



JOINT ITALIAN ARAB CHAMBER OF COMMERCE
الغرفة التجارية العربية الإيطالية المشتركة

BUSINESS AND INVESTMENT OPPORTUNITIES IN IRAQ

JOINT ITALIAN ARAB CHAMBER OF
COMMERCE

*«Building bridges between Italy and the Arab
world»*





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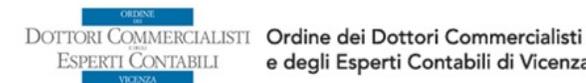
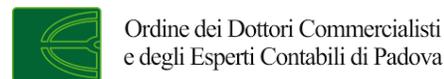
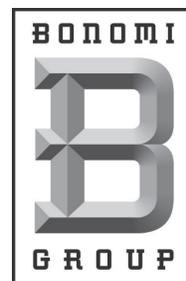
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SOME ITALIAN COMPANIES AND INSTITUTIONS IN OUR NETWORK



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FEDERATION OF YEMEN CHAMBERS
OF COMMERCE & INDUSTRY



الاتحاد العام للغرف
التجارية الصناعية اليمنية



الاتحاد العام للغرف التجارية
المصرية
Federation of Egyptian Chambers of commerce



غرفة تجارة وصناعة البحرين
BAHRAIN CHAMBER OF COMMERCE AND INDUSTRY



غرفة قطر
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و الصناعة و الزراعة ليبيا
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اتحاد الغرف السعودية
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ملتقى الاستثمار السنوي
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هيئة المنطقة الحرة بالحميرة
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OUR SERVICES FOR COMPANIES



CONSULTING

- ❖ First aid for export
- ❖ Fiscal, commercial & Tax consulting
- ❖ Human Resources
- ❖ Strategic and inter-cultural consulting



NETWORKING & EVENTS

- ❖ Organization of events and gatherings
- ❖ B2B and B2G
- ❖ Partner/ Distributors or Investors Research
- ❖ Business missions (incoming and outgoing)



INFORMATION & EDUCATION

- ❖ Market Research and feasibility studies
- ❖ Business news review and newsletters
- ❖ Roadshows and doing business publications
- ❖ Seminars and tailored courses



IRAQ OVERVIEW: FACTS AND FIGURES

GEOGRAPHY (updated to 2021)	
Capital	Baghdad
Area	438,317 sq km
Population	40,222,493 people
Density	93 per sq km
Language	Arabic and Kurdish
Government	Federal Parliamentary Constitutional Republic
ECONOMY (updated to 2021)	
Currency	Iraqi Dinar (IQD)
GDP (at market prices in 2020)	201,47 billion \$
Iraq possesses the fifth largest petroleum reserves in the world.	
Iraq is one of the 12 Member States of OPEC.	

IRAQ OVERVIEW: FACTS AND FIGURES

MAIN ECONOMIC INDICATORS (updated to 2021)

	2016	2017	2018	2019	2020	2021	2022
GDP at current prices	150,50	165,70	192,50	210	148,20	150,80	156,20
GDP growth rate at constant prices (% changes)	13,80	-1,80	2,60	6	-15,70	2,80	5,10
Consumer price index (% change)	0,40	0,20	0,40	-0,20	0,60	6	5,40
Total export volume (billion €)	37,30	51	73,10	72,90	41,60	67,90	86,30
Total import volume (billion €)	40,70	50	32,90	44,10	36,40	42,80	50,10

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IRAQ ECONOMIC OVERVIEW

- For several decades Iraq had an **economic framework based mainly on the oil production and export.**
- During the last few years there has been an increase in the oil price of production and export followed by an increase in the GDP of the State.
- Iraq is recognizing the need for a broader economic development in order to ease the State's economic dependence on oil production.



The State's government has undertaken steps to develop greater investments in the public and private sectors, thus contributing to the economic development that has characterized Iraq in recent years and which promises to further increase thanks to the incentives and strengthening projects planned for all the less developed sectors.



IRAQ OVERVIEW: THE LEGAL SYSTEM

In 2005 the Iraqi Constitution was finally approved, and it is the same one in force nowadays.

The Iraqi Constitution was built on top of the constitutional model proposed by the United Kingdom to which were made some necessary changes, especially with the aim to adapt it to the current republican government system that had to be more linked to the State's religion and therefore to the principles of the *Sharia'ah* Law.



