

RANKED BY



Sovereign Guarantee

GUIDELINES

IRAQ
2025

Content

<u>About Guide</u>	3	<u>Allocation & Sectors</u>	23
<u>Foreword</u>	4	<u>Projects</u>	23
<u>Executive Summary</u>	5	<u>Investors Obligations & Restrictions</u>	24
<u>Strategic Projects</u>	7	<u>Guarantee Limits</u>	24
<u>Sovereign Guarantee</u>	9	<u>Sovereignty Guarantee Committee</u>	26
<u>Important Idioms</u>	10	<u>Export Credit Agency</u>	26
<u>SG in International Context</u>	11	<u>Benefit of Buyer Credit</u>	27
<u>Global Trends</u>	12	<u>Agency requirements</u>	27
<u>Functional Units</u>	13	<u>Agency Mechanism</u>	28
<u>Important of SG</u>	14	<u>Iraqi Federation of Industries</u>	30
<u>Benefit</u>	15	<u>Federation Chambers Commerce</u>	33
<u>Effects of SG</u>	16	<u>Eligibility criteria</u>	35
<u>Challenges</u>	17	<u>Procedures</u>	37
<u>Role of banks, financial institutions</u>	18	<u>Additional Consideration</u>	41
<u>Public-private partnerships</u>	20	<u>Recommendations to government</u>	42
<u>Legal framework</u>	21	<u>Case Study</u>	43

Other versions can be found here

- Italy([**sgitaly**](#))
- Germany ([**sggermany**](#))
- Arabic ([**sgarabic**](#))
- China ([**sgchina**](#))

About Guide

This guide outlines the procedures that investors must follow when applying for a sovereign guarantee and the conditions the investor must meet as well.

This guide aims to clarify the process of granting sovereign guarantees.

This guide may be revised from time to time in light of changes implemented by the Iraqi government, as well as regulations, instructions, and laws that may be issued to facilitate or amend sovereign guarantee procedures.

Authors



Ahmed Hankawi
Managing Partner
+964 781 500 1400
+971 50 560 7228
a.hankawi@etihad-law.com



Shayma Aziz
Partner
+964 788 080 7071
s.aziz@etihad-law.com

Foreword

This guide of Sovereign Guarantees in Iraq is a comprehensive introduction that highlights the key aspects related to obtaining sovereign guarantees and its role in promoting investment and encouraging major projects in the Iraqi dynamic and evolving market. This guide is prepared by Etihad team in collaboration with legal advisors.

Iraq is experiencing a significant transition period with a growing economy, diverse public and private sector projects, and reforms aimed at enhancing the investment environment and attracting international capitals. As a strategic trade and investment hub in the region, Iraq offers significant potential in various fields, making sovereign guarantees an important tool for enhancing confidence and encouraging impactful investments.

Our firm is committed to providing comprehensive support to the investors interested in taking advantage of Iraq's sovereign guarantee system.

We hope this guide will serve as a valuable resource, providing clear insights into the mechanisms of sovereign guarantees in Iraq and supporting investors in building and growing their businesses in this promising and opportunistic market.

Ahmed Hankawi
Managing Partner

Executive Summary

A sovereign guarantee represents a government commitment aimed at ensuring the fulfillment of debts or financial obligations on behalf of borrowers in the event of default. This enhances investment attractiveness and reduces the risks associated with the major projects. These guarantees provide confidence to investors and financiers, leading to improved financing terms, such as lower interest rates and longer repayment periods, thus facilitating the implementation of strategic projects.

To enhance the investment environment, the Iraqi government is moving towards developing a comprehensive framework to regulate the issuance and management of sovereign guarantees. This framework includes public-private partnerships, where guarantees are used to support vital projects in the agricultural, industrial, infrastructure, and energy sectors, with a focus on improving efficiency and transferring risks to parties capable of managing them effectively.

Infrastructure is a key factor in attracting investment, and the government seeks to improve the legal and regulatory environment to facilitate entities' registration and protect the Intellectual Property rights. Furthermore, it is working to provide concessional financing to small and medium-sized enterprises and promote innovation through the adoption of modern technology and digital solutions.

The government also pays special attention to environmental and social sustainability to ensure that projects comply with international standards.

The outcome of implementing sovereign guarantee policies in Iraq is to achieve broad-based positive transformations in the national economy, by providing an effective financial tool to support major projects and enhance the confidence of local and international investors.

