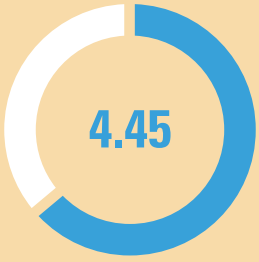
UNITED NATIONS
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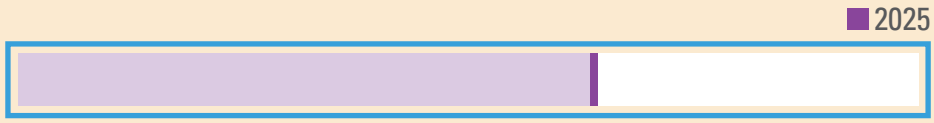
Shared Prosperity Dignified Life

Country profile
IRAQ

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



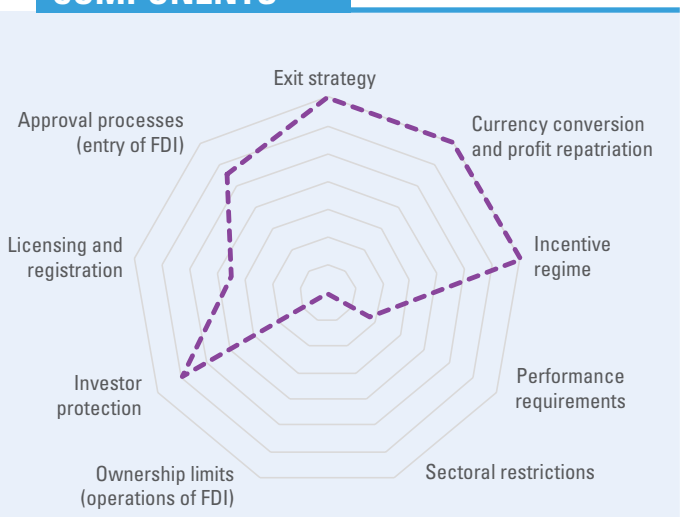
FOREIGN DIRECT INVESTMENT



Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	5.60
Licensing and registration	3.50
Investor protection	6.00
Ownership limits (operations of FDI)	0.00
Sectoral restrictions	0.00
Performance requirements	1.75
Incentive regime	7.00
Currency conversion and profit repatriation	7.00
Exit strategy	7.00

COMPONENTS



ELEMENTS



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Developed

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of Iraq based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

Investment legislation in Iraq (Law No. 13 of 2006, as amended by Law No. 50 of 2015) aims to foster a conducive investment environment in Iraq by encouraging both domestic and foreign investments. It also seeks to promote the active participation of the Iraqi private sector in economic development by enhancing the competitiveness of projects governed by its provisions, ensuring the protection of investors' rights and assets, and supporting the development and expansion of exports.



Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

Investment Law No. 13 of 2006, as amended, establishes the National Investment Commission as the competent institutional authority responsible for regulating and supervising investment policy under article 4. The commission is mandated to formulate the national investment strategy, identify priority sectors, develop the national investment map and prepare lists of investment opportunities pursuant to article 4 (sixth), and to provide information and advisory services to investors in accordance with article 9 (fourth). Pursuant to article 22, the law recognizes bilateral and multilateral international investment agreements by granting foreign investors additional advantages under agreements involving Iraq. It authorizes the encouragement of Iraqi and foreign investors by providing loans and financial facilities in coordination with the Ministry of Finance and other financial institutions. These include lending secured by project facilities and subject to specific conditions, pursuant to article 9 (eighth), thereby providing a statutory basis for investment financing support.

Iraq has signed investment protection agreements with 35 bilateral partners and nine multilateral groups, which include the Arab League as well as countries such as Belarus, France and Kuwait. It maintains active bilateral investment treaties with Japan and Kuwait. These agreements typically address encouraging investment, profit repatriation, and equitable expropriation.

However, the Investment Law does not expressly impose registration fees on foreign investors and does not explicitly regulate the right of foreign investors to mortgage land or real estate as collateral for bank loans, as the existing provisions are limited to credit facilities secured by project installations without a comprehensive mortgage regime.



Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Iraq, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

The Investment Law regulates licensing and registration through investment licenses. It requires that applications be accepted only if the project capital meets a minimum threshold determined by the Council of Ministers or the Regional Council of Ministers through a regulation issued upon the commission's proposal pursuant to article 7(A).

