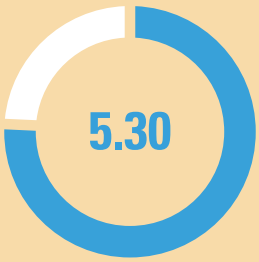
UNITED NATIONS
الاسكوا
ESCWA

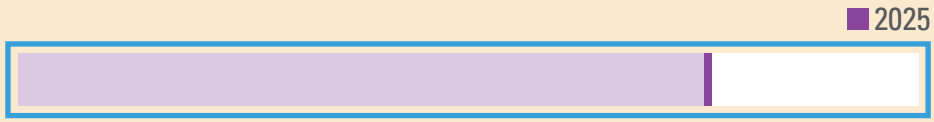
Shared Prosperity Dignified Life

Country profile
KUWAIT

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



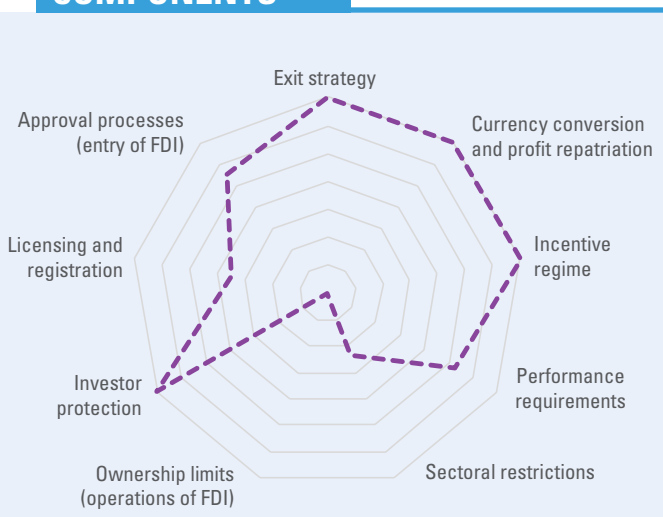
FOREIGN DIRECT INVESTMENT



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	7.00
Ownership limits (operations of FDI)	0.00
Sectoral restrictions	2.33
Performance requirements	5.25
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

Strong

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 Kuwait 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.

The investment environment in Kuwait is governed by several laws, primarily overseen by the Kuwait Direct Investment Promotion Authority, and aimed at attracting and regulating foreign investment. Law No. 116 of 2013 regarding the promotion of direct investment in Kuwait, serves as the principal legal framework governing foreign investment.



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.

Article 2 of Law No. 116 of 2013 regarding the promotion of direct investment in Kuwait establishes the Kuwait Direct Investment Promotion Authority as the competent authority responsible for regulating, promoting and supervising direct investment in Kuwait. Pursuant to article 4 of the law, the Kuwait Direct Investment Promotion Authority is entrusted with organizing and monitoring direct investments, receiving and examining investors' applications, issuing the relevant decisions, and supervising the implementation of licensed investment projects, thereby providing a clear institutional framework for the organization and enforcement of regulatory policies related to investors. Registration and licensing procedures are subject to the fees determined under Ministerial Decision No. 182 of 2022, which approves the authority's official fee schedule, and specifies the fees payable in consideration for licensing, registration

and other investment-related services provided by the authority. With respect to the regulation of bilateral and multilateral investment agreements, article 70 of the Constitution of Kuwait provides that international treaties and agreements shall not enter into force unless ratified and published in accordance with the law. On this basis, Kuwait has concluded several bilateral and multilateral investment treaties governing international investment relations. Pursuant to the same constitutional provision, ratified and duly published treaties acquire binding legal force within the domestic legal order, thereby ensuring the enforceability of bilateral and multilateral investment agreements before the competent national authorities and courts and guaranteeing compliance with the country's international obligations in the field of investment protection.



Licensing and registration

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

The applicable legislation in Kuwait does not establish fixed statutory minimum capital thresholds. Instead, capital levels are determined through regulatory criteria that vary by company form and sector. Article 29 of Law No. 116 of 2013 regarding the promotion of direct investment in Kuwait establishes a cost-benefit assessment framework by requiring investors applying for incentives and exemptions to submit a formal request for evaluation by the Kuwait Direct Investment Promotion Authority. The authority assesses the amount, type and duration of incentives based on specific criteria, including technology transfer, contribution to economic diversification, export promotion, job creation for nationals, regional development, and positive environmental impact. For licensing and registration procedures, investors may submit their applications electronically through the investor service portal operated by the authority, which streamlines the licensing process and facilitates access to investment opportunities in Kuwait.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Kuwait, 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.