1ST they improve the investment environment by reducing the risks associated with projects, making Iraq a more attractive destination for international capital. Investors will find in these guarantees a legal and financial guarantee that encourages them to invest in various sectors, especially those vital to economic development.

2ND these policies contribute to promoting economic development by supporting strategic projects in sectors such as agriculture, industry, infrastructure, and energy. These projects will not only contribute to diversifying sources of income and reducing dependence on oil, but will also boost domestic production and open new doors for exports.

3RD Sovereign guarantees provide greater opportunities to public-private partnerships, contributing to improving the efficiency of project implementation and transferring risks to the party most capable of managing it. This, in turn, will enhance transparency and improve project quality.

4TH They will develop basic infrastructure, such as roads, ports, and energy, making it easier for investors to conduct business and increasing the attractiveness of the Iraqi market. These projects will also provide new job opportunities and improve the quality of life for citizens.

5TH Provide small and medium-sized entities with access to financing on favorable terms, which will enhance innovation and create new job opportunities. This will contribute to supporting the local economy and enhancing its competitiveness at the regional and international levels.

Strategic projects



Plans to build new housing units,
develop water, sewage road networks

Projects in construction, real estate



Diversify energy sources such solar,
wind energy project

Meet growth demand of electricity,
reduce dependence on fossil fuels



Establish industrial cities to encourage local
manufacturing attract foreign investment

Offers advanced infrastructure, incentives
to investors



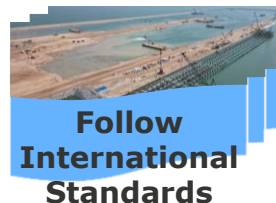
Connect Grand Faw Port to Northern borders
of Iraq, passing through several major cities

Establish an integrated infrastructure of railways,
highways to enhance trade links between Asia
and Europe through Iraq



Largest port in region, it aims to increase
capacity of maritime trade

Contributes to transforming Iraq into regional
logistics center, attracting investments in
transportation, storage sectors.



Section One
Sovereign Guarantee

Sovereign Guarantee

A sovereign guarantee represents a formal commitment by the government to ensure the fulfillment of debts or financial obligations owed by other parties, whether entities or subsidiary government institutions.

These guarantees consist of the Ministry of Finance's undertaking to intervene to pay obligations on behalf of the local borrower in the event of default, while committing to following appropriate legal procedures to address the default.

A sovereign guarantee demonstrates the government's commitment to ensuring the fulfillment of financial obligations between contracting parties, ensuring the continuity of projects and the integrity of financial operations even in the event of default by the primary debtor. It enhances investor confidence by mitigating risks related to counterparties, political instability, regulatory changes, and sometimes currency fluctuations, thus making investments more attractive.

Sovereign guarantees require careful management and prudent financial policies to avoid the risks associated with sovereign debt. The government balances the benefits of sovereign guarantees with the challenges it pose, using the golden rule of Debt Management, which is based on ensuring growth, Sustainable Development, and Economic Stability at a level that exceeds the cost of borrowing from all sources.

Sovereign Guarantee for the Borrower provides the **Lender** with assurance that the government will cover the **Borrower's** obligations in the event of default, allowing the borrower to access financing on more favorable terms. This typically results in lower interest rates, longer repayment periods, and higher loan amounts due to lower risk for lenders.

Sovereign Guarantee for the Lender is a government-backed commitment that reduces the risk of default and guarantees repayment even if the **Borrower** defaults. This reduces the **Lender's** exposure to risk, making it easier to provide financing on more favorable terms and for larger amounts, especially in higher-risk or developing markets.

Important Idioms

The primary users of sovereign guarantees are **Government Entities**, **Public Institutions**, and **Private Entities** engaged in projects of national importance.

Financial institutions, including banks and investment funds, are key stakeholders, relying on these guarantees to mitigate project financing risks.

International development organizations also interact with sovereign guarantees when financing infrastructure and development projects in emerging markets.

