



Foreign Direct Investment – Money Movement In & Out Iraq

Foreign Direct Investment (FDI) plays an essential role in the development of the host countries, by foreign capital, especially in - developing countries - exploit their natural resources, complete main projects related to their infrastructure, such as roads and airports, and establish projects that require technical expertise. Foreign investment contributes significantly to financing development processes. In addition, the formation of national expertise in countries hosting investments.

First: Iraq's Membership in the International Monetary Fund (IMF)

Iraq became a member in the IMF since (27 December 1945) all members countries have obligations according to IMF Articles of Agreement, to implement and take all the possible measures to remove the restrictions on the freedom of capital movement, as indicated in Articles Eight & Fourteen of the IMF establishment agreement. Article Eight indicates implicitly: (No member may impose – without the IMF approval – restrictions on the payments performance and the transfers related to the international commercial transactions).

(Article 14) indicates implicitly: (if the member is ready to accept the obligations in Sections 2, 3, & 4 of Article Eight).

Thus, the agreement encourages the free movement of capital between countries and the transfer of balances between other members, well as the establishment of commercial and financial arrangements – international & bilateral - to facilitate the performance of international payments and work toward a stable exchange rate system, which creates the appropriate environment to attract foreign investments.

Second: Iraq Joined the Washington Convention 1965

Iraq joined the (Washington Convention on the settlement of investment disputes between States and nationals of other States) in 2015, organized by the International Bank for Reconstruction and Development on 17 October 1966, establishing the International Center for Settlement of Investment Disputes (ICSID).

Iraq's accession to the Washington Convention means that this country has become bound by its provisions and makes this convention an integral part of the national



legal system. This results in harmonization between what is included in the convention and the articles contained in Iraqi legislation.

The international center referred to above is considered the international organization that grants companies and foreign investors the right to stand equally with the country hosting their investments. Therefore, Iraq's accession to the agreement is necessary to attract investments and achieve the purposes of economic development, especially considering the transformation and adoption of a free market economy. As an economic system for the country, it made room for the private sector in an unprecedented manner.

Third: Iraq Investment Law No. (13) of 2006

Iraq legislated Investment Law No. (13) of 2006, including Foreign Direct Investment (FDI) instructions providing the foreign investor set of advantages, summarized by the following:

1. Iraqi or Foreign investors enjoy the same privileges, facilities, and guarantees. They must adhere to the obligations stated in this law 'The Iraqi or Foreign investor may own lands allocated for housing projects that belong to the State and Public Sector. The Iraqi investor may buy lands that belong to the private or Mixed Sector to set up exclusively housing projects provided they do not conflict with the uses of the Basic Design, according to the instructions by the Investment Commission & approval of the Ministers' Council.
2. Facilitating access to lands to establish necessary housing projects as determined by the Commission in coordination with the relevant authorities, and ownership of housing units for Iraqis after completion of the projects.
3. The investor shall have the right to take out the capital he brought into Iraq and its proceeds in accordance with the provisions of Investment law and pursuant to the instructions of the Central Bank of Iraq in an exchangeable currency after paying all his taxes and debts to the Iraqi Government and all other authorities.
4. The foreign investor shall have the right to: deal in the Iraq Stock Exchange with shares and bonds that are dealt in it and acquire membership of private stock and mixed companies, even when there are properties within the assets of said companies.
5. The Iraqi or Foreign investor has the right to rent and hire properties or long leases from the State or from the Private and Mixed Sectors for the purpose of establishing investment projects in it for a period of not more than (50) Fifty years, renewability subject to the approval of the Commission which grants the license and the relevant authority provided that the nature of the project



and its economic feasibility is taken into account. The industrial projects constructed in the industrial cities shall be owned with charges and according to instructions.

6. Guarantee the following for the foreign investor, The right to employ and use non-Iraqi workers in case it is not possible to employ an Iraqi with the required qualifications and capable of performing the same task in accordance with guidelines issued by the Commission.
7. Granting the foreign investors and non-Iraqis working on the investment projects the right of residency in Iraq and facilitating his/her entry and exit to and from Iraq.
8. Lack of expropriation or Nationalization of the investment project except as becoming a final judicial decision.
9. Assets imported for the investment project shall be exempted from taxes and customs duties, but to be brought into Iraq first (3) years through the establishment stages of the project, The project that has obtained a license from the Commission shall enjoy exemption from taxes and fees for a period of (10) Ten Years as of the date of commencing commercial operation for each stage of creation of the investment project, this does not include exemption from customs duties taking into account items (First and Second) of Article(17) of the Law, Also Article (15) of the Iraqi Investment Law confirmed this with other exemptions, and foreign investors enjoy additional benefits in accordance with international agreements between Iraq and its country or multilateral agreements Iraq joined.

Article (Eleven – First) indicates the following: The investor shall have the right to take out the capital he brought into Iraq and its proceeds in accordance with the provisions of this law and pursuant to the instructions of the Central Bank of Iraq in an exchangeable currency after paying all its taxes and debts to the Iraqi government and all other authorities.