IRAQ OVERVIEW: INSTITUTIONS FOR FOREIGN INVESTORS

The National Investment Law (NIL), amended in December 2015, collects all the information and the useful measures for investors who want to establish a business in Iraq.

The NIL provides for the presence on the territory of the so-called:

- National Investment Commission (NIC);
- Provincial Investment Commissions (PICs);

The NIC and PICs are institutions that act respectively at the national and provincial levels and which aim to support foreign investors more directly through continuous and precise informational support.



IRAQ OVERVIEW: ESTABLISHMENT OF BUSINESS

The steps to establish a company in Iraq do not last more than 30 days and the total costs required to support the entire process are approximately IQD 2,295,000 and IQD 2,415,000.

First of all, the investor must choose a valid business name to be reserved later at the Baghdad Chamber of Commerce. The company name must also be reserved for the **Federation of Chambers of Commerce**.

In order to establish business in Iraq it is necessary to obtain, through a specific application, the certificate showing the regular registration of the company at the Companies Registry. → The time required for the eventual issuance of the certificate is 15 days counted from the day of taking charge of the request. The expected costs for this operation vary between IQD 250,000 and IQD 350,000.

The investor will then have to create a **seal** that will be used to certify and protect the company's most sensitive documents, guaranteeing their inviolability. This is a delicate phase that is completed in 48 hours with a total cost of IQD 20,000.

The establishment of a company process ends with the regular registration of all employees to the **social security systems**.



IRAQ OVERVIEW: ESTABLISHMENT OF BUSINESS – POSSIBLE BUSINESS ENTITIES

Limited Liability Company (LLC)

- LLC is the most common and widespread business entity in Iraq
- LLC must be composed of at least two members, a shareholder and a directors.
- At least 51% of the ownership of the company LLC must be Iraqi (the percentage value may vary in relation to the type of sector in which the company intends to operate)

Joint Stock Companies (JSC)

- A foreign investor can establish a JSC in Iraq with at least four other members and five directors. Each director must own at least 1,000 shares of the JSC.
- At least 51% of the ownership of the company JSC must be Iraqi (the percentage value may vary in relation to the type of sector in which the company intends to operate).

Foreign Office Branches

- In Iraq it is possible to establish Branch Offices of Foreign Corporations in cases where these are necessary to support certain government functions or if they intervene to collaborate with companies that support government functions. A foreign investor who decides to establish a branch office in Iraq has the possibility to own it 100%.

Joint Ventures (JVs)

- One or more foreign companies may decide to join for a limited period in order to carry out a common project, thus establishing a Joint Venture (JV). In Iraq it is possible to establish a Joint Venture (JV) only if it is composed of at least an LLC or a JSC



IRAQ OVERVIEW: TAXATION

Tax residency

- The Iraqi taxation system provides that **all the income generated in Iraq are taxed according to the Iraqi taxation system** regardless of the country of residence of the worker which can be Iraq or any other foreign State. It is possible that a company not based in Iraq has a certain type of direct or indirect relationship with the country. In this case, if certain and specific conditions are met, the concerned company will have to pay the contributions according to the Iraqi taxation system.

Social security contribution

- **Social security contributions** come from the required registration of each employee at the **Department of Social Security**.
- They are deducted monthly with a total percentage value of 17% of the worker's salary, 12% is paid by the employer and 5% is paid by the employee. The percentage value may vary according to the type of work sector.