Source	Foreign Supplier Entity
Guarantee	An irrevocable and unconditional guarantee entered into by the Guarantor in favour of Facility Agent on behalf of Financing Parties, in respect of due amounts from time to time under Financing Documents
Guarantor	Republic of Iraq, represented by the concerned authority
Importer	An Iraqi investor who imports equipment and machinery from outside Iraq
Lender	Any original lender, bank, financial institution, or trust fund
Borrower – 1	Any Iraqi bank under sovereign guarantee Law
Borrower – 2	The investor who applied for the loan
Loan	Loan amount
Buyer	Iraqi investor who purchases equipment and machinery from outside Iraq
Export Credit Agency	Private or semi-governmental institution that acts as an intermediary between national governments and exporters to issue export insurance solutions and financing guarantees such as SACE, BPI, UKEF, US EXIM, Hermes
Individual Facility Agreement	Any loan agreement entered into pursuant to the Framework Agreement between the Borrower, the Relevant Agent, the Relevant Arranger, and one or more Export Agency Lenders
Mandate Letter	Proposal for which a commercial offer has been sent to the borrower and accepted is concluded between the borrower, the relevant agent, the relevant arranger and the agency's lender.
Obligators	Borrower and Guarantor
Guarantee Document	Document is concluded between the guarantor and the agent as a preliminary condition under the individual facility agreement

SG International Context

In developed countries such as the United States, the United Kingdom, and Germany, sovereign guarantees are used strategically to support major projects that benefit the national economy, contribute to improving infrastructure, or enhance competitiveness. These countries have several characteristics that make sovereign guarantees more effective:

Financial Economic Stability Developed countries provide a stable financial environment, making sovereign guarantees a reliable tool for attracting investment. The government in these countries enjoys high credit ratings, which reduces the risks investors may face.

Advanced Legal Frameworks These countries have robust legal and regulatory frameworks that support the implementation of sovereign guarantees. Specialized financial institutions manage these guarantees and ensure their efficient and effective implementation.

Use in Infrastructure Sovereign guarantees are used to finance major infrastructure projects such as roads, bridges, ports, and public utilities, which require significant investment. The government is typically the guarantor if there is a risk that the projects will not generate the expected returns.

Role of Government Agencies such as Hermes, SACE, and others provide sovereign guarantees to local and international investors and financiers, enhancing the ability to attract financing for large-scale projects.

Case Study

In the United States, for large projects such as the construction of highways or power plants, the government can provide sovereign guarantees to ensure loan repayment if the project encounters financial difficulties. These guarantees enhance confidence in the project and attract financing from banks and financial institutions.

Global trends of SG

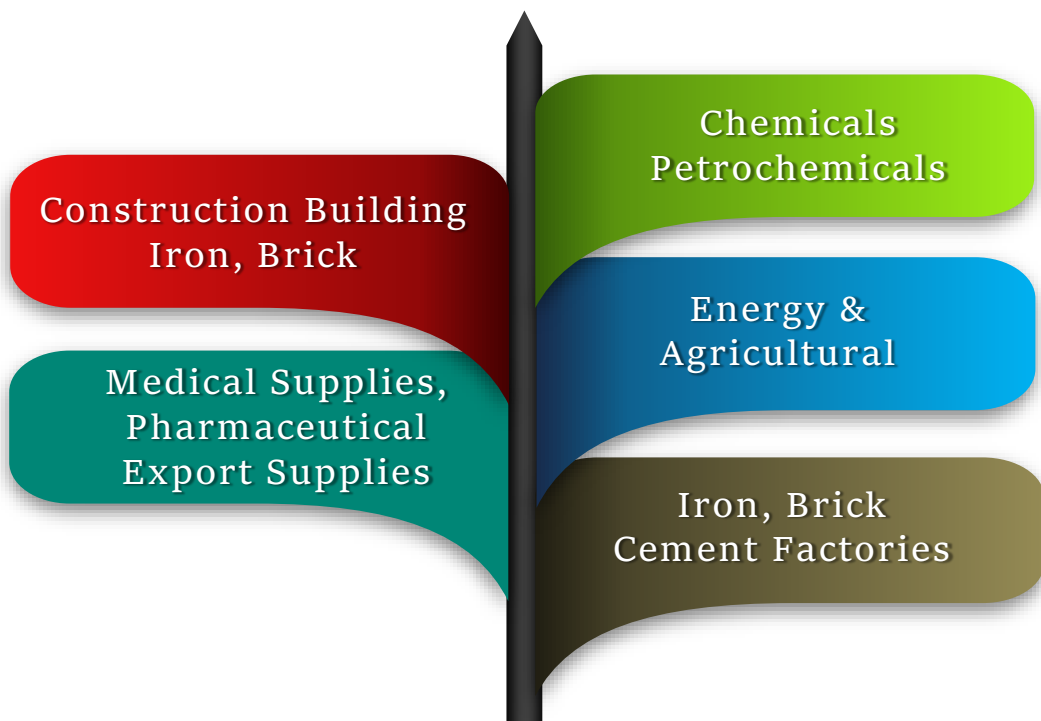
Expanding Renewable Energy Globally, many governments are turning to sovereign guarantees for renewable energy projects, as these projects hold a promising future in many countries seeking to reduce their dependence on fossil fuels.

