Registration was to become a mandatory requirement for manufacturers and suppliers to receive the import license for the Republic of Iraq
But the implementation was postponed until further notice

Necessary documents:

- Application form
- Commercial register extract
- Trademark registration / trademark certificate
- QM certificates (e.g. ISO 9001, HACCP, 14001, etc.), if available

Costs:

SUBJECT	INFORMATION
MANUFACTURER	3200 USD
DEALER	500 USD
ADDITIONAL TRADEMARK	100 USD
ADDITIONAL PRODUCT	350 USD
ADDITIONAL DEALER / DISTRIBUTOR	100 USD
TRUCK OR CONTAINER	15 USD
LOOSE SHIPMENTS	200 USD

- ❖ The certification takes about 2 weeks.

Contact:

Amela.custic@de.tuv.com

More information at: <https://www.dincertco.de/din-certco/de/main-navigation/products-and-services/international-approvals/export-in-den-irak/>

Import licenses

- Import licenses are usually only required for private companies/business people. In special cases, public institutions also require an import license.
- The import licenses are to be applied for at the Department of Commerce, Directorate "State Company for Fairs and Commercial Services".
- The shipment may not take place before the issue or after the import license has expired.
- It is recommended that you ensure that you have a valid import license before shipping the goods.
- The term of the licenses is generally between 6 and 12 months. In general, only direct imports from the country of origin are allowed.
- There is an import ban for live pigs and products from pigs, certain ozone-depleting substances, and goods originating in Israel.
- In addition, separate permits are required for chemicals, telecommunications equipment, and surveillance equipment (e.g. CCTV systems).

Accompanying Documents

For special attention!

- As long as the commercial attaché and the consular department of the embassy request that the consular legalized documents be pre-processed by Ghorfa (so-called "Ghorfa pre-certification"), the documents are held by the Ghorfa Arab-German Chamber of Commerce and Industry eV, Garrisonkirchplatz 1, 10178 Berlin,

Contact:

E-Mail: dokument@ghorfa.de

Phone: (030) 27890724

Fax: (030) 27890732

- To be submitted by post for pre-treatment.
- The Ghorfa then forwards the documents to the embassy.
- A sufficiently stamped and addressed envelope must be enclosed for the return.
- The documents to be legalized for the entire federal territory are legalized by the “Commercial Attaché” at the Berlin embassy.
- The layout and handling of the documents must be agreed upon with the Iraqi importer in advance. See also under “For special attention!” Under “Consulate fees”.
- Shipments destined for Iraq may not bear the designation "Persian Gulf" either in the marking or in the shipping documents, but only "Arabian Gulf" if necessary. If possible, however, no “gulf” designation should be given.

Commercial Invoices

For customs clearance, invoices (3 copies) in English with all customary information are required, such as:

- ✓ Brand, number, and type of packages
- ✓ The exact description of the goods, customs tariff numbers
- ✓ Weights etc.
- If CFR or CIF are sold, indicate the individual amounts (freight, etc.).
- The description of the goods must be precise. In the case of textiles, for example, the invoices must give precise information about the weight of the individual bales or pieces, as well as the type of material in the description of the corresponding customs classification and the length and width of the individual pieces.
- For certain drugs and pharmaceuticals, the storage regulations must also be mentioned on the invoices.
- It is also recommended to include an Arabic description of the goods on the commercial invoice or packing list.

At the end of the invoice, the exporter must generally submit the following legally binding declaration (according to the commercial register) to be signed (for example for goods from the Federal Republic of Germany):

- ✓ "We hereby declare that the country of origin of the goods is the Federal Republic of Germany".
 - ✓ "We hereby declare that the mentioned merchandise is being exported for our account and that the goods are of pure national origin of the exporting country." Or..."of pure national origin of the country the goods originated from."
-
- If the importer also expressly stipulates a manufacturer's specification in the invoice, the declaration must be supplemented by: "The goods are manufactured by ..." (name and full address).
 - The commercial invoices must be certified by the responsible chamber of commerce (5 copies to be submitted, 1 copy remains with the chamber) and legalized by consular means.
 - The number of invoices to be legalized by a consular office is based on the importer's instructions. The consular section needs 1 copy for its files.
 - Commercial invoices and certificates of origin are only legalized jointly by the commercial attaché.

Remark: colored copy of commercial invoice without legalization from the embassy is accepted and subject to the penalty of IQD 1,500,000 per set of commercial invoice and certificate of origin.

Certificates of origin

- Certificates of origin (1 original and at least 2 copies depending on the contract or letter of credit) are required.
- The number of the commercial invoice must be given in field 5 of the certificate of origin. The Federal Republic of Germany must be specified as the country of origin for goods: "Federal Republic of Germany (European Union)".
- Certificates of origin that only contain "European Union" as an indication of origin will not be accepted.
- If the country of origin is the third country, a copy of the certificate of origin from the respective country of origin must be attached.
- The exporter must submit the following declaration on the back of the certificate of origin and sign it in a legally binding manner (according to the commercial register). For the text, see "Commercial invoices".
- The certificate of origin must be legalized by a consular office. The number of copies to be legalized by consular service is based on the importer's instructions.
- The consular section needs 1 copy for its files. Consular legalization is only carried out if the declaration on the back of the certificate of origin has been certified by the competent chamber of commerce.
- If the shipment is from a third country, the certificate of origin must be legalized in the shipping country. Again, the invoice must be legalized in the country of the exporter. For example, the supplier is located in Germany, the sub-supplier is located in South Korea.
- Shipping is from Korea. In this case, the certificate of origin must be legalized regarding the invoice from the German exporter in South Korea.
- The commercial invoice must then be legalized in Germany, the legalized certificate of origin, and a copy of the bill of lading must be attached.
- All documents must be identifiable as linked documents, so the invoice number or the number of the certificate of origin must be listed in all documents.

- ❖ For deliveries with the final destination Iraqi-Kurdistan, the commercial invoice and the certificate of origin are not yet required to be legalized.
- ❖ Please note that certificates of origin must be submitted without errors (correct quantity information, etc.) A correction is no longer possible afterward according to Iraqi law, and you might have to reckon with the goods being returned.
- ❖ Commercial invoices and certificates of origin are only legalized jointly by the commercial attaché.

Remark: If the colored copy of the commercial invoice without legalization from the embassy is accepted, it is subject to the penalty of IQD 1,500,000 per set of commercial invoice and certificate of origin.

Bills of Lading

- Order bills of lading are permitted, but a notification address is required.
- Notification party can be same as consignee, or a third party.

Notification party address is required in BLs to avoid delays in the clearance process. It can be customs broker or it can be the actual consignee/any third party as decided by the shipper/consignee as well.

Other Accompanying Documents

- ✓ Manufacturer declarations
- ✓ If the importer requests a separate manufacturer's declaration, the company sheet must state by whom the goods were manufactured regarding the invoice. The declaration must be certified by the competent chamber of commerce (1 copy remains with the chamber). Consular legalization is only required at the request of the importer. The manufacturer's declaration must be submitted to the consular department in duplicate (1 copy remains with the consular department).
- ✓ Certificates of Conformity

Iraq (Except for the Kurdistan Region Iraq (KRI))

- The "Central Organization for Standardization and Quality Control" (COSQC) has a Verification of Conformity Program for many product groups (including food, cosmetics, household items, chemicals, building materials, electrical/electronic products, textiles, toys, vehicles, and vehicle parts) introduced.
- For the products named in the regulation, a Certificate of Conformity (CoC) is required for import, which is to be issued by a competent certification/inspection company.
- According to the website of the Central Organization for Standardization and Quality Control / COSQC (www.cosqc.gov.iq), certificates are issued by HQTS Friedrichstrasse 88, 10117 Berlin

Contact:

E-Mail: inquiry@hqts.com

Phone: +49 030 831 000 11

Website: <http://hqts.uz/en/about> or from Intertek Caleb Brett Germany GmbH, Government & Trade Services, Georgswerder Bogen 3, 21109 Hamburg,

Contact:

E-Mail: info.hamburg@intertek.com

Phone: (+49) 40 558225000

Kurdistan Region Iraq (KRI)

- A Consignment Based Conformity Assessment (CBCA) program has also been introduced for some product groups in the Kurdistan Region Iraq .
- The affected products (e.g. toys, electrical and electronic products, vehicles and vehicle parts, building materials, household and kitchen items, baby care items, jewelry, medical equipment) are included in the so-called Regulated Products List. [Certificate of Conformity for Exports to the Kurdistan Region Iraq \(intertek.com\)](http://intertek.com)
- Goods subject to this program must undergo a physical inspection (refer to above link for details) before shipment. In addition, documents must be used to prove that the products meet the local standards or those recognized in the Kurdistan Region Iraq.
- The Certificate of Conformity (CoC) is required by the importer which must be issued from origin for the import of goods. Contact for Germany: Intertek Caleb Brett Germany GmbH, Government and Trade Services, Sachsente 1, 21029 Hamburg

Contact:

E-Mail: info.hamburg@intertek.com

Phone: +49 40 5132750

Fax: +49 40 51327555

Instead of legalization, the certificates can be certified by the following body: Representation of the Kurdistan Region Iraq in Germany, Berlin,

Contact:

Phone: +93 30 288849511

Fax: +93 30 288849529



Special provisions for selected product groups

- There are labeling requirements for alcoholic beverages and spirits.
- Plants and goods of plant origin must be accompanied by an official phytosanitary certificate, which shows, among other things, that the goods are free from plant diseases and harmful parasitic diseases.
- Patent medicine and pharmaceutical specialties must be registered with the Iraqi Ministry of Health.
- In general (no exceptions for medical shipments), a permit from the Iraqi Ministry of Health is required to import medicines and pharmaceutical products. This requires, among other things, a certificate from the health authority of the exporting country, which must show

that the product in question is in the same form and composition in the trade and is used in the country of origin.