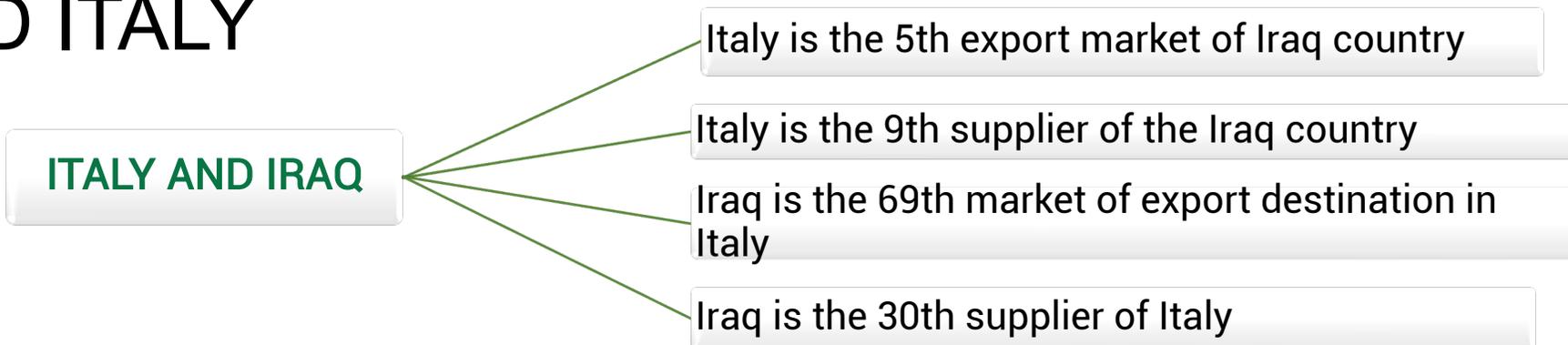
Personal Income Tax

- The **personal income tax** is calculated on the worker's net annual salary and has a percentage value that varies from a minimum of 3% up to a maximum of 15%.

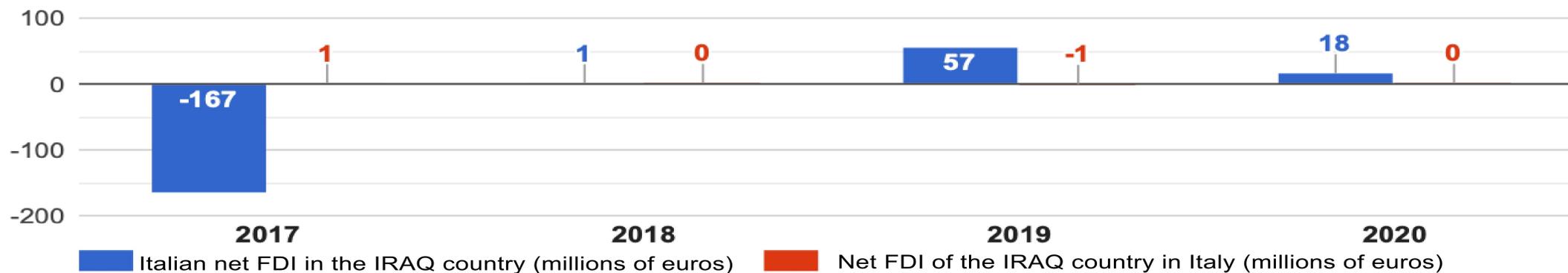
Corporate Income Tax

- The **corporate income tax** is applied to the annual income of every business entity with a percentage rate that depends on the company's net income and starts from a minimum of 15% up to a maximum of 35%.

IRAQ AND ITALY



Italian Net Foreign Direct Investments in Iraq, in 2019 they grew by +57 billion euros and in 2020 by +18 billion dollars (stock in 2020 equal to € 209 million) while Iraqi net FDI in Italy is as stock in 2019 for € 2 m^{****}





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IRAQ AND ITALY: PRESENCE OF ITALIAN COMPANIES IN IRAQ

Bonatti S.p.a A	Eni	MAEG Costruzioni S.p.a	GE BH Nuovo Pignone
MDT – Mc Drill Technology	Melete	Panigada Engineering	Paresa S.p.a
PEG – Progetti Europa e Global S.p.a	Pitaly s.r.l	Saipem S.p.a	Sicim S.p.a
SSE Sirio Solutions Engineering s.p.a	Studi Tecnologie Progetti S.p.a	Studio Galli Engineering	Trevi S.p.a



SECTORS WITH HIGH INVESTMENT POTENTIAL

- Oil and gas sector
- Infrastructure and construction sector
- Agricultural sector
- The sector of alternative and renewable energies

STRENGTHS

- Phase of reconstruction of the country
- Availability of abundant and not yet exploited natural resources
- A 10-year tax exemption reserved for particularly interesting investment projects
- The high percentage of the population included in the working age group 15-64 years
- Privileged partner with Italy
- Iraq greatly appreciates the quality of Italian production