In Iraq, sovereign guarantees have guided the development of the private agricultural and industrial sectors under Cabinet Resolution No. 23404.

Public-Private Joint Ventures, The use of sovereign guarantees is increasing in public-private partnerships, where the government provides guarantees to investors in infrastructure projects that include private sector participation.

Moving Towards Digital Transformation, With the advancement of information technology, governments are beginning to use sovereign guarantees to support digital infrastructure projects, such as high-speed internet networks or national data platforms.

Projects targeted under SG decision



Functional Units of SG



Risk Mitigation

Ensure protection of the **Lender** or **Investor** from specific risks such as default or project failure



Obligation Fulfillment

Ensure protection of the **Lender** or **Investor** from specific risks such as default or project failure



Credit Enhancement

Improve the creditworthiness of the borrower or project, enabling access to better financing terms



Legal Framework

Set the terms and conditions and ensures the legality of the guarantee through binding agreements



Monitoring and Compliance

Ensure compliance with guarantee terms and regularly evaluates the performance of the project or borrower



Compensation Mechanism

Define the process for compensating the beneficiary in the event of a guarantee claim



Reimbursement Repayment

Place the procedures for recovering funds from the defaulting party if the sovereign guarantee is activated

Importance of SG

Credit guarantee agencies and programs vary in their basis, aiming to enable underserved stakeholders to access credit from traditional financial institutions. In Iraq, economic and political challenges make it difficult to attract investments without government guarantees. These guarantees provide security for investors, enhancing the flow of domestic and international investment and stabilizing the national economy.

Sovereign guarantees assist in reduction financing risks and facilitate entities' access to low-interest loans with flexible terms, which promotes economic growth and creates new job opportunities.

Guarantees are also a vital tool for developing strong partnerships between the government and the private sector to implement major projects. In light of the economic crises that Iraq may face, sovereign guarantees play a key role in supporting the economy and ensuring the continuity of strategic projects.

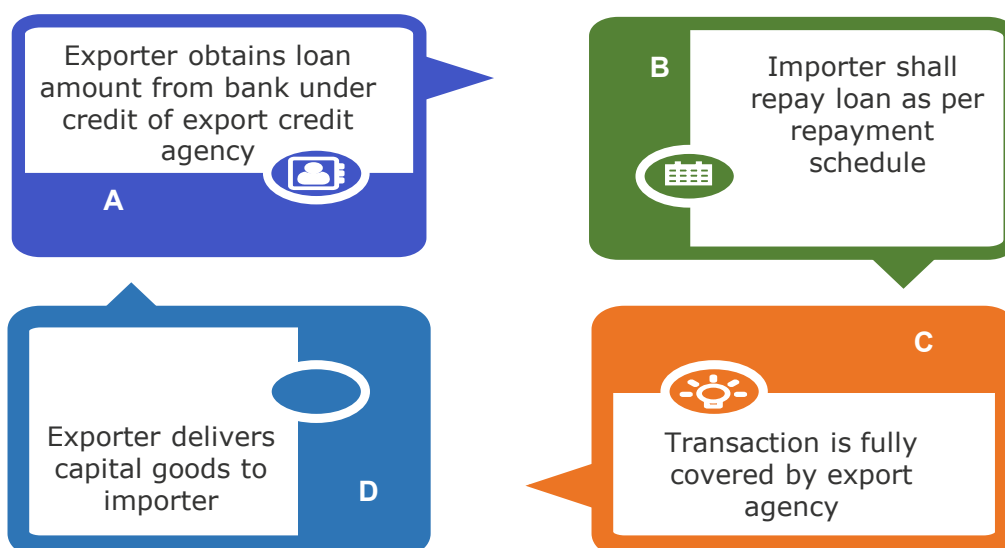
Iraqi Industry Benefit

The basic principles of export credit agency-backed financing are set out in the OECD Agreement on Officially Supported Export Credits (OECD Consensus), which is binding on all OECD countries.

This agreement sets minimum standards for export credits supported by government export credit agencies or public financing. The agreement aims to ensure that market competition is driven by the price and quality of export products rather than the scope and terms of government support.