Enforcement and investor-protection measures are reflected in both the institutional mandate of the Kuwait Direct Investment Promotion Authority and the statutory guarantees available to licensed investment projects. As an enforcement mechanism supporting FDI promotion, the authority is mandated under the Direct Investment Promotion Law to promote direct investment opportunities; provide investors with information on applicable advantages, exemptions and guarantees; process and examine investor applications and take the necessary actions in accordance with the law and its implementing framework; coordinate with competent authorities to simplify procedures and improve the investment environment; and monitor the performance of direct investments and identify obstacles with a view to addressing them in coordination with relevant entities.

In Kuwait, investors enjoy legal guarantees against expropriation and nationalization. These guarantees are explicitly reflected in article 19 of the Direct Investment Promotion Law, which prohibits confiscation or expropriation of a licensed investment entity except for public benefit and in return for compensation equivalent to the "true economic value" of the expropriated project at the time of expropriation, assessed on the basis of the economic situation prior to any threat of expropriation, and payable immediately upon issuance of the relevant decision. In cases where expropriation and nationalization are permitted,

investors are entitled to compensation equivalent to the actual value of their assets.

Regarding dispute resolution, article 26 of the investment law allows for the possibility of arbitration as a means of resolving disputes between investors and the Government. Article 26 also establishes, as a general rule, the jurisdiction of Kuwaiti courts over disputes arising between investment projects and third parties, while permitting the parties to agree to arbitration in such disputes. Judicial independence, which is relevant to the integrity of adjudication and, in principle, to the domestic handling of recognition and enforcement proceedings, is constitutionally protected under article 163 of the Constitution. It provides that no authority may exercise control over a judge in the administration of justice and prohibits interference with the course of justice, while requiring that the law guarantee the independence of the judiciary and establish safeguards applicable to judges, including provisions related to security of tenure.

At the regional level, Kuwait participates in preferential economic arrangements within the Gulf Cooperation Council (GCC), including the Unified Economic Agreement (Law No. 5 of 2003) and the Unified Customs Law (Law No. 10 of 2003), which support intra-GCC economic integration through unified frameworks and customs-related facilitation measures that may contribute to improving investment conditions among GCC member States.

In addition, Kuwait is party to international instruments relevant to investment and dispute settlement, including the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), and holds membership in the International Centre for Settlement of Investment Disputes (ICSID).



Ownership limits

This assessment component examines the extent to which Kuwaiti 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 Kuwaiti legal framework governing foreign equity participation and real-estate ownership combines general ownership restrictions with sector-specific liberalization measures applicable to licensed foreign direct investment projects. As a general rule, and outside the scope of the Direct Investment Promotion Law, foreign participation in Kuwaiti companies is subject to ownership restrictions whereby at least 51 per cent of the share capital must be held by Kuwaiti nationals. However, Decree No. 75 of 2015 allows foreign investors to hold up to 100 per cent ownership in licensed investment projects under the Direct Investment Promotion Law and grants foreign investors national treatment.

In parallel, real-estate acquisition by foreign investors remains subject to regulatory limitations. Decree-Law No. 7 of 2025 relaxed certain ownership restrictions by permitting licensed investment companies to own the real estate necessary for their activities, provided that such ownership is not used for speculative purposes, thereby introducing conditional limitations on land ownership by foreign investors. Additionally, article 27(4) of the Direct Investment Promotion Law allows licensed investors to benefit from usufruct rights over land and real estate allocated to or managed by the Authority, in accordance with the rules and criteria established by the Board of Directors of the Kuwait Direct Investment Promotion Authority, thereby providing an alternative legal mechanism for access to land without conferring unrestricted ownership rights.



Sectoral restrictions

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

The Kuwaiti legal framework governing sectoral restrictions on foreign direct investment combines general competition safeguards with explicit legislative exclusions applicable to specific sectors for regulatory, strategic and security-related

reasons. The Competition Law of Kuwait (Law No. 10 of 2007) prohibits anti-competitive agreements, abuse of dominant position, and practices detrimental to free competition. It designates the Competition Protection Agency as the competent authority to promote and protect fair competition in the market, thereby providing a general regulatory framework that supports a competitive investment environment.