- The certificate must be legalized by the Iraqi representation in the export country.
- Utility models are to be deposited with the Ministry of Health. (samples from the Vaccines/medicine/injection etc.. arrived at Ports)
- Antibiotics, sera, and vaccines must be accompanied by a certificate of analysis.
- Instructions for use accompanying all drugs and medical devices must be in Arabic or English.
- The names on the labels in Arabic or English are also required.

Note: The registration can take up to 36 months and registrations must be made separately for the Kurdistan Region Iraq and Republic of Iraq.

- For dyes, spices and fragrances, and similar goods (as well as food, non-alcoholic beverages, and goods that are used in the manufacture of these substances and products) an official certificate is required that the substances, food, etc. in the country of origin are considered to be suitable for human use.
- The certificate must be legalized by the Iraqi representation in the export country.
- Food is subject to controls concerning the monitoring of food law provisions.
- Health or quality certificates are required for certain goods. Information should be obtained from the importer.

Consular fees

The following economic department fees/consulate fees are charged by the embassy (consulate fees, which are levied by the consulate general, are to be inquired there directly):

- Certificates of origin and commercial invoices are only legalized by the “Commercial Attaché” by consular means.
- All other documents are legalized exclusively by the consular section.
- The address is: Embassy of the Republic of Iraq, Commercial Attaché, Pacelliallee 19-21, 14195 Berlin

Contact:

Phone: (030) 95629876

Fax: (030) 95629877

Economic Department Fees

Certificates of Origin: € 100 per copy

(If the country of origin is the third country, a copy of the certificate of origin is required to be attached to the respective country of origin.)

Commercial invoices: € 100 per copy

(pro forma invoices and customs invoices are not legalized),

Ghorfa-Fee: € 25 per copy

The following documents are only legalized by the consular section. The address is Embassy of the Republic of Iraq, Consular Department, Pacelliallee 19-21, 14195 Berlin,

Contact:

Phone: (030) 814880

Fax: (030) 81488222

Consular fees

The following consulate fees are charged by the embassy (consulate fees, which are charged by the consulate general in Frankfurt, are to be inquired directly there):

Commercial powers of attorney: € 160 per copy

contracts and other legal trade documents

Patent certificates: € 160 per copy

Test Certificates: € 160 per copy

(SGS certificates are not legalized), packing lists.

Trade Certificates: € 160 per copy

Ghorfa Fee: € 25 per copy

Attention: The consulate fees are only to be paid in cash.

For special attention!

- Final certification by the BVA is generally omitted but required in special cases, such as transport insurance certificates or individual cases for certificates of conformity.
- The layout and handling of the documents must be agreed upon with the Iraqi importer in advance.
- All pages of a multi-page document must be individually marked with an official seal from the issuing / certifying body (authority/chamber of commerce/notary - depending on the type of document).

Certificates of origin and commercial invoices are only legalized jointly by the Commercial Attaché. The commercial attaché needs 1 copy of each of the following documents:

- An officially issued health certificate (legalized by the consular department) must be submitted for food exports.
- A certificate of analysis (legalized by the consular department) must be submitted for exports of medicines.
- Loading note (e.g. bill of lading)
- Product test certificate (only accepted by Bureau Veritas, TÜV)
- Import license from the Iraqi Ministry of Commerce / General Company for Exhibitions and Commercial Services of Iraq issued in the name of the Iraqi importer.
- The license must be for the same amount and amount as the certificate of origin and the commercial invoice.
- The number of the commercial invoice must be given in field 5 of the certificate of origin.
- The Commercial Attaché and the Consular Section each need 1 copy for their files.

The fees must be paid separately:

- The business department fees are to be paid by bank transfer to the account of the Embassy of the Republic of Iraq, IBAN: DE06 1004 0000 0261 4311 01 at Commerzbank AG, Berlin (BIC: COBADEFFXXX).

- A copy of the transfer receipt or the printed protocol of the online transfer must be attached to the documents. Cash payment is not possible.
- The consulate fees are only to be paid in cash. In the case of very large amounts (in exceptional cases, after consultation with Ghorfa) payment of the consulate fees can be made by bank transfer via Ghorfa.
- The Ghorfa then forwards the fees to the embassy in cash.
- The Ghorfa fee is transferred to the Ghorfa account, IBAN: DE46 1007 0000 0434 9510 00 at Deutsche Bank AG, Berlin (BIC: DEUTDEBBXXX) or IBAN: DE46 1004 0000 0266 1569 00 at Commerzbank AG, Berlin (BIC : COBADEFFXXX), to be paid.
- A copy of the transfer receipt or the printed protocol of the online transfer must be attached to the documents.

Marking Regulations for Packages

- Shipments destined for Iraq may not bear the designation "Persian Gulf" either in the marking or in the shipping documents, but only "Arabian Gulf" if necessary. If possible, however, no "gulf" designation should be given.
- Also, the term "Kurdistan" may not be attached or used anywhere, for example: via Sakho Kurdistan Region Iraq
- The usual marking (labelling) is sufficient. No special regulations are known. Instructions for careful handling of the packages are expediently given in Arabic. Examples in Arabic translation can be found in the Chamber of Commerce marking regulations for packages (general) under "Important general information". (This is required for CoC regulated shipments which will be provided by Intertek.)
- All packages require a consignee's contact name and complete street address including apartment, suite or unit number if applicable. – applicable for courier packages only
- The consignee's telephone number should be provided if known. – same as above

"Made In ... " Goods marking

- There are no special origin labeling regulations for goods. However, it is forbidden to import goods whose labeling or another labeling could give a misleading impression concerning the origin if they are not also labeled with the country of origin (e.g. "Made in Germany").(labelling shows the COO different than the original COO)
- Packaging regulations

- The use of hay and straw as a packaging material is permitted according to current knowledge.

Importing Samples

- There are no specific procedures for sample shipments. Sample shipments require the same set of documents as a normal shipment.
- The value of goods should still appear on the commercial invoice indicating "for customs clearance purpose only" on the invoice.
- Zero-value invoices are not accepted.

Customs Duties and Taxes on Imports

- According to the Ministry of Finance of the Republic of Iraq, the customs average rate was around 10% in 2016. As of December of 2016, Iraq amended the customs duty rate on certain imported goods such as cigarettes (75% duty rate), juices (25%), televisions (35%), alcoholic beverages (100%), air conditioners (25%) and sedan cars (25%).
- As of the 1st of January of 2018, customs duty rates on other imported goods were amended to reach 30% for some of them. Overall, the duties range from 5% to 30% (except for certain items where a higher amount could apply).
- Subject to the contractual agreements, governmental imports could be exempted from duties and taxes. In such a case a dedicated duty and tax exemption are required prior to the import of the goods.

Customs Classification

- Iraq is a member of the World Customs organization and does comply with the harmonized customs system. The IRQ Customs Tariff is based on the HS-Code system.
- Therefore, it's important to show the HS Code in the Commercial Document. Attention: Iraq has only 8 digits and not 10 as it is in the EU.
- If possible, it is recommended to show only the first 8 digits in the documents.
- Furthermore, please note that the IRQ Customs Tariff ends with the HS-Code category 94... Items above category 94... are not listed and it will take much longer to obtain the Import License.
- Items that are not classified under the list of HS codes, can be classified under 'others'.

Duty and Taxes

- Please note that not only the value (s) of the commodity / commodities have to be considered when calculating duty and tax, but also the freight charge and other fees.
- Customs has the right to determine the value of the goods as per the customs value estimation.
- Duties and taxes are based on the value of the customs authorities.

Value limits

Import value limits to Iraq

Private shipments

- Iraqi Dinar (IQD)
- All non-document shipments may be assessed duty or tax or both regardless of the shipment value.

Commercial Shipments

- Iraqi Dinar (IQD)
- All non-document shipments may be assessed duty or tax or both regardless of the shipment value.

Commodities requiring pre-approvals or special requirements

Driving Licenses

- Valid Driving Licenses can be shipped as documents.
- The description must clearly state 'driving license'. Shipping driving licenses require the approval of the origin and destination customs authorities. A delay of minimum one day has to be calculated.
- Please check the import related information if driving licenses are allowed for importation. (This is applicable from/to some countries - must check at the time of shipping since country list not available.)

MSDS-NON DG

- Goods under IATA Special Provisions A67 require a MSDS (Material Safety Data Sheet).
- It is not required for all, however shipments can be held by local authority in the Transit country after screening due to lack of MSDS (Material Safety Data Sheet) or NON DG

(Dangerous Goods) declaration letter from the shipper resulting in misconnections and impacting end -to-end service.

- It would be advisable for all shipments originating, transiting and terminating for UAE to have MSDS or NON DG declaration from the shipper enclosed in the shipment and copies to be uploaded in IDIS.

Advertising Stickers

- Shipments of advertising stickers require an import license issued by the Ministry of Financial and Commercial Control, provided by the importer.
- The import will be delayed and additional charges may apply.

Bank Cards

Bank Cards require pre-approvals

Cosmetics

Any import cosmetics shipments more than 5 kgs (actual weight) will required quality control and Ministry of Health approval from Erbil.

CD-Roms

An invoice is required on all shipments containing a CD-Rom / Disk. Invoice should indicate the value of the recording media (e.g. CDR / DVD) & the intellectual / statistical value of the software / data separately

Dental Instruments

Approval from the Ministry of Health is required. Also, an additional 3 to 4 days may be needed for clearance.

Diaries

Diaries which contain any pictures, advertising or other content considered offensive will be destroyed. Shipments of over 1500 diaries require a Certificate of Origin. Diaries may be delayed for 3 to 4 days for censorship purposes.

Electrical Items

Shipments of electrical items require special permission from the Ministry of Information and a Certificate of Origin. There is a 50 USD charge in advance to acquire government approval.

Food

Imports require an import license issued by the Ministry of Health provided by the importer. The import will be delayed and additional charges may apply.

Intercompany Data on CD-Rom / Disk

Data shipments to Iraq require an invoice with the value of the CD-ROM or disk only.