Chapter 6 of the Investment Law establishes procedures for granting licenses. Articles 19 and 20 require investors to submit a project financing plan with a guaranteed source of funding from an accredited financial institution and a timetable for completing the project, in accordance with article 19 (second). The law requires the commission to decide on license applications within a maximum period of 45 days pursuant to article 7(C), and renders its decisions binding under article 7(D). Licensing procedures are further streamlined through the establishment of a one-stop shop operated by authorized representatives of the competent authorities. Article 20 (second) sets a 15-day deadline for sectoral authorities to issue their decisions, after which approval is deemed granted in the absence of a response, while article 20 (second)(C) establishes a post-licensing obligation for all public authorities to cooperate with the commission within 30 days. With respect to real estate rights linked to investment projects, the law enables Iraqi and foreign investors to acquire land allocated to housing projects pursuant to article 10 (second)(A)(1); grants lease, sub-lease and surface rights for up to 50 years, with renewability subject to approval pursuant to article 10 (third)(A); and reserves ownership of State and public industrial land to Iraqi investors while allowing foreign participation in financing or management pursuant to article 10 (second)(A)(2).

At the administrative level, Iraq has implemented measures to simplify licensing and registration procedures. The Ministry of Trade introduced an online business registration portal in November 2021, which enabled the registration of almost 3,000 businesses in its inaugural year and aims to reduce the time required to establish a business in Iraq.[1]

The Investment Law does not introduce explicit restrictions related to land surface area or superficies, does not establish a statutory cost-benefit analysis framework for the assessment of investment applications, and limits its requirements to the submission of project-level economic feasibility.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Iraq, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Investment Law No. 13 of 2006, as amended, provides a framework of legal guarantees and enforcement mechanisms for the protection of foreign investors. Article 10 of the Investment Law requires local and foreign investors to be treated on equal terms, while article 11 (second, third and fourth) grants foreign investors several statutory privileges, including the right to open branches

of foreign companies, register patents, insure investment projects and open Iraqi or foreign currency bank accounts. Article 12 provides investors with various guarantees, including the right to employ non-Iraqi workers where qualified Iraqi staff are not available and the right of non-Iraqis working on investment projects to be granted residency in Iraq (article 12, first and second), as well as protection against expropriation or nationalization except by a final judicial decision, and protection against expropriation except for public interest and in return for fair compensation pursuant to article 12 (third).

Article 27 of the Investment Law provides for arbitration as a means of resolving disputes between investors and the Government, allowing recourse to national or international commercial arbitration pursuant to an agreement specifying the arbitration authority, procedures and applicable law. At the international level, Iraq ratified the New York Convention in 2022, and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) in 2015, thereby establishing an international legal framework for investor–State dispute settlement and the recognition and enforcement of foreign arbitral awards. Enforcement of arbitral awards remains subject to recognition procedures before national courts in accordance with the applicable procedural framework. Additionally, article 87 of the Constitution guarantees the independence of the judiciary and ensures that judgments are rendered in accordance with the law, thereby establishing a constitutional basis for judicial independence in investment-related disputes.



Ownership limits

This assessment component examines the extent to which Iraqi legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

The Iraqi legal framework allows foreign investors to own up to 100 per cent of an investment project as a general rule, under Investment Law No. 13 of 2006, as amended. However, the Companies Law, as amended in 2019, introduces a direct foreign equity restriction applicable to certain corporate forms. It requires that Iraqi shareholding be at least 51 per cent of the company's capital where a foreign natural or legal person acquires founder or shareholder status in joint-stock or limited liability companies. This provision constitutes an explicit application of a 49/51 ownership rule in the establishment of these types of companies.

Article 23 of the Iraqi Constitution establishes the general principle that non-Iraqis may not own immovable property except where permitted by law. Within this framework, article 10 (second)(A)(1) of the Investment Law allows Iraqi and foreign investors to acquire land allocated to housing projects, while article 10 (second)(A)(2) reserves ownership of State and public land allocated to industrial projects to Iraqi investors and enables foreign participation through financing or management partnerships. This imposes an additional restriction on the full acquisition of those assets by foreign investors.

However, the Investment Law does not establish a general foreign equity cap or require the participation of a national partner. Instead, the 51 per cent Iraqi ownership requirement arises from the Companies Law and applies only to certain corporate forms.



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Iraq, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

Article 2 (second) of the Investment Law establishes a general policy framework aimed at encouraging domestic and foreign private sector investment and enhancing the competitiveness of investment projects in domestic and foreign markets by providing the necessary facilities for the establishment of investment projects, thereby supporting FDI promotion and market competition. Investment activities in Iraq are further governed by the Competition and Antitrust Law, which regulates

competitive practices and seeks to ensure free and fair competition in the market, providing a complementary legal framework for attracting foreign investment in a competitive environment.