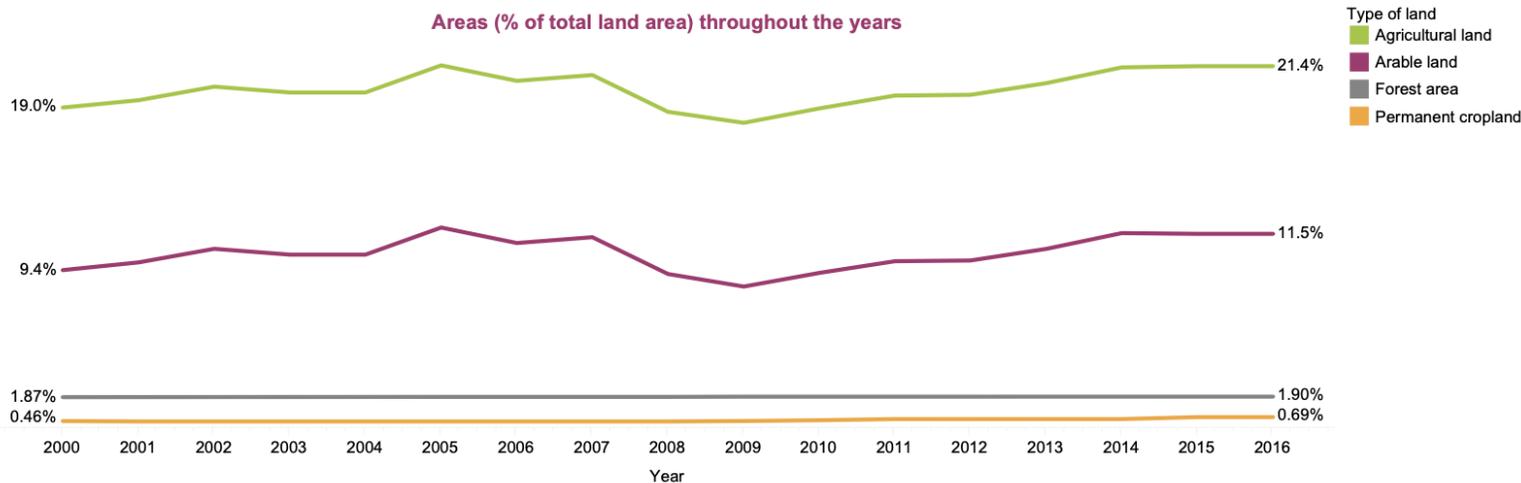
WHERE TO INVEST?

- Coke and products deriving from petroleum refining
- Electricity, gas, steam and air conditioning (also from renewable sources)
- Buildings
- Professional, scientific and technical activities
- Water supply: sewer networks, waste treatment and remediation activities

IRAQ OVERVIEW: FOCUS ON THE AGRICULTURAL SECTOR

The Iraqi agriculture sector is the second largest contributor to the Gross Domestic Product (GDP), after the oil sector, accounting for 5% of the GDP and it is the largest source of employment for the rural population.

The agriculture land constitutes 21.5% of the total surface area of Iraq and arable land contributes to 11.5%. This provides opportunities to invest in this sector.



Source: World Development Indicators (World Bank)

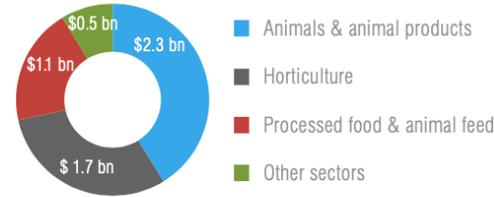


IRAQ OVERVIEW: THE AGRICULTURE POTENTIAL IN IRAQ

- The agricultural sector plays an important role in revitalizing and supporting the economy of Iraq, achieving social stability, fighting climate change, increasing food security and contributing to the exports.
- The agriculture sector is the key sector for diversifying the economy, accelerating non-oil growth, improving income distribution and gender equality. Its growth has been shown to be an important drive to reduce the poverty.

The agriculture potential in Iraq

The agriculture and agri-food sectors with the highest projected demand:



\$5.6 billion estimated Iraqi demand of agriculture products by 2025

The agriculture and agri-food sector in Iraq have significant potential for growth by supplying to the increasing domestic demand that currently relies on imports.