The objective is to ensure that competition is driven by the price and quality of export products rather than the scope and terms of government support:

1. Applies to all forms of official support provided by or on behalf of the government for the export of goods, with a repayment period of more than two years.
2. Advance payments and interim payments of at least **15%** of the export contract value at or before the start of the credit.
3. Repayments at least semi-annually in equal installments.
4. The first installment shall not exceed **6** months (**Grace Period**) after the "**Starting Point**" of the credit, without the completion of the factory.
 - Maximum credit terms vary by country group:
 - OECD High-Income Countries: Maximum **8.5 years**
 - Other Countries: Maximum **10** years
 - Iraq: Plant construction period: **2 years + 8 years** for repayment
Plant construction period: **3 years + 7 years** for repayment



Effects of SG

- 1. Sustainable Business Opportunities:** Key role in availability of opportunities to foreign suppliers.
- 2. Simplified Procedures:** Commercial and legal terms, technologies, and procedures are defined within the terms of the basic loan agreement.
- 3. Negotiation Flexibility:** Interest rates, fees, and repayment methods can be negotiated in each loan agreement.
- 4. Low Financing Costs:** Possibility of providing financing in relatively small amounts to meet project needs.
- 5. Strategic Projects Localization:** Support and stimulate local strategic projects in line with the needs of the national economy.
- 6. Raw Materials Availability:** Availability of rich sources of raw materials necessary for the project contributes to reducing costs and enhancing productivity.
- 7. Reduce Import Rates:** Reduce the need for imports, which drain foreign currency, stimulates the local economy.
- 8. Achieve Economic and Energy Security:** Provide economic stability and ensure secure energy supplies, which are essential for the growth of industrial projects.
- 9. Improve Loan Terms:** Work to improve loan terms and reduce financing costs for projects.
- 10. Enhance Confidence in Industrial Financing:** Support the confidence of banks and financial institutions in financing industrial projects by providing financing facilities and benefits.
- 11. Facilitate Import of Modern Equipment:** Simplify procedures for importing advanced machinery and equipment without the need for additional collateral requirements.
- 12. Stimulate New Industrial Projects:** Encourage establishment of new industrial projects, which contributes to increasing local production and creating new job opportunities.

Challenges of SG

1. Political Challenges and Government Changes

Political changes that may occur at the government or economic policy level affect the sovereign guarantee. Sometimes, new policies may require reassessing guaranteed projects or modifying some plans to ensure they align with current government priorities.

2. Economic Challenges and Financial Trends

The Iraqi economy is highly dependent on the oil sector as its primary source of revenue. This dependency may lead to challenges in securing stable and sustainable financial resources to support guaranteed projects in the long term. Therefore, it is important for the government and the private sector to coordinate to achieve financial stability that enhances Iraq's ability to meet its obligations.

3. Legal and Administrative Challenges

Sovereign guarantees require clear legal and administrative frameworks to ensure the successful implementation of projects. These frameworks must be supported by laws and regulations that protect all stakeholders. As Iraq's legal and administrative system evolves, it is important to provide continuous training and development for personnel working in this field to ensure that the implementation of guarantees is consistent with international standards.