Medical items

- Shipments of medical items requires special permission from the Ministry of Information and a Certificate of Origin.
- There is a 50 USD charge in advance to acquire government approval.

Medical Instruments / Medical Equipment

- Imports require an import license issued by the Ministry of Health provided by the importer.
- The import will be delayed and additional charges may apply.

Medicine

- Imports of medicine require an import license issued by the Ministry of Health provided by the importer.
- The import will be delayed and additional charges may apply.

Military equipment

- All military non-document shipments to Iraq require a "tax levy form" in order to clear the goods duty free. Either the shipper or the importer has to complete the form.
- If no tax levy form is available, duty will apply. Please make sure that the correct importer's phone number and address is mentioned on the waybill and the invoice.
- Shipments of the following military equipment (troop needs clothes, night vision equipment, weapons, walkie talkies and broadcasting equipment) require an import license issued by the Ministry of Interior, provided by the importer. The import will be delayed and additional charges may apply if the license is not provided.

Parts

Shipments of parts require an invoice with complete descriptions of the part itself, the part's components, and for what machine the part will be used.

Passports

Passports require pre-approvals from General Security of Iraq.

Software

Shipments of software requires approval from the Ministry of Communication and may take an additional 2 to 3 days for clearance.

Tapes (Audio, Video, Magnetic)

- Audio or video tapes may be delayed for 3 to 4 days for censorship purposes.
- Tapes which contain any pictures, advertising or other content considered offensive will be destroyed.

Telephone equipment and mobile phones

All telephones, telephone equipment and cellular telephones require approval from the Ministry of Communication and may take an additional 2 to 3 days for clearance.

Mobile phones require security checks from government bodies.

Televisions

Shipments of televisions require an import license issued by the Ministry of Interior provided by the importer. The import will be delayed and additional charges may apply.(televisions other than personal use require import license for each brands)

Toys

- Shipments of toys with camera equipment require an import license issued by the Ministry of Interior, provided by the importer.
- The import will be delayed and additional charges may apply.

Gift Exemptions

SUBJECT	INFORMATION
SHIPMENT VALUE AMOUNT	0.00 Iraqi Dinar IQD
SHIPMENT TYPE	No Gift Exemption
EXEMPTION RULE	No Gift Exemption

Trade Marks Unit and Total Price

- Shipments of documents do not require an invoice.
- All shipments into Iraq must include a complete address including an up to date point of contact with both an in-country or territory phone number and email address.
- This is particularly important for shipments to government institutions or military shipments.

Items Classified as Documents

The destination country or territory considers the following items of document shipments. If criteria are listed, the shipment must meet those criteria to be considered a document shipment.

- Advertising Literature
- Airline tickets
- Annual reports
- Bids
- Blueprints
- Brochures
- Business cards
- Calendars
- Cash letters
- Catalogs
- Charts
- Checks
- Computer print outs
- Credit cards
- Diplomas
- Drawings
- Envelopes (blank)

Event tickets

- Tickets for events like stage performances, football matches or concerts can be sent as documents.
- Event tickets coming from a printing company and sent to the organizer of the event or ticket sales offices cannot be sent as documents.

Examination papers

Films

- Commercial films are classified as documents. Promotion and training films are classified as non-documents. (Promotion videos for NGOs are not classified as commercial.)
- Films which contain any pictures, advertising, or other content considered offensive will be destroyed. Shipments of over 1500 films requires a Certificate of Origin.

Forms (blank)

Graphs

Greeting Cards, Invitations

Intercompany Mail

- Shipments of inter-company mail are classified as documents and require only a waybill if the shipment is for non-commercial purposes.
- The waybill must include a complete description of the mail in the “description of good” field. Also, the shipment must be of no commercial value.
- If all these requirements are not met, the shipment will be classified as a non-document

Labels

Only labels not marked with “made in” are accepted as documents. Those marked with “made in” are prohibited.

Magazines

Shipments of magazines may require approval from the Ministry of Information.

- Manuals (Technical)
- Manuscripts
- Maps
- Mylars (a thin polyester film)
- Newsletters (Company)
- Newspapers
- Pamphlets
- Periodicals
- Photographs
- Price lists
- Proposals
- Publications
- Stationery (blank)

Traveler's Checks

Must be personalized to be considered documents.

Prohibited or Restricted Commodities

In addition to the prohibited commodities listed here, it is prohibited to ship the following commodities to Iraq.

Antiques

- Antique shipments are restricted from Europe, the Middle East and Africa and can only be shipped with an International Special Commodities (ISC) contract.
- Antiques are defined as a work of art, piece of furniture, decorative object, or silverware that is 100 years old or older.

Artwork

- Artwork shipments are restricted from Europe, the Middle East and Africa and can only be shipped with an International Special Commodities (ISC) contract.
- Paintings or other works of art can be accepted if the artist is still alive, the artwork is replaceable, and an art dealer or gallery has appraised the artwork within the last year.
- If the declared value of the artwork is greater than \$ 100.00 and there is a claim, the shipper must provide a copy of the original invoice, a bill of sale, or other proof certifying in writing the actual cost or replacement cost of the item.
- Artwork includes the following: Original engravings, prints, lithographs, original sculptures, statuary.
- The term "Artwork" does not apply to architectural, engineering, industrial, topographical, commercial drawings, hand-painted or hand-decorated manufactured articles.

Israeli Origin Goods

Goods originating in Israel are prohibited.

Miscellaneous

- Oil & Gas Industry Equipments or Material Related Oil and Gas Industry equipment – Oil & Gas materials are the only materials restricted by Ministry of Natural Resources which required MoF (Ministry of Finance) approval as well.
- Equipment or material related requires Ministry of Natural Resources Approval from the Importer.
- If shipment is held for the approval, \$0.05/kg per day storage fees will be applicable from 4th day of arrival in Erbil customs.

Personal Effects

Personal Effects cannot be shipped between these countries or territories

Saturday Delivery

- Saturday Delivery Available: Yes
- Not available in all areas.
- Always check the international time in transit system for details of service availability within a country or territory.
- Currently subject to days of operation.

Service Options

- Always check “Calculate Time and Cost” for details of service availability and guarantee information within a country or territory. (During holidays and festival seasons storages apply, storage is calculated based on calendar day)
- All service levels may not be available to or from every address within a country or territory. (Iraq is a war affected country , some territories are not accessible for civilians)

Returned Goods

- Shipments of returned goods require an invoice noting the country or territory of origin and the reason for the return.
- Also, an export declaration must be prepared by the consignee in advance to avoid Customs duty charges for the returned goods.

Solid Wood Packing Material

- New requirements have been implemented for small package shipments and are based on the International Standards for Phytosanitary Measures (ISPM) 15, which is entitled “Guidelines for Regulating Wood Packaging Material in International Trade”.
- ISPM 15 was adopted internationally in 2002, and is gradually being introduced by countries or territories worldwide.
- Wood or wood products covered by ISPM 15 include items such as packing cases, boxes, crates, drums or similar packing, pallets, box pallets and other load boards, pallet collars and skids, but exclude such processed woods as oriented strand board, particle board , plywood or veneer, created using glue, heat and pressure or a combination thereof, and, raw wood which is 6mm or less thick.
- It is recommended that if a question arises on this issue, please check with the authority that issues the Phytosanitary certificates in your country or territory

NOTE:

- Information provided by Levant Gate For General Transport LTD is provided as per our experience and knowledge in the Iraqi market; this information may not be current, and does not constitute a legal advice.
- In no event shall Levant Gate For General Transport LTD be liable for any errors in the information.
- Selection and completion of proper forms for any given shipment is the sole responsibility of the shipper and consignee.

Levant Gate For General Transport LTD, 2021-07-01



SCHENKER

Levant Gate for Transport and Logistics Services
Partner of DB Schenker Network

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1/85 – Saadoun St.

102/143/133 – P.O. Box 981

Phone: + 964 1 7181318

Fax: +964 1 7181344

E-Mail:

iraq@dbsevantlogistics.com

Address: Gezairi Area,
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105/59/50, Basra, in from of
Al Zahraa Medical Center;
Basrah, Iraq

Phone: +964 77 04438262

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St. – Ainkawa, Erbil

Phone: +964 77 00374563

E-Mail:

iraq@dbsevantlogistics.com

By

Roula Dagher et al. –Regional General Manager and Head of Compliance

Levant Gate for General Transport LTD - exclusive network partner of DB Schenker



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info@leadingstarco.com

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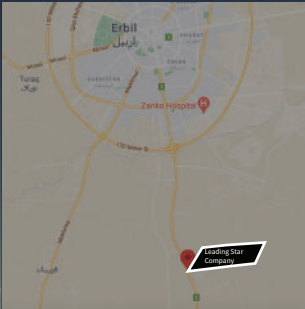
Sales dept.: 00964 750 048 9776

Service dept.: 00964 750 353 5638

Parts dept.: 00964 750 301 0976

ADDRESS:

6/130 Qarachnaga,
Kirkuk Road
Erbil - Kurdistan
Iraq



“

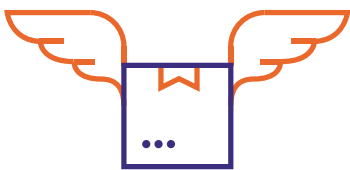
The best
or
nothing

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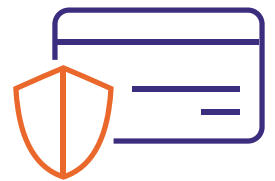
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OBTAINING AN IMPORT LICENSE – REPUBLIC OF IRAQ

Import Regulations for Foreign Companies in the Republic of Iraq

“

I have a registered legal entity in Iraq and would like to import goods, what is the process and where can I complete it? What do

”

I have to consider?

Certificate of Registration

Please note, that despite the import license which is for goods, the exporter needs to have a Certificate of Registration called CoR in Iraq. Otherwise, your goods will not enter Iraqi territory.