Fourth: Investment Agreements Iraq Signed Before & After 2003

1. Inter-Arab Investment Guarantees Corporation Agreement 1988.
2. The Unified Agreement for the Investment of Arab Capital in the Arab States 2012 Amended.
3. Agreement on the avoidance of double taxation and tax evasion 1997.
4. Agreement of Investment Dispute Settlement for Arab Countries 2000.
5. Amman Convention on Commercial Arbitration 1988

The dual agreements that were authorized and made public by Iraqi's Waka'ea (Facts) Newspaper are:

1. An agreement between Iraq & France in 2012 on the promotion and protection of Mutual investment.
2. An agreement between Iraq & Armenia in 2014 on the promotion and protection of Mutual investment.
3. An agreement between Iraq & Japan in 2013 on the promotion and protection of Mutual investment.
4. An agreement between Iraq & Jordan in 2015 on the promotion and protection of Mutual investment.
5. An agreement between Iraq & Kuwait in 2014 on the promotion and protection of Mutual investment.
6. An agreement between Iraq & Germany in 2012 on the promotion and protection of Mutual investment.
7. An agreement between Iraq & United States of America in 2012 on investment incentives

Most of these agreements and dual treaties have provisions relating to the freedom of capital movement.

Fifth: Mechanisms for Investors' Capital Movement Into & From Iraq:

To develop an advanced financial base that will support the economy, achieve fair competition with local companies, and increase market trust, the Central Bank of Iraq plays a key role in encouraging investors to place their money there. Additionally, these foreign banks and companies' roles are crucial for attracting new investments, and some of them are:

	Standard chartered Bank	1. مصرف ستاندرد تشارترد
	Ziraat Bankası	2. مصرف زراعات التركي
	Türkiye İş Bankası	3. مصرف آش التركي
	Bank of Jordan	4. بنك الاردن
	Abu Dhabi Islamic Bank	5. مصرف ابو ظبي الاسلامي
	Albaraka Bank	6. مصرف البركة التركي الاسلامي
	Vakif Bank	7. مصرف فاكيف التركي

Representative Offices

المكاتب التمثيلية للمصارف الاجنبية



Citi Bank

8. ستي بنك



Commerzbank

9. البنك التجاري الالمانى



First Abu Dhabi Bank

10. مصرف ابو ظبي الاول

Subsidiaries in Iraqi Banks الاستثمارات الاجنبية في المصارف المحلية

Subsidiary of Capital Bank
of Jordan

National Bank of Iraq

11. البنك الاهلي العراقي

Subsidiary of QNB Group

Al-Mansour Bank

12. مصرف المنصور

Subsidiary of Jordan Kuwait
Bank

Bank of Baghdad

13. مصرف بغداد

Subsidiary of Ahli United
Bank, Bahrain

Commercial Bank of Iraq

14. المصرف التجاري العراق

Central Bank of Iraq issued instructions and regulations for foreign investors capital movement flow back in 2012 based on paragraph (11) of investment law number 13 for year 2006, which states that (Investors inside Iraq have the right of what goes along with investment's law to use transferred funds into Iraq that credited at their investment account at the local bank, and to re-transferred these funds outside Iraq whenever they want according to market exchange rate to finance their importing operations of products, services and other commitments related to their investment activity).

In 2023 Central Bank of Iraq announced its regulations of foreign investment funds transfer in Iraq as follows:

2/H/First: Capitals of investment projects that have a license under Investment law number (13) for 2006 and its amendments as well as investment projects' returns following the application of their audited financial statements demonstrating profits and investor financial commitments with the Iraqi government and other relevant parties inside Iraq.

2/H/Second: Equities returns could be transferred for Iraqi or Foreign nationals residing outside of Iraq (Principle plus returns if found) In case of selling after providing a letter of confirmation from the Iraq Stock Exchange.

Additionally, the Iraqi government has asked all authorized institutions to cut back on currency exchange fees.



Executive Fund Movement Procedures:

In accordance with CBI regulations, funds are received and transferred through current accounts from one of the banks operating in Iraq through which they are held for investment projects that have been granted a basic investment license in both Iraqi dinar and foreign currencies.

Investors may transfer all of their current funds from their accounts with foreign banks and their brokers located outside of Iraq into a current account with CBI through one of its brokers located outside of the nation in order to receive an equivalent amount in Iraqi dinars from an account with one of the licensed banks operating inside of Iraq.

If investors intend to transfer funds outside Iraq (Project's capital or profits) or any other obligations relating to their project in foreign currencies, it should be based on regulation through an auction mechanism administered by CBI, the investor should apply through the bank that currently holds his current account for a transfer obligation through this platform, broker financial statement along with correspondent financial statements as well as a statement proves touching down Iraq for that purpose earlier, moreover, settle all the commitments with government and related parties inside Iraq), IQD transaction should be credited to the bank current account opened in CBI at least two days earlier, and then a wire transfer will be settled for this purpose.