Agriculture, one of the keys to addressing the employment challenge

More than **170,000** additional jobs could be created by 2030 with a growth rate of **3%** in agriculture production (moderate-growth scenario).

Contribution to Sustainable Development Goals



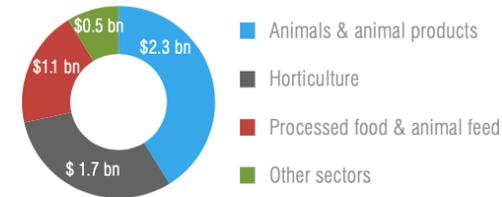
IRAQ OVERVIEW: THE AGRICULTURE POTENTIAL IN IRAQ

- The agriculture sector is a strong tool to improve the industrial reality of the country, create job opportunities and employment by using agricultural production in manufactured food and commodities, while at the same time promoting local products.

Improving the competitiveness of value chains related to agriculture provides opportunities to increase domestic value addition, enhance productivity, and increase technology use and digitalization, as well as address concerns about food security and access to adequate nutrition.

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Contribution to Sustainable Development Goals



IRAQ OVERVIEW: CHALLENGES TO AGRICULTURE SECTOR

The consequences of climate change, along side the problems related to the irrigation system, lead to negative consequences on the prosperity of agriculture. At the same time, weaknesses correspond to investment opportunities that could lead to prosperous results for all parties involved.

Iraq's response to such problems

Iraq's National Development Plan identifies agriculture as one of the key sectors to accelerate non-oil growth. With the awareness of the problems related to irrigation and the work necessary to strengthen the agricultural sector of Iraq, in recent years the agricultural sector in Iraq has been receiving increasing attention which has led to the launch of some projects for the cultivation of **cereals, fruit, vegetables and dates** and strengthen **livestock farming**. The National Development Plan lays out the framework and the instruments that should be utilized to overcome the challenges and meet the objectives that modernize and strengthen the agricultural sector.



IRAQ OVERVIEW: RECENT AGRICULTURAL PROJECTS OVERVIEW

The Ministry of Agriculture included the problem of poor water management among the priorities of its agricultural initiative as early as 2010-2012. In recent years, the Ministry has purchased and received a total of 4170 irrigation systems with fixed and central pivot sprinklers.

"Imam Hussein" is an agricultural town and is used for the production of winter and summer crops such as tomatoes, cucumbers, peppers and aubergines, as well as wheat and livestock (mainly sheep). This agricultural land has met the domestic needs for tomato crops in Karbala and other cities.

"Abu Al-Ahrar", agricultural city of Karbala, designed for growing mainly wheat and barley, as well as yellow corn, mashed potatoes, citrus fruits and some fruits. It is also used for raising livestock (sheep and cattle). In the past the land was flooded with water and suffered from severe salinity problems, today it is a prosperous agricultural town.



IRAQ OVERVIEW: RECENT AGRICULTURAL PROJECTS OVERVIEW

The "Buckthorns Farm" project in Karbala is the project started in 2017 which saw the planting of over 5600 trees

In 2019 the Ministry of Agriculture to strengthen national production and support the agricultural sector and the rural population employed in this sector and achieve food self-sufficiency, banned the import of 25 different agricultural items.

In 2021 the project "Strengthening the agricultural and agri-food chain and improving trade policy '(SAAVI)" was launched the **five-year project worth 22.5 million euros** is funded by the **European Union** and is implemented by the International Trade Center (ITC) in close cooperation with the Iraqi government and other local partners to strengthen Iraq's agricultural sector and improve Iraq's trade policy.



CONCLUSION: THE NEEDS OF THE AGRICULTURE SECTOR

To combat difficult environmental factors such as low arable land and water scarcity Iraq aims to invest in **agricultural technologies** such as **greenhouse farming** and **smart farms** which would provide shorter agricultural cycles and a variety of crops independently by time and by season.

Supporting local production would reduce dependence on imports and strengthen the economy. In this sense, Iraq aims to take defined measures to **support the entire supply chain** from input to output, provide access to the free market and create a competitive advantage by establishing **agri-food processing plants**.



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