Certificate of Registration

The State Company for Iraqi Fairs and Commercial Services, a subsidiary of the Iraqi Ministry of Commerce, has introduced the Certificate of Registration (CoR) program for manufacturers and suppliers from exporting countries. The CoR program will start on October 1, 2020 and will be implemented gradually depending on the product category according to a set schedule. After that, the Certificate of Registration becomes a mandatory requirement for manufacturers and suppliers *in order to receive the import license for the Republic of Iraq*.

Necessary documents:	Costs:
Application form	Manufacturer: 3500 USD
Commercial register extract	Dealer: 500 USD
Trademark registration / trademark certificate	Additional trademark: 100 USD
QM certificates (e.g., ISO 9001, HACCP, 14001, etc.), if available	Additional product group: 350 USD
	Additional dealer / distributor: 100 USD
	The certification takes about 2 weeks.

Contact:

Email: Amela.custic@de.tuv.com

Phone: +49 (0) 221 806 2249

Mobile: +49 (0) 172 2745 118

Fax: +49 (0) 221 / 806-1796

More information can be found at: <https://www.dincertco.de/din-certco/de/main-navigation/products-and-services/international-approvals/export-in-den-irak/>

The **Ministry of Trade (MoT)** within the **Government of Iraq (GoI)** is the responsible entity on importation in General.

Based on the Iraqi Modified Companies' Law Number 21 for 1997, all Importers in Iraq should be registered at MoT [here](#). This is to get the "Import License", and you should be either:

- a. A company that is registered in Iraq, or;
- b. A foreign company that is not registered in Iraq but has a contract that is worth at least 1 million. US dollars with a registered local company or have an investment contract.

For Foreign Companies that are registered in Iraq and would like to have the Import License, they should visit the Import Department at MoT . According to the Foreign Companies Regulation Number 2 for 2017 (Article Number 6 and 14) [here](#), you should submit the Following:

1. Establishment license of the Foreign Company branch in Iraq issued by the Companies' **Registration Department** at MoT.
2. A letter from the Companies' Registration Department stating that the Office of the company in Iraq has been transferred to a branch.
3. Authorization letter from the original company to the Managing Director of the branch in Iraq, stating that he/she can run the branch on their behalf in Iraq. This is to be done whether the Managing Director is Iraqi or a Foreigner.
4. A foreign company should have a valid contract with Gol, which means any of the Iraqi ministries, governorates, entities. etc. The expiration date of the contract should be mentioned according to article number 4 from Foreign Companies Law mentioned above.
5. If the Managing Director is a foreigner, he/she should submit a copy of their passport along with the residency and two passport photos; if he/she is Iraqi, they should submit all personal documents like Jinsiya, Hawiat Ahwal Madanieh, etc. (original and copy) along with two passport photos.

Full Address for Import Department/ MoT:

Baghdad International Fairground
Damascus St.
Al- Mansour, Baghdad
Phone: +964(0)7818356836
Email: info@fairs.iq

By

Dhuha Jabbar

Baghdad Office Manager – AHK Iraq

The Regulations of Import License:

1. The license will expire in one Year.
2. The license will be issued depending on the imported materials, laws, degrees and regulations for these materials.
3. The importer can choose two border points for imported goods to get through. He/She can change these border points one time only by submitting a request to the State Company of Exhibitions and Commercial Services.
4. Department of Planning and Follow- Up at Ministry of Agriculture is the entity that decides the period, quantity, country of origin and border port for the license of plants and their products processed in a manner that did not divert them from their plant nature along with the seasonal agricultural products and live animals. This is according to the “Law of Agriculture Quarantine” no.75 for 2012, the “Law of Animal Protection” no. 32 for 2013 and the Agriculture Seasonal Calendar.
5. License for chemicals, dual used and any other dangerous materials will be granted according to the General Secretariat for Council of Ministers no. (3426/42/ش.ل.ص) for 2015.
6. Importing gold or any other precious minerals is subject to modified degree no.335 for 2017.
7. Importing oil products is subject to “Importing and Selling Oil Products Law” no. 9 for 2006 and its regulations.
8. Goods imported to Iraq will be subject to Iraqi standards approved by the Central Organization for Standardization and Quality Control (COSQC). They will be subject to the tests of the other relevant governmental entities in Iraq, such as the Ministry of Health, Ministry of Agriculture, or any other authorized private entities. All imported goods should come with its international inspection certificates, and certifications from entities with sectors related to the imported goods. Each material has a specific requirement according to the Iraqi standards. The Government of Iraq has appointed a private sector company “Bureau Veritas” to inspect the goods according to COSQC’s standard. There are two schemes for imported goods, which are:
 - a. **Pre-Import Inspection, Testing & Certification program (ICIGI).** You can find list of products that should be inspected under this scheme [here](#). The Importer/Exporter lodges a request for verification with Bureau Veritas. More details about the other requirements are [here](#). For additional information please contact: iraq.conformity@bureauveritas.com or gsit@bureauveritas.com.
 - b. Any other product that is not covered under the ICIGI scheme will be covered by ICBCM Scheme.

Contact details for Bureau Veritas:

Phone: + 964(0)771 380 42 30 / + 964(0)780 440 87 76

Email: luay.ibrahim@ae.bureauveritas.com

Address: Alsadon St.-Zahrat Alkhaleej Building

9. The State Company of Exhibitions and Commercial Services in MoT is authorized to specify the quantity of goods for each import license. Except for the goods' quantity with sectors related to other entities (i.e., Ministries of Health, Agriculture, Electricity, Industry & Minerals, etc.). However, these entities should provide the State Company of Exhibitions and Commercial Services with studies to explain the exact need of Iraq for such needs.
10. Governmental entities are exempt from the procedure of getting an import license. Hence, any contract with 25% participation with Gol and above will be treated as a public sector contract. Any contract with less than 25% participation of the government will be treated as a private sector contract.

The reference

Address of Ministry of Agriculture is:

Al- Nidhal St.

Baghdad

Iraq

017186651

Instructions of Issuance a License to Import Staple Food and agricultural:

1. A prior approval from the Ministry of Agriculture is needed before issuing a license for food and agriculture staples in raw condition, according to the Council of Ministers decree no. 1741 of 2006, 2281 in 2007 and no. 13215 in 2009.
2. For processed food, the license would be issued according to the Council of Ministers decree No. 33751 of 2008, which states that the importer should get a letter from Ministry of Health first, stating the store in which such materials are going to be stored is up to specifications.
3. For some raw spices, the importer should get an approval from the General Authority for Plants Protection in the Ministry of Agriculture before requesting a license.
4. Comply with all instructions from the sectoral entities responsible for preventing or allowing the import of food staples, as well as for the decisions of Advisory Commission for Food Safety and the pandemic position from Avian influenza.
5. To import the materials mentioned above, the company must be registered in Iraq and have an up-to-date import license.

Ministry of Agriculture address:

Al- Nidhal St.

Baghdad

Iraq

Email: Minis_of_agr@moagr.org

Regulations of Issuance of an Import License for Miscellaneous Materials:

1. For Materials with Dual uses (e.g., some chemicals, tools and equipment), approvals from following entities are required:
 - a. Directorate - Environment Protection Police Directorate. Address : Al- Nessor Square, Baghdad, Iraq.
 - b. Ministry of Interior - Federal Intelligence and Investigations Agency - Directorate of Information Technology - Licensing Department (Security and Criminal Registration), which should be renewed every year. Address: Al- Masbah, Al-Karada, Baghdad, Iraq.
 - c. The Iraqi National Intelligence Service (INIS). This is for foreign companies and Iraqi companies whose director is a non-Iraqi. Address is: Al- Nessor Square, Baghdad, Iraq.
 - d. Ministry of Health in case of the imported chemicals are included in the Red List of precursors that can be used in in the manufacturing of drugs. Address: Palestine St, Baghdad, Iraq.
2. Communication Equipment and CCTVs:
 - a. Iraqi Commission of Communication and Media. Address: Al- Nessor, Al-Mansour, Baghdad Iraq
 - b. Ministry of Interior - Federal Intelligence and Investigations Agency - Directorate of Information Technology - Licensing Department.
3. Gases and Cooling Equipment that can affect the Ozone Layer:
 - a. Ministry of Environment.
4. Fire extinguishers (Equipment or materials) in foam and powder.
 - a. Ministry of Environment.
5. Any other Chemicals:
 - a. Ministry of Environment.
6. Radioactive Materials, Nuclear Materials, and any Material Considered as a Source for Radioactive Materials:
 - a. Iraqi Radioactive Source Regulatory Authority (IRSRA).
7. Veterinary Medications & Vaccines, Fertilizers and Pesticides:
 - a. Ministry of Agriculture.


8. Motor's Oil, Grease and Fuel:

- a. Ministry of Oil. Address: Palestine St., Baghdad, Iraq.

9. Medications, Medical Equipment, Chemicals used for Medications & Drugs and Medical Supplies:

- a. Ministry of Health

10. Children Toys:

- a. Ministry of Defense to make sure that the toys are not  inciting violence and sectarianism.

11. Books, Magazines and Daily Publications:

- a. Department of Public Cultural Relations.

- Ministry of Industry and Minerals Should estimate the annual need of raw materials used in the production plants of the Directorate of Industrial Development
- Ministry of Industry and Minerals should issue approvals for importation of materials produced by public and private factories in Iraq (i.e., all types of cement - limestone-clinker).


Ministry of Industry and Minerals:

Palestine St.

Baghdad

Iraq

Email: foreignrelations@industry.gov.iq / public.relation@industry.gov.iq



OBTAINING AN IMPORT LICENSE – KURDISTAN REGION IRAQ

How to obtain an import license in the Kurdistan Region Iraq

Iraq's Companies Law 21 (of 1997) as amended in 2004, which is adhered to in Kurdistan, provides for several types of legal business structures. Principally these include joint stock companies, limited liability companies, joint liability companies, sole proprietorships, and branch offices.