4. Challenges Related to Infrastructure and Public Services

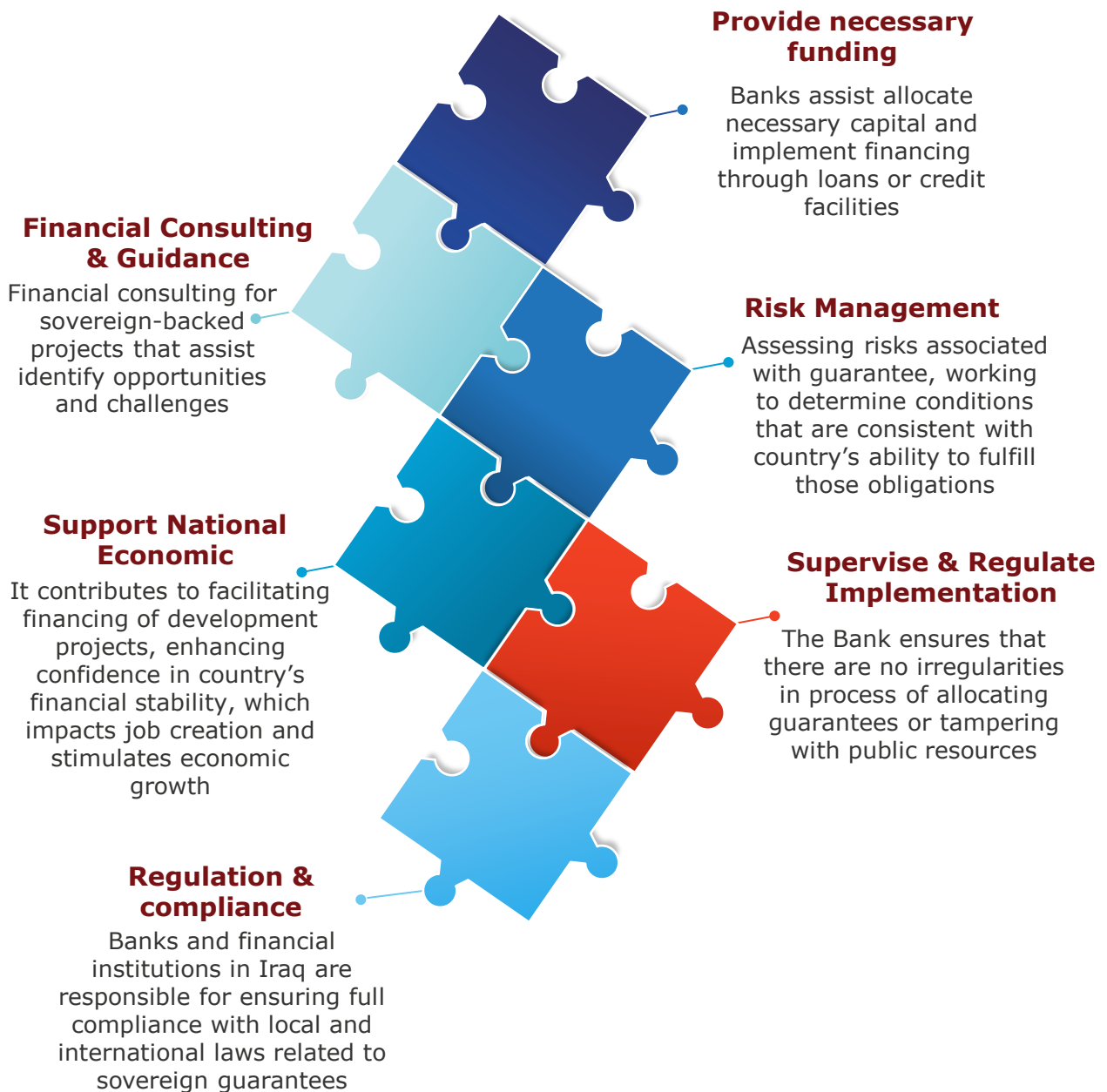
To successfully implement sovereign guarantees, it is essential that Iraq's infrastructure and public services are capable of supporting large-scale projects. Despite improvements in some sectors, improving and developing national infrastructure contributes to facilitating the implementation of guaranteed projects by providing a stable and sustainable environment to support these projects in the long term.

5. Challenges Related to Sustainable Financing

Another challenge is securing sustainable financing for projects that rely on sovereign guarantees. Large projects require long-term financing, and it may be necessary to develop innovative financing mechanisms such as sovereign bonds or partnerships with international financial institutions to ensure the financial sustainability of projects backed by sovereign guarantees.

Role of Banks, Financial Institutions

Banks and financial institutions in Iraq are essential players in implementing the sovereign guarantee, providing financial and technical support to fulfill the government's obligations under the sovereign guarantee. These institutions include commercial banks, the Central Bank of Iraq, and non-banking financial institutions such as insurance companies, investment funds, and others. The role of these institutions can be summarized in the following points:



Section Two

General Frame

Public-private Partnerships & Project Financing

The World Bank defines a public-private partnership (PPP) as "a long-term contract between a private party and a government entity to provide a public asset or service, where the private party bears significant risks and management responsibility, and remuneration is based on performance."

Main potential benefits of PPPs include:

1. Improving the efficiency of service delivery across all project phases (e.g., construction and operation).
2. Transferring risk to the party best able to manage it.
3. Establishing long-term, performance-based contracts to encourage the private sector to provide high-quality "whole-life" solutions for a public service.
4. Infrastructure projects are often financed through project finance schemes, where lenders provide long-term financing based on the assets to be created and expected future cash flows.

In a typical project finance structure, the project is financed through the budgets of sponsors or equity investors. Loans are provided to a special purpose entity created specifically for the project, and the investor's obligations are "limited" to that entity's cash flows. In other words, lenders rely on the project's cash flows, with limited or no recourse to the project owners. Furthermore, the terms of these loans are often relatively long, given that most infrastructure projects require significant investments and take a long time to generate sufficient cash flow to repay the loans.