The Investment Law introduces explicit sectoral restrictions on foreign investment in certain sensitive industries. Its scope excludes investments in oil and gas extraction and production, as well as investments in the banking and insurance sectors, pursuant to article 29 (first and second), thereby subjecting foreign investment in these sectors to special regulatory regimes under the relevant sector-specific legislation.

However, the Investment Law does not set out detailed national security criteria or establish a specific foreign investment screening mechanism based on security considerations.



Performance requirements

This assessment component examines whether Iraqi investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.

The Investment Law imposes a set of labour and human capital development obligations on investors as part of its performance requirements framework. Pursuant to article 14 (sixth), investors are required to comply with Iraqi labour laws relating to wages, leave entitlements, working hours and working conditions, as a minimum. They are also required to train Iraqi employees, enhance their skills and qualifications, and give priority to the employment and use of Iraqi workers pursuant to article 14 (eighth), thereby establishing direct legal requirements aimed at workforce development and the retention of FDI.

The law authorizes investors to employ non-Iraqi workers where qualified Iraqi personnel are not available pursuant to article 12 (first), and grants foreign investors and non-Iraqi employees in licensed investment projects the right of residence in Iraq and facilitated entry and exit pursuant to article 12 (second), providing operational flexibility in the management of human resources.

However, the Investment Law does not contain explicit provisions imposing export performance requirements or policies promoting exports within FDI agreements, nor does it establish clear legal criteria for assessing the opportunity costs, effectiveness or efficiency of the State's FDI strategies. The legislative framework is limited to labour-related obligations and training requirements and does not introduce broader performance indicators or evaluation mechanisms applicable to foreign investment projects.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Iraq, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.

Article 15 of the Investment Law provides for the exemption of investment projects from fees and taxes for 10 years, from the start of commercial operations. The Council of Ministers may extend or enhance these exemptions depending on project location, sector, employment impact or national interest. Where the Iraqi investor's share exceeds 50 per cent, the exemption may be extended to 15 years. Further exemptions may be granted under article 16 for projects relocated from developed to less developed areas.

Article 17 provides for exemptions from customs and taxes on imported assets, including machinery and equipment, provided that they are brought into the country within three years of licensing. Additional exemptions apply to construction works and technological upgrades that exceed 15 per cent of capacity. Spare parts are exempt up

to 20 per cent of the value of fixed assets. Certain sectors, including health, tourism and education, are also granted exemptions on furniture and renovations every four years.

According to article 18, misusing or selling exempted assets without authorization will result in the restitution of unpaid taxes, fees and penalties.



Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Iraq, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

Among the rights granted to investors in relation to currency conversion and profit repatriation is the right to transfer abroad the capital introduced into Iraq, together with its returns, in a freely convertible currency, in accordance with the provisions of this Law and the instructions of the Central Bank of Iraq, following the settlement of all obligations and debts owed to the Government of Iraq and other relevant entities.

Nevertheless, the Central Bank of Iraq is responsible for regulating and monitoring FDI capital, which guides the movement of capital, fund repatriation, and banking operations. The bank works with both local and international institutions to coordinate FDI-related capital flows and ensure adherence to the financial framework.



Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the Iraqi market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

Article 23 stipulates that if ownership of a project is transferred during the exemption period, the project shall continue to benefit from all incentives, provided the new investor operates the project in the same field or an approved alternative and assumes all rights and obligations of the predecessor. Pursuant to article 24, investors may, with the commission's approval, sell or transfer exempted assets to another investor benefiting from the law. Alternatively, they may transfer such assets to a non-beneficiary upon notification to the commission and payment of applicable duties and taxes, or opt to re-export the assets. Article 25 requires maintaining separate accounts for each project in the event of mergers to preserve exemption benefits for the remaining term. Finally, article 26 guarantees the continuation of exemptions granted under prior legislation until their expiration, thereby providing legal certainty for the planning of investor exit.

[1] United Nations Trade and Development, Online business portal delivers results in Iraq, 2022.

RECOMMENDATIONS

- Clarify, through legislation or judicial regulations, procedures for recognizing and enforcing foreign arbitral awards by domestic courts, building on constitutional guarantees of judicial independence.
- Clarify whether foreign investors are permitted to mortgage land or real estate as collateral for bank loans, beyond credit secured by project installations.
- Introduce legal provisions addressing export-oriented investment promotion within the FDI framework, where applicable.
- Establish clear legal criteria or reporting mechanisms to assess the effectiveness and opportunity costs of State FDI strategies.

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