All companies can issue an import/export license, the type of products that needs to be imported must be specified in the license application.

The ports of entry that will be used by the company need to be specified in the license application.

Once the license is issued, it must be communicated to the relevant ports of entry.

A ceiling for the value of goods imported throughout the year must be specified in the license. Once the limit is reached, imports are suspended until the ceiling is adjusted accordingly.

Necessary documents:

1- Obtaining merchant's identity cards:

To obtain an import license, you first must obtain a merchant identity card by following the below steps:

- a. You must own a company or be a representative of a company:

The person who wants to obtain a merchant identity card must have (or represent) a company which is legally registered in the Kurdistan region of Iraq. He/she will then be able to apply the following documents after fully certifying them by the General Directorate of Company Registration:

1. Company certificate.
2. The administrative decision.
3. The amendment decisions if there are any.
4. The memorandum of association.
5. The meeting minutes.

- b. Clearance from the Directorate of Corporate Income Tax:

You can obtain the mentioned clearance, by yourself or through your lawyer.

In both situations, the procedure will be as the follows:

The specialized institution to give out the mentioned clearance is the Directorate of Corporate Income Tax in Erbil. In order to get the clearance from them, the company representative must submit the company's official documents, which are the following, with its annual budget:

1. Company certificate.
2. The administrative decision.
3. The amendment decisions, if there are any.
4. The memorandum of association.
5. The meeting minutes.

After submitting all the above documents to the Directorate of Corporate Income Tax, the latter will inform the company if there is any pending taxation on the company. If so, the company will need to pay taxation first, then they will get their clearance.

The General Directorate of the taxation & Government properties located in:

Nawroz Street

Erbil, Iraq

General Director: Dr. Kamal Qader

Email: Kemal.werty@yahoo.com

c. Support letter from the Companies Registration Department:

To obtain a support letter from the Companies Registration Department, you must apply for it by printed request on your company's form at the branch of the Companies' Registration Department which is located in:

Bakhtyari Street

Erbil, Iraq

Website: <https://www.crkg.org/en/>

Email: info@crkg.org

d. Personal documents required:

1. A copy of the passport of the authorized director of the company in the Kurdistan region of Iraq or the National Identity card is required.

The required documents must belong to the same person who wants to obtain the license. That means if the foreign person wants to get the license under his name, he/she must apply with his passport. And, if he/she wants the license to be under the local person name, the local person must apply by his National Identity card.

2. A residency card:

As a foreigner, you need a residency card to stay in the Kurdistan region of Iraq and manage your business.

The foreigner person must obtain a document of residence issued by a competent authority in the Kurdistan Region for the purpose of authorizing him to reside legally. In order to obtain the mentioned document, the Article 10 of Chapter four of Law No. 118 of 1987 mentions the following :

- Article No. 10
- Within 15 days from entering the country, a foreigner must fill and sign the form which the Minister of Interior decides and submit to the residence. The director or residence officer may exempt the foreigner from attending in person for reasons of international courtesies or acceptable excuse. In this case, he shall accept a review from his representative in the submission of the mentioned form. The foreign resident residing in the territory of the Republic of Iraq shall be exempted from this.
- The directors of hotels, hostels or any other place in which the alien lives shall fill and write the form in which the Minister shall decide and present them to the residence officer on a daily basis. They shall inform the residence officer about the departure of the foreigner, and any person who has housed a foreigner with him in the mentioned locations about the date that the foreigner came and left within 24 hours.
- The foreigner must notify the residence officer when he changes his place of residence. If his transfer was to another area or another town, he must submit (within forty-eight hours from the time of arrival at his new place of residence) a statement to the residency officer.
- In the absence of a residence officer, the police station shall serve for the mentioned purposes in the preceding paragraphs, and the police station shall inform the residence officer thereof.

3. Two personal passport size photographs.

4. Bank check: You need a bank check with the amount of 75,000 Iraqi dinars from Dedawan Bank:

- This amount is required to issue the identity card of the merchant which is already required to get the import license.
- Dedawan bank location: (<https://goo.gl/maps/BMntrR81PzD3XLGJ8>)

The Regulations of Import License:

required information and documents to obtain the import license:

- a. For obtaining an import license, the commercial activity of the company must be a general trade or the trade of a particular material.
- b. Clearance from the corporate tax department (The same details as mentioned above in point “b”).
- c. Submitting the company's documents which must be fully certified by the Company Registration Department, these documents are:

1. Company certificate.
2. The administrative decision.
3. The amendment decisions if there is any.
4. The memorandum of association.
5. The meeting minutes.

- d. Support letter from the Companies Registration Department (The same details as mentioned above in “c”).
- e. Bank check of Dedawan.
- f. Submit an import application on your company’s form and stamped.
- g. A support letter from the relevant institution (In case you have an expired import license.) This is clarified below.
- h. If you want to hire someone to do this on your behalf (either a lawyer or any other person) you must issue special authorization for this matter. You will need the following:

1. Two personal Pictures
2. Copy of your passport

To Submit the above documents with a formal request to the Notary Department in Erbil, there are two places for this:

- a. 100m street, Opposite the Family Mall, Erbil, Iraq
- b. Kirkuk Road, Erbil, Iraq

Please Note and consider the following points:

- a. The expiration date of the import license of each product is different
- b. The required documents in the above paragraphs shall be brought once and should be placed in the company's commercial file in the General Directorate of Commerce.
- c. Both Kurdish and foreign companies will be following the same procedure to obtain the import license in the Kurdistan region of Iraq.
- d. A letter of no objection from the concerned ministry (listed below) should be submitted to the General Directorate of Commerce to import the following materials:

MATERIAL	MINISTRY CONCERNED
Veterinary materials	Ministry of Agriculture / Veterinary Directorate
Agricultural materials	Ministry of Agriculture
Chemical materials, dual-use materials and armored vehicles	Ministry of the Interior
Medical Materials	Ministry of Health / Quality control department
Fuel and Natural Resources	Ministry of Natural Resources

By

Hogar Bebane –

Erbil Office Manager – AHK Iraq

Sources:

1. Mr. Nawzad Bahram - General Director of Trade (Ministry of Trade and Industry)
Email address: nawzadadham@gmail.com
The Kurdistan region of Iraq
Erbil, Iraq
2. Mr. Aras Raoof Arif
The General Director of the company's registration office
Ministry of Trade and Industry
The Kurdistan region of Iraq
Erbil, Iraq
Email address: industry_generaldirector@yahoo.com
3. Mr. Kamal Qader - General Director of the Directorate of Taxation and government properties. Ministry of Finance
Email address: Kemal.werty@yahoo.com

9

TRAVELING TO
IRAQ, SECURITY
SITUATION, AND
HEALTH VISA AND
RESIDENCY
PROCEDURES



An Iraqi Airways Boeing 777-300ER is parked on an airport tarmac during a sunset. The aircraft is white with green accents on the tail and engines. The tail features the Iraqi flag and the airline's logo. The fuselage has "iraqi airways" written in green and "العراقية" in Arabic. Ground service equipment is visible around the plane.

TRAVELING TO IRAQ, SECURITY SITUATION, AND HEALTH VISA AND RESIDENCY PROCEDURES

Measures and precautions to take before traveling to Republic of Iraq

Travel

- Visit the website of the German Federal Foreign Office for the most up to date travel warnings and advice
- Make yourself familiar with the needed visa formalities and needed documents for your application at the airport
- Please note: The visa/Residency you obtain in the KRI is not valid in Federal Iraq. Entering Federal Iraq with the KRI visa/Residency is counted as illegal immigration, and can be punished with 500.000 -1000.000 IQD fine (in the best case) and 1-3 years imprisonment (in the worst case)
- Make yourself familiar with the borders of Federal Iraq and the autonomous region „Kurdistan Region Iraq” (KRI)
- Take enough USD/IQD cash with you since credit and debit card payments are still not very common
- Make yourself familiar with safe and secure hotels (listed at the end of this chapter)

Security

Despite an improvement of the security situation in Iraq (including the KRI) the situation remains fragile.

When you decide to travel to Iraq, it is important to take the necessary precautions. Keep informed of current news and, if necessary, re-schedule your journey for safety.

Danger emanates from these factors:

1. Terror attacks by various militias: Approximately 200 are active in Iraq
2. Kidnapping
3. Spying
4. Demonstrations and protests

We recommend the following measures:

- Visit the website of the German Federal Foreign Office¹⁵³ for the most up to date travel warning and advice
- Follow the German Embassy on Facebook¹⁵⁴ and Twitter¹⁵⁵
- Follow the German Consulate General on Facebook¹⁵⁶ and Twitter¹⁵⁷
- Establish your own personal security plan in coordination with your employer or host organization or consider consulting with a professional security organization.
- Consider hiring a security company, addresses can be found on the internet
- If you are a German Citizen, register in the Elefant-Liste¹⁵⁸ for Iraq to receive alerts and to locate you
- Share important documents, login information, and points of contact with your family so that they can manage your affairs if you are unable to return as planned
- Check the Live Universal Awareness Map¹⁵⁹
- Review the Crime and Safety Reports¹⁶⁰ for Iraq
- Consider a high-risk country/war zone travel insurance
- Leave your expensive/sentimental belongings at home when it is not necessary to carry them
- Avoid border areas, demonstrations, malls, parks, markets, and military bases
- Follow security and police instructions and behave cooperatively at borders, checkpoints, and at airports

¹⁵³ <http://bit.ly/3ql0jql>

¹⁵⁴ <https://de-de.facebook.com/GermanEmbassyBaghdad/>

¹⁵⁵ <https://twitter.com/germanyiniraq?lang=de>

¹⁵⁶ <https://www.facebook.com/GermanyInKRI/>

¹⁵⁷ <https://twitter.com/germanyinkri?lang=de>

¹⁵⁸ <https://elefant.diplo.de/elefantextern/home/login!nologin.action>

¹⁵⁹ <https://iraq.liveuamap.com/>

¹⁶⁰ <https://www.osac.gov/Country/Iraq/Detail>

Health

- See our Newsletter¹⁶¹ regarding COVID-19 for the latest regulations
- Make yourself familiar with the necessary vaccines and travel health notices for Iraq
- Check lists of recommended hospitals at the end of the chapter
- Take enough cash with you to be able to pay treatments in cash, or arrange for necessary health care insurance

Visa and residency

Single entry visa

FEDERAL IRAQ	
Is a visa needed for German passport holders?	Yes, can be obtained on arrival at all Iraqi airports for 75 USD
I am not a German passport holder, where do I check if I need a visa for Iraq?	www.henleypassportindex.com
What are the largest international airports in Federal Iraq?	Baghdad International Airport, Basra, Najaf
What airlines are flying from Germany to Iraq?	Lufthansa, Austrian, Turkish, Iraqi are the most common

KURDISTAN REGION OF IRAQ - KRI	
Is a visa needed for German passport holders?	Yes, but can be obtained on arrival for 75 USD
What are the biggest international airports in KRI?	Erbil and Sulaymaniyah
What airlines are flying from Germany to KRI?	Lufthansa, Austrian, Condor, Turkish, Iraqi are the most common

¹⁶¹ <https://irak.ahk.de/news/news-details/newsletter-of-the-german-liaison-office-for-industry-and-commerce-in-iraq-ahk>

Is there a multiple – entry - visa available?