Private Sector Needs

1. The need to develop regulations and laws that encourage investment and improve the business environment, such as expediting entities registration procedures, protecting intellectual property rights, and providing a stable legal environment.
2. Provide easy financing to small and medium-sized enterprises, whether through loans or partnerships with local and international financial institutions. The private sector also needs government guarantees to reduce the risks associated with investment.
3. Develop basic infrastructure such as roads, ports, energy, water, and communications, which contributes to facilitating production and distribution processes.

4. Support innovation in the private sector through modern technology and stimulating the use of digital solutions that can improve productivity and work efficiency.
5. Training and qualification programs to raise the level of skills and competencies in the workplace, especially in the fields of management, marketing, and technology.
6. Ensure market stability and the existence of clear economic policies that assist in determination of future trends and support private sector investment.
7. Support small and medium-sized enterprises by providing advice, guidance, and preferential financing, as small and medium-sized enterprises are a key driver of economic growth and job creation.
8. Improve trade and export policies and enhancing the competitiveness of Iraqi products in global markets, including negotiating trade agreements that support exports.
9. With increasing demand for energy, the private sector needs support to invest in renewable energy projects such as solar and wind, which enhance sustainability and reduce dependence on oil.

Legal framework

- Diwani Order No. (23101)
- Cabinet Resolution No. 219 of 2020
- General Budget Law (Tripple) No. 13 of 2023
- Recommendations of the Diwani Order Committee No. (23404) of 2023
- Article 39/Third/A of the Financial Administration Law No. 6 of 2019

Section Three

Concept of Application

Allocation & Sectors

According to Article 3/2 of the Federal Budget Law (2023-2024-2025), the Council of Ministers may issue the necessary sovereign guarantees to support the private agricultural and industrial sectors to establish foreign-funded projects, with a minimum of **85%** of each project's value and a maximum of **1** trillion Iraqi Dinars.

In July 2023, the Iraqi government resorted to using dedicated sovereign guarantees. The Iraqi government will provide these guarantees for private sector investments financed by foreign entities, unlike the previous situation where the Iraqi government only issued sovereign guarantees for public sector investments.

The total amount of the sovereign guarantees is estimated at approximately **1** Trillion Iraqi Dinars, allocated to investments in the private agricultural and industrial sectors, covering up to **85%** of the total cost of the production line.

Projects

A- Eligible Projects

- Major strategic projects that require significant financing beyond the capacity of local banks, such as heavy industries, infrastructure, and energy.
- Medical industries and supplies.
- Infrastructure/construction projects, such as the establishment of iron, brick, and cement factories, and general construction and building projects.
- Chemical and petrochemical industries related to the petroleum and chemical industries that contribute to diversifying the oil sector.
- Agricultural industries and renewable energy.
- Ministry of Electricity contracts that are based on a "**take and pay**" formula are not included, with the exception of solar power plants.
- Projects that enhance local production and aim to reduce dependence on imports and achieve self-sufficiency.
- Projects that focus on technology and international expertise and benefit from modern equipment and imported technology.
- Small and medium-sized enterprises that can be financed under low-interest initiatives to support emerging sectors.

B- Ineligible Projects

- The entity is in arrears with any Iraqi or foreign government agency or institution and has not reached an agreement with the agency to repay the due amount.
- The entity is in arrears with amounts due under a court ruling or other debt obligations and has not reached an agreement to repay the due amount.
- Ministry of Electricity contracts are in the "**take or pay**" format.

Investor Obligations & Restrictions

- The applicant must deposit **15%** of the production line's value.
- The applicant must deposit a maximum of **1%** of the required guarantee amount (issuance fee).
- The applicant may not sign another contract with a third party that includes the guarantee before obtaining the necessary approvals for the guarantee.
- The applicant may not assign the guarantee rights, in whole or in part, to debtors or financiers.
- The applicant may not specify a specific time period in the guarantee, and the assignment of the guarantee shall not be considered effective after the notice period is sent to the Ministry of Finance.
- Any breach of the contract may expose Iraq, the Ministry of Finance, or the sectoral entity to legal or financial problems.

SG Limit

- The Minister of Finance has been authorized, with the approval of the Council of Ministers, to issue the necessary guarantees to support the private agricultural and industrial sectors to establish projects to be financed by foreign agencies.
- The percentage shall not be less than **85%** of the total value of the production line, with a total amount not exceeding **1** trillion Iraqi Dinars.