In parallel, article 4(5) of the Direct Investment Promotion Law mandates the Kuwait Direct Investment Promotion Authority to coordinate with competent authorities to simplify procedures, improve and develop the investment environment, enhance competitiveness, and monitor competitive conditions and performance indicators in accordance with international standards, as part of its mandate to promote foreign direct investment. However, access to certain sectors remains subject to explicit market restrictions and exclusions. Cabinet Decision No. 75 of 2015, issued in implementation of the Direct Investment Promotion Law, outlines a list of activities excluded from the scope of permitted direct investment, including crude oil and natural gas extraction, gas distribution through pipelines, real-estate activities (with limited exceptions), private security and investigation services, public administration and defense, and compulsory social security.

These exclusions establish sector-specific prohibitions on foreign direct investment and reflect exceptions applicable to strategic and sensitive activities linked to national security and sovereign interests, thereby limiting foreign entry into certain sectors while maintaining an open investment system in non-excluded activities.



Performance requirements

This assessment component examines whether Kuwaiti 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 Kuwaiti legislative framework subjects the use of foreign labour and national employment requirements in foreign direct investment projects to regulatory conditions aimed at supporting national workforce development and ensuring labour market balance. In this regard, article 5 of Law No. 19 of 2000 Concerning Support and Encouragement of National Manpower Employment in Non-Governmental Entities provides that the Government shall contribute to developing national manpower in non-governmental entities by contributing to a percentage of the training costs of national workers, thereby establishing a statutory mechanism to promote the integration of Kuwaiti nationals into investment activities. In parallel, article 27(5) of the Direct Investment Promotion Law authorizes licensed investment projects to employ the foreign labour necessary for the investment, in accordance with the rules and restrictions issued by Cabinet decision in relation to the minimum percentage of national labour that must be maintained.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Kuwait, 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 27 of the Direct Investment Promotion Law grants foreign investors various incentives and exemptions. These include exemption from income tax for up to 10 years from the project start date, and exemptions from customs and import duties on equipment and supplies imported for the purpose of the project, and on land and real estate.

Additionally, article 30 of the law establishes a special Investment Register under the Kuwait Direct Investment Promotion Authority. This register records all licensed investment entities in accordance with the provisions of this law, along with all relevant applications, licenses, incentives, exemptions and penalties. All related documents and data must be attached to the register.

Currency conversion and profit repatriation

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

Kuwaiti legislation does not impose capital controls on investors. Article 22 states that the investor has the right to transfer abroad his profits, capital or proceeds resulting from the disposal of his shares or participation in the investment entity.

Exit strategy

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

The Direct Investment Promotion Law in Kuwait contains explicit provisions governing the exit of foreign investors and the regulation of mergers and acquisitions. With regard to exit mechanisms, article 20 grants the investor the right to transfer ownership of the licensed investment entity, assign it, or otherwise dispose of it, in whole or in part, in favour of a foreign or Kuwaiti investor, in accordance with the rules and conditions established by the Board of Directors of the Kuwait Direct Investment Promotion Authority. The same provision further provides that, in the event of a transfer or assignment, the new owner or assignee shall replace the original owner in all rights and obligations, thereby establishing a clear legal framework governing investor exit and ownership transfer. With regard to mergers and acquisitions, article 21 authorizes the merger of two or more investment entities, with the approval of the board and following a joint application submitted to the authority. It also states that the resulting entity shall be the legal successor to the merged entities and replace them in all rights and obligations. The newly merged entity shall automatically benefit from the shortest remaining duration of the exemptions and incentives granted to any of the merged entities, thereby establishing a statutory framework that governs mergers and acquisitions carried out by foreign investors under the foreign direct investment system.

RECOMMENDATIONS

- Introduce an explicit statutory requirement for a structured cost-benefit assessment of investment projects not requesting incentives, beyond the incentive-linked evaluation.
- Consolidate excluded activities into a single public negative list and clarify its update mechanism to enhance transparency and legal certainty for investors.
- Clarify whether any prudential or temporary capital-flow measures may apply in exceptional circumstances, given the absence of explicit capital control provisions.