Federal Iraq

Yes, there is a multiple entry Visa for 3-6 months. This visa can only be obtained from an Iraqi guarantor: It can be a ministry or business partner. The guarantee must be submitted to the ministry of interior in Iraq.

Address:

Ministry of Interior
Hay Al Kailan
Behind Al Sha'ab Stadium
Baghdad
Location: <http://bit.ly/3kqwSRz>
Website: <https://moi.gov.iq/>
Mr. Ahmed Abbas Hussein
Almoj.ahmed@yahoo.com

When obtaining the approval just submit the following documents to the Iraqi representation in Germany:

1. [Visa form](#)
2. Your passport with a validity of minimum 6 months
3. 2 Passport pictures
4. A certificate from the doctor that you are free from any contagious illness. This certificate must not be older than 3 days from date of issue and can be obtained at the general practitioner
5. An invitation letter with your personal and travel data, work relation, duration of your stay and reason for your travel from a ministry or an Iraqi Businessperson
6. Approval from the ministry of interior as stated above
7. \$100 USD as fees

The visa issue process takes around 1-2 weeks from date of application.

Contact details and address:

EMBASSY OF THE REPUBLIC OF IRAQ

Pacelliallee 19 - 21
14195 Berlin
Germany
Economic attaché
Email: iraqicommercial_berlin@yahoo.com

CONSULATE GENERAL OF THE REPUBLIC OF IRAQ

Westendstraße 12
60325 Frankfurt am Main
E-Mail: info@iraqconsulate-frankfurt.com

KRI

No multiple - entry - visa available.



Residency

When do I need a residency instead of a visa?

If you decide to work in Iraq or stay longer than one month to work or reside in Iraq, you must convert your visa into a residency. Please note that you will have tax and other contributions to pay and different obligations than a simple visitor visa. (You will find more information in the chapter “Labor Law”.)

Federal Iraq

To convert your visa into a residency, you must first obtain a visa from an Iraqi representation or a 6-month residency approval from the National Investment Commission. Then complete the below mentioned instructions within 7 days after date of your entry stamp on your passport.

You will need the following documents:

1. Blood test at the hospital that is responsible for your area (depended on the area you live)
Costs 110.000 IQD
2. Letter of assignment of Authorized person (must be Iraqi, must bring his ID card and his passport with him)
3. Request for Immigration
4. Residency proof
5. Evidence of no criminal records or pending legal cases in Iraq
6. Letter of support that states the position and other details of the person such as proficiency, and the time he or she is assigned in Iraq
7. Completed Arab & Foreigners arrivals card form page 1 and 2
8. 1000.000 IQD for security (what security and if we get it back is to be checked)
9. Color Copy of passport
10. Color copy of the page with Visa and country entry stamp
11. 4 Passport pictures
12. Fees 2,250 IQD

Address:

Fetah Square, Baghdad, Iraq.

KRI

Visitors wishing to extend their stay in the Kurdistan Region Iraq beyond a three-month period must apply for a Card of Residence (<http://www.KRIspain.org/english-residence/>).

Below is a general outline of the requirements for obtaining a residency card for an extended stay in the Kurdistan Region of Iraq:

- One will need a sponsor/guarantor,
- Fill out Application
- Undergo a blood test
- 2 Passport photos
- Evidence of no criminal records or pending legal cases in Iraq

Pictures and blood tests are performed at the KRI Directorate of Residency offices. The fee is 36,000 Iraqi Dinars, and the process usually takes approximately 2-3 hours.

The KRI recognizes two kinds of residency:

- Short-term residency
- Long-term residency

1. Process and documents needed for a **short-term residency card**:

- A support letter from the applicant's employer and the company registration document in KRI.
- A written personal guarantee from a person of Iraqi nationality who is a resident of the Erbil Governorate.
- Evidence that the applicant has undertaken a blood test according to the procedures of the residence office. A form to obtain a blood test appointment can be collected from the residence office as part of the application process. The blood test result can usually be obtained within 2-3 days.

2. Process and documents needed for a **long-term residency card**:

Long term residency is available to foreigners who wish to stay in KRI between 6 and 12 months. Residence cards may be retained by holders leaving KRI for short periods.

The requirements for obtaining residency are:

- A support letter from the applicant's employer and the company registration document in KRI.
- A written personal guarantee from a person of Iraqi nationality who is a resident of the Erbil Governorate.
- Evidence that the applicant has undertaken a blood test according to the procedures of the residence office. A form to obtain a blood test appointment can be collected from the residence office as part of the application process. The blood test result can usually be obtained within 2-3 days.
- Applicants who are citizens of some countries must also obtain approval from the KRI Ministry of Labor and Social Affairs. Applicants from these countries need approval from KRI security establishments. The Residency office can inform you which nationalities need such approval.

How to obtain a residency card for a foreign worker?

- Download the application form ([here](#))
- Application form by the company •
- Letter of Guarantee with ID and Information CARD copies
- Copy of passport.
- The foreigner should have scientific and academic achievements and/or be a businessperson with a commercial ID.
- The certifications of the company should be submitted.
- *all certifications should be photocopied (2 color copies)*

Recommended Hospital with good emergency care

FEDERAL IRAQ			
NAME	ADDRESS	TELEPHONE NUMBER	CITY
Al- Rahebat Hospital	Rakhetaa, Karada, Baghdad, Iraq.	+964 (0) 771 111 9280	Baghdad
Al- Yarmook Hospital	Al- Qadiseya, Baghdad, Ira	+964 (0) 770 885 4750	Baghdad
Al- Qimma Surgical Hospital	Al- Etaifia, Baghdad, Iraq	+ 964 (0) 772 135 9222	Baghdad
Al- Kafeel Hospital	Al-Hawali road leading to Al-Najaf - near the shrine of Sayed Judeh	+964 (0) 760 232 9999	Karbala
Al- Sa'adi Private Hospital	Al- Sa'adi St, Buraiha, Basra, Iraq	+964 (0) 780 862 0000	Basra
Al- Jadrya Private Hospital	Karada Kharij, Baghdad, Iraq	+964 (0) 770 281 1106	Baghdad
Al- Mosawi Private Hospital	Al- Saeed St, Basra, Iraq	+964 (0) 770 394 9583	Basra
Basra Teaching Hospital	Near Saad Square, Basra, Iraq	+964 (0) 771 942 9460	Basra
Ghadeer Private Hospital	Kufa St., Najaf, Iraq	+964 (0) 780 359 6721	Najaf
Al- Ameer Private Hospital	Hay Al Muthana, Najaf, Iraq	+964 (0) 781 679 1179	Najaf

KRI			
NAME	ADDRESS	TELEPHONE NUMBER	CITY
Rizgary Hospital	Peshawa Qazi, Erbil	+ 964 (0) 66 227 1516	Erbil
WestErbil Emergency Hospital	QaziMuhammad, Erbil	+ 964 (0) 66 259 9599	Erbil
PAR Private Hospital	60 meter street, Erbil 44001	+964 (0) 66 210 7001	Erbil

Sulaymaniyah Teaching Hospital	Zanko street, Sulaymaniyah	+964 (0) 750 108 0259	Sulaymaniyah
Shar Hospital	Malik Mahmud Ring Road, Sulaymaniyah	+964 (0) 53 336 4011	Sulaymaniyah
Azadi Hospital	City center, Dohuk	+964 (0) 771 522 0634	Dohuk
Emergency Hospital in Dohuk	Chie le, Dohuk	+964 (0) 62 722 2270	Dohuk

Hotels and compounds with appropriate security and emergency

FEDERAL IRAQ			
NAME	ADDRESS	TELEPHONE NUMBER	CITY
Babylon	Karrada Street Al-Jadria, Baghdad Iraq	+964 (0) 750 522 3333	Baghdad
Harlow compound	Building 28, Street 23, Locality 925, Hey Babil, Baghdad, Iraq	+964 (0) 790 110 3402	Baghdad
Control Risk compound	Carman Business Centre District Number 232 Karadat Mariam International Zone Baghdad Iraq	baghdad@controlrisks.com	Baghdad
Control Risks Compound Basra	Al Majal Business Park Berjisiya Basra Iraq	+964 (0) 780 914 5702	Basra
Manawi Basha Hotel	Mnawi Basha, Basrah, Iraq	+964 (0) 406 42931	Basra

Baron Hotel	Plot No 1& 41, District No 30, Al Wastani, Al Hussainia Road, Karbala, Iraq	+964 (0) 782 707 2515	Karbala
Baghdad Hotel	Al- Sadoon, Baghdad, Iraq	Baghdad.hotel@yahoo.com	Baghdad
Basra International Hotel	Koornish St, Basra	+964 (0) 781 555 5472	Basra

KRI			
NAME	ADDRESS	TELEPHONE NUMBER	CITY
Rotana	Gulan Street, Erbil - KRI, Erbil	+964 (0) 66 210 55 55, +964 (0) 750 235 0999	Erbil
Divan	Gulan •Erbil 44001	+964 (0) 66 210 5000	Erbil
Erbil Arjaan by Rotana	100 Street, Baharka bridge intersection, KRI	+964 (0) 751 235 0999	Erbil
Erbil International Hotel	Barzani Namir, Erbil	+964 (0) 750 260 0600	Erbil
Grand Millennium Hotel Sulaimani	Sulaymaniyah 46001	+964 (0) 770 700 0000	Sulaymaniyah
Copthorne Baranan	Sarchinar Road • Sulaymaniyah	+964 (0) 770 600 0000	Sulaymaniyah
Rixos	City center, Dohuk	+964 (0) 62 710 0200	Dohuk

Disclaimer of liability

Please note, this table lists the hotels and hospitals that we use. But we do not guarantee their sufficiency and are not responsible for any incidents that may occur. Checking safety and security remains your responsibility. Traveling and staying at these hotels or using a hospital is always at your own risk.

Any user of these information hereby and forever absolves/discharges the German Liaison Office for Industry and Commerce in Iraq from all types of liabilities, monetary and non-monetary damages, claims, etc.

By

Nisrin Khalil

AHK Iraq - Director Iraq

VERIDOS



IDENTITY SOLUTIONS

by Giesecke+Devrient
and Bundesdruckerei

A vibrant night scene featuring a large Ferris wheel with its structure illuminated in bright pink and blue lights. To the left, several palm trees are visible, their fronds and trunks adorned with numerous small, warm-white string lights. The background is a deep, dark blue, suggesting a clear night sky. The overall atmosphere is festive and celebratory.

10

IRAQ PUBLIC HOLIDAYS

IRAQ'S PUBLIC HOLIDAYS

September 28th, 2021- August 31st, 2022

HOLIDAY	DATE	NOTE
40 th of Imam Hussein	Sep 28, 2021	*TBC- excluding Kurdish Region of Iraq (KRI)
National Iraqi Day	Oct 3, 2021	
Prophet's Birthday	Oct 19, 2021	*TBC
Victory over Daesh	Dec 10, 2021	
Christmas Day	Sat, Dec 25, 2021	
New Year's Day	Sat, Jan 1, 2022	
Army Day	Thu, Jan 6, 2022	
National Day of Tolerance and Coexistence	Sun, Mar 6, 2022	
Nowruz	Mar 21- 23, 2022	It's a public holiday for three days in KRI, while the rest of Iraq takes only 21 st as a public holiday.
Liberation Day	Apr 9, 2022	
Labour Day	May 1, 2022	
Eid al-Fitr	May 2 -4, 2022	*TBC
Eid al-Adha	Jul 9- 13, 2022	*TBC
Republic Day	Jul 14, 2022	
Islamic New Year	Jul 29 or 30, 2022	*TBC
Yazidi genocide day	Aug 3, 2022	
Assyrian Martyrs' Day	Aug 7, 2022	
Ashura	Aug 7 or 8, 2022	*TBC
Bahdinan Anfal day	Aug 25, 2022	

Note: Dates are TBC for Islamic holidays because the Hijri Calendar is used as basis for the calculation and converted in this sheet to the Christian-Gregorian Calendar.

11

AHK IRAQ SERVICE CATALOGUE



Deutsches Wirtschaftsbüro Irak
The German Liaison Office for Industry and
Commerce in Iraq

مكتب الارتباط الألماني للصناعة والتجارة في العراق
نوسینگه ی پاموندیهکاتی پیشهساز ی و بازرگانی نلمانی له عێراق



AHK IRAQ SERVICES CATALOGUE

Service Catalog of the German Liaison Office for Industry and Commerce in Iraq

You may face some challenges in entering the Iraq market, or doing business in Iraq in general, as this is not a market for the faint hearted. Our Office can support your company though our wide range of services:

1. Initial Consultation:

Our office is happy to provide you with a 30-minute (free of charge) consultation call. This is a brilliant opportunity for those who are seeking advice on how to enter the Iraqi market, including the Kurdish Region of Iraq (KRI) or the German market. We can provide you with advice on where to start, how to register your company, and provide a general overview on specific sectors, import & export regulations, the security situation, etc.

2. Business Partner Service:

Your key to enter Iraq market in many cases is in cooperating with a good local partner. With a deep knowledge in the local private sector in Iraq, we can put you in touch with good potential partners that will benefit your business. You can choose from the following options:

SERVICE	DETAILS OF THE SERVICE	PRICE
Address Research	Initial research based on the need of your company to provide you with contact details of potential partners	100 USD + VAT per contact (for non-partners)
Business matching	Initial research, prior contact of the companies to get their initial approval, and arranging an appointment with them	250 USD + VAT per contact (for non-partners)

3. Market Research:

Our Office is offering market research services to be conducted in specific locations in Iraq, based on specific and needed market intelligence for your company.

Cost: To be agreed on based on the requested research.

4. Certified Trainings:

The German Liaison Office for Industry and Commerce in Iraq supports German and Iraq companies in making advanced and systematic training strategy. Our office is offering high-quality training and qualifications based on German standards in many fields in Iraq.

Cost: Depends on the requested training.

5. Legitimization:

The German Liaison Office for Industry and Commerce in Iraq assists residents of Iraq with identity verification of individuals or companies. And it can determine the legitimacy of the authorized representative and assist in the forwarding of documents and dispatch of copies of the required documents (ID documents) to the credit institution in Germany.

Cost: 60 USD per document + shipping costs to Germany

6. Company Background Check:

Our office helps you performing a background check of your potential business partners in Iraq and KRI and helps you to find information such as: Owner name, Office address, Business activities and reputation on the market.

Cost: Please check the partnership contract for more details

7. Business Mediation:

Our Office will help you avoid time and cost in a consuming legal dispute due to a contract breach, delay of payments, or a general disagreement with your trading partner by mediating on your behalf. We have a team of experienced professionals that can help you throughout the resolution of disagreements.

Cost: Depends on the case

8. Other inquiries

Cost: Depends on the case

To access our partnership contract please visit AHK Iraq's website or visit this URL <https://irak.ahk.de/en/our-partners>.

Please contact:

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AHK Iraq

Oliver is looking back onto more than twenty years of professional experiences in various business organizations across several continents. Currently he serves as CEO of the German Emirati Joint Council for Industry & Commerce (AHK) and as Delegate of German Industry and Commerce to Iraq.

www.iraq.ahk.de



Nisrin Khalil - Director Iraq

AHK Iraq

Nisrin has worked at different leadership roles. In 2016 she joined AHK Iraq as Country Director and promotes German trade, investments and is consulting companies and assisting government officials on business-related topics and policies to promote Iraq and Germany's economic and technology relations. She holds Degrees in Economics and International Management.

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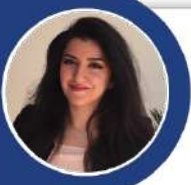


Hogar Bebane – Erbil Office Manager

AHK Iraq

Hogar spent more than 9 years working for international organizations before joining AHK Iraq as Erbil Office Manager. He is the Training and Qualification specialist. Furthermore, he consults SMEs as well as larger cooperation on business development and regulatory questions. Hogar holds a bachelor's degree in agricultural engineering.

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AHK Iraq

Dhuha Jabbar – Baghdad Office Manager

Office Manager at the German Liaison Office for Industry and Commerce in Iraq with more than 11 years of experience in economy, international trade& investment, business strategy, aid- funded projects and international relations. Before joining AHK, Dhuha worked for 6 years as International Trade Advisor at the British Embassy Baghdad.

www.iraq.ahk.de



AHK Iraq

Dastan Sabah Mohammed – Freelance Digital Marketing Specialist

Dastan is a Freelance IT and Digital Marketing Specialist at AHK Iraq. Before Dastan pursued his master's degree in digital marketing in 2018, he worked as an Office Manager at AHK Iraq.

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Partner Authors in Alphabetical Order



Adham al Fakhar – Consultant Engineer

Integrated solutions specialist & economic consultant

Participated in the reformation of many systems and the rehabilitation of laws and instructions for Iraqi bodies and ministries.

<https://aljadco.com/>

AL JAD for Integrated
Solutions & e -
Services Co. Ltd.



Ahmed A Zaheer – Consultant

Consultant at Qamar Energy and holds over 8 years of experience. He specializes on delivering public and private sector engagements relating to energy market design, market entry, business growth, and energy transition strategies across the Middle East, Southeast Asia, and East Asia.

<https://www.qamarenergy.com/>

Qamar Energy



Ahmad al Janabi – Managing Partner

Managing partner in the Baghdad office. He is the only Iraqi lawyer listed in Chambers Global rankings for Iraq, and he is also recognized as an expert in Iraq for his oil and gas work in many lawyer rankings. In addition to his main focus on oil and gas, he assists clients in a broad range of legal matters that includes labor law, commercial and corporate law, and he frequently advises international clients on high profile matters in Iraq.

<https://amereller.com/>

Mena Associates in
association with
Amereller



Ahmad Al-Saate, Dr. Eng. – Consultant

Consultant for many industrial companies inside / outside Iraq (designer of equipment - production lines - industrial problems solution).

<http://kunz-gmbh.net/>

K.U.N.Z. Handels &
Produktions GmbH



Ahmed Alhaidary – International Management Advisor

Management Partners

Iraq country expert and an international management advisor with Management Partners having 17 years of experience in strategic, operational and investments projects in Iraq and worldwide. Ahmed focused on economic development, commercial due diligence and digital transformation.

<https://www.m-partners.biz/en/>



Amar Shubar – Partner

Management Partners

Partner of Management Partners (MP), an international consulting firm with a strong Middle East focus. MP has been operating in Iraq over the last ten years and supporting international and regional firms in their investment assessments and market entry for Iraq.

<https://www.m-partners.biz/en/>



Amer Rifat – Managing Director

Veridos GmbH - Iraq Branch

Leading and managing Iraq operation and business for Veridos. Experienced in Sales, Public & Customers relation, and account management for more than 15 years.

<https://www.veridos.com/en/news/veridos-builds-high-tech-id-factory-with-iraqi-government.html>



Bassem Bendary – Management Consultant

Management Partners

Management consultant with 11 years of experience in strategy, organization, technology and international development across Middle East and Africa. Bassem has worked for 3 years on public sector transformation projects in Iraq.

<https://www.m-partners.biz/en/>



Eva Steinhaus – Director

**Competence Center
for German Export
Finance at AHK UAE**

With extensive corporate banking experience, Eva has assumed the task of setting up the Competence Center for German Export Finance at the AHK with a regional scope for the countries of MENA and Pakistan. She provides advice on Federal Export Credit Guarantees to foreign buyers of German goods, representatives of exporters and financing banks.

<https://www.agaportal.de/en/financing-experts>



Florian Amereller, Dr. – Founding Partner and head of Iraq practice

**Amereller Legal
Consultants**

Dr. Florian Amereller is the founding partner of the firm and is the head of our Iraq practice. He has spent more than three decades in the Middle East representing a broad client base of leading local businesses and multinational companies on all aspects of business in the region. Dr. Amereller is an executive board member of the Arab German Chamber of Commerce and fluent in German, English, French and Arabic.

<https://amereller.com/>



Harry Istepanian – Independent Energy and Water Consultant

**Independent energy
and water consultant
based in Washington
DC. Senior Fellow, Iraq
Energy Institute**

An independent energy and water consultant based in Washington DC. He has more than 35 years of experience in energy and water sector especially in developing countries, including SE Asia and MENA region. He is a senior fellow of Iraq Energy Institute.

<https://istepanian.com/>



Hiba Basim Khaza'al – Senior Management Professional and Partner

**Al-Muhamoon Al-
Mutahidoon Firm for
Legal Consultancies,
Advocacy & Accounts
Management, Ltd.**

A bilingual senior management professional & Partner bringing more than 12 years of experience in management and leadership positions, highly experienced with the legal business environment and requirements in Iraq adopting international standards.

<https://ulf-iraq.com/>



German Consulate
General Erbil

Klemens Semtner – Consul General at the German Consulate General in Erbil

Klemens Semtner (born 1966 in Berlin) is a German diplomat, political scientist, and journalist. He started his career at the German Foreign Office in 1998 and accomplished missions in Athens, Ankara, and Istanbul. He was the head of the Task Force "Iraq" for several years prior to his current mission in Iraq.

<https://irak.diplo.de/iq-de/generalkonsulat1>



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Roula Dagher et al. – Regional General Manager and Head of Compliance

Partner of DB Schenker Network



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Mutahidoon Firm for
Legal Consultancies,
Advocacy & Accounts
Management, Ltd.

Mohammed Hasan Hashim – Associate Lawyer

A committed Associate Lawyer having a B. Sc. Degree in law/Mosul University. Mohammed prime specialization area is tax law and social security, having in-depth knowledge with related laws and high expertise advising best tax models and dealing with related issues starting from procedural matters and up to advising resolving the same.

<https://ulf-iraq.com/>



German Embassy
Baghdad

Ole Diehl, Dr. – Former German Ambassador at the German Embassy Baghdad

Dr. Ole Diehl (born April 3, 1964, in Kiel) is a German diplomat and political scientist. He was the German ambassador in Baghdad. From 2016 to 2019 he was Vice President of the Federal Intelligence Service.

<https://irak.diplo.de/iq-de>



**Mena Associates in
association with
Amereller**

Omar Aqrawi – Managing Partner

Managing partner in the Erbil office. He has broad experience in corporate, commercial, labor, and tax law and has been advising various international corporations and organizations on all aspects of their activities and projects in the Kurdistan Region of Iraq.

<https://amereller.com/>



**Al-Muhamoon Al-
Mutahidoon Firm for
Legal Consultancies,
Advocacy & Accounts
Management, Ltd.**

Othman Ayad Khalaf – Senior Corporate Lawyer and Partner

A highly accomplished bilingual Senior Corporate Lawyer & Partner, holding a B. Sc. degree in Law, licensed by the Iraqi Bar Association to litigate before all courts (level C), with proven accomplishments rendering distinctive corporate services to high-level national and international institutions.

<https://ulf-iraq.com/>



Terramar GmbH

Peter Mayr – Managing Partner at Terramar

Mr. Mayr established Terramar Iraq Branch in Baghdad in 1980. He Joined the management in Terramar in 1986. In 1994, he officially became partner and has been responsible for sales and marketing for all divisions in Asia and the Middle East.

<http://www.terramar.ae/index.shtml>



Qamar Energy

Robin Mills – CEO of Qamar Energy

CEO of Qamar Energy, non-resident fellow at the Columbia Center on Global Energy Policy and has worked for 20 years on the Iraqi oil and gas sector for Shell, the EU, the US Department of Energy and other major energy companies and governments.

<https://www.qamarenergy.com/>



Yaseen Hasan – Director of the Planning and Studies Department at MoE in KRI

Director of the Planning and Studies Department in the Ministry of Electricity, Kurdistan Region, Iraq. He has a bachelor's degree in electrical engineering and an M.Sc. in power system engineering from The University of Slemani in Iraq.

<https://gov.krd/moel-en/contact/>

Ministry of Electricity,
Kurdistan Region Iraq



Zead Al Dulame – Senior Legal Counsel

A bilingual Of- Senior Legal Counsel having more than 18 years of experience, mainly focusing on commercial contracts drafting and risks analysis. Zead holds an LLB degree from the College of Law – University of Baghdad, and an LLM degree in International Business Law from a German university.

<https://ulf-iraq.com/>

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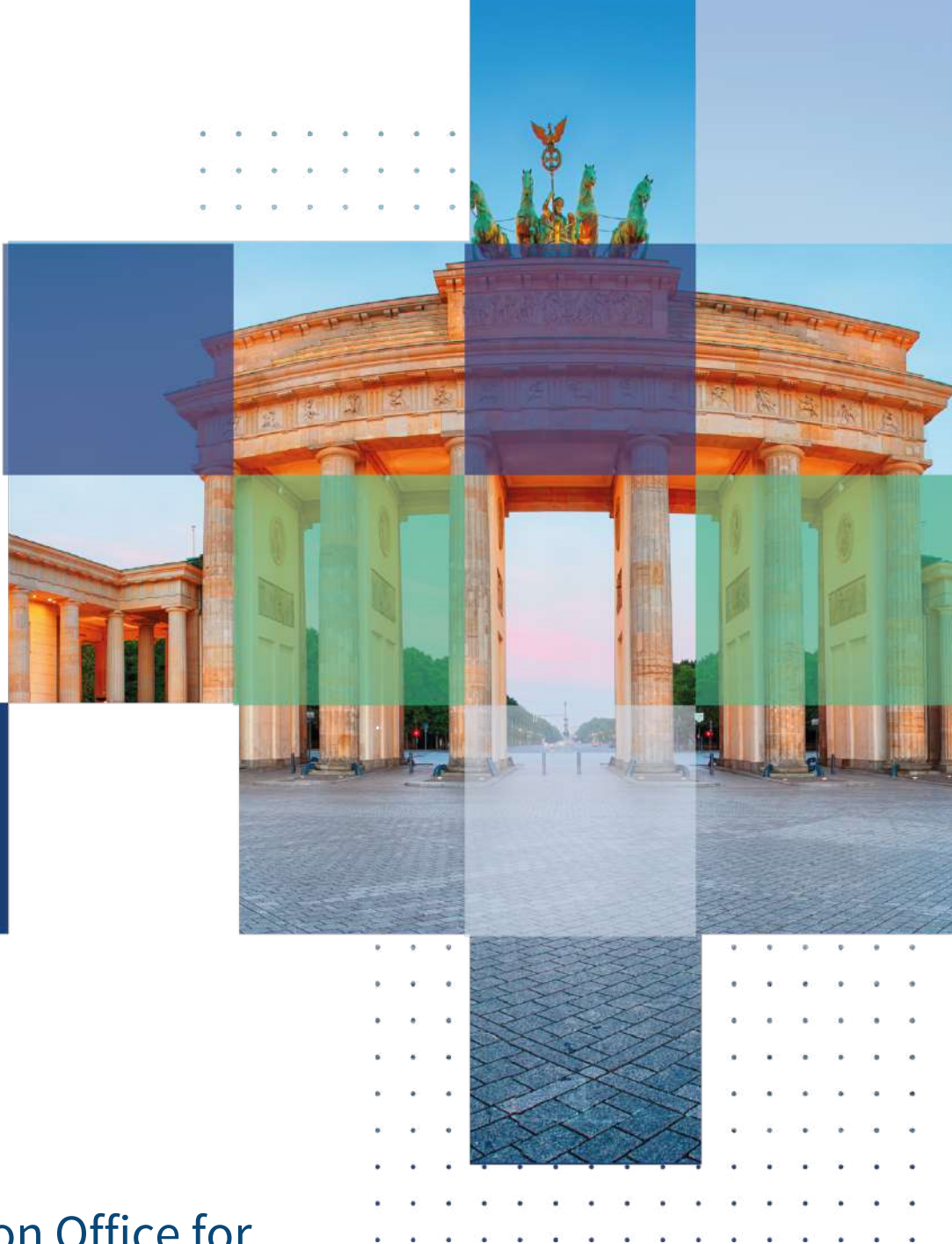
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BEST PRACTICES AND FAQ FOR DOING BUSINESS IN IRAQ

2021 -2022
EDITION



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