Section Four
Committee and Agency

SG Initiative Committee

The committee was established pursuant to Prime Ministerial Diwani Order No. 23101 of 2023. Its mission is to reach an understanding with foreign partners regarding financing industrial and agricultural projects within Iraq, as well as understanding the concept of sovereign guarantees and the mechanism for applying them to loans granted to the Iraqi private sector.

The committee is responsible for monitoring the process of issuing and implementing sovereign guarantees in accordance with the provisions of the General Budget Law (Triple) No. 13 of 2023.

- Overseeing implementation
- Strengthening international partnerships
- Setting maximum safeguards
- Sovereign Guarantees Management
- Coordination with Ministry of Finance

Export Credit Agency “ECA”

An export credit agency is a financial or insurance body affiliated with a country's government that supports and promotes international trade by providing export guarantees or insurance. Each ECA is granted a mandate by its government that specifies the support it can provide. Export agency mandates can vary significantly and may change from time to time.



Benefits of Buyer Credit Covered by ECA Agreement

Longer-Term Loans: Loans covered by ECA agreement have a longer term than conventional commercial facilities, contributing to an improved balance sheet structure for the borrower.

Larger Credit Volume: These agreements provide the ability to access a larger credit volume to support international projects.

Economic Risk Mitigation: These agreements contribute to reducing potential economic and other risks that projects may face.

Competitive Pricing: Loans can be priced based on international money/capital market rates, such as the **Euro** or the **US Dollar**, enhancing price competitiveness.

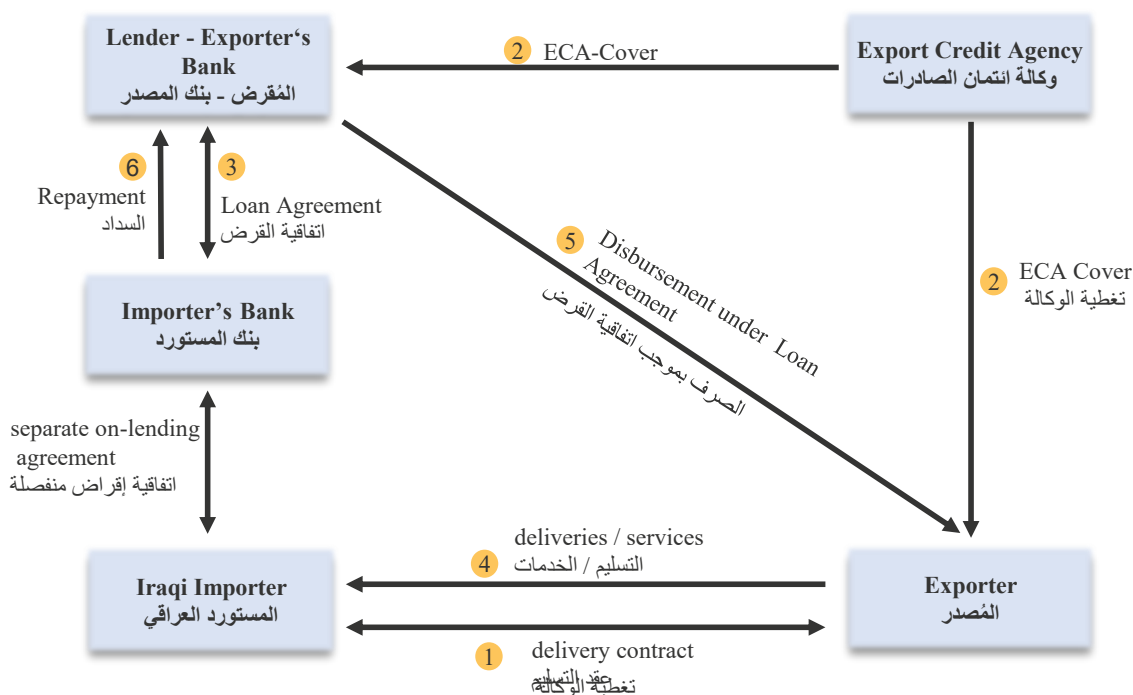
Reliability during long construction periods: These agreements provide stability and reliability during long project implementation periods, supporting continuity of implementation.

Foreign Banking Expertise: Foreign banks working with export agencies offer professional expertise in project financing, allowing for short implementation periods and rapid financial closure.

Agency Requirements For Credit Loans

- An export contract with a foreign entity in that country (a single entity; if goods are imported from multiple suppliers, their supply agreements must be consolidated into a single contract—through “**Packagers**” entities)
- The goods/services are sourced from/manufactured in the foreign country
- The source of the goods is in accordance with a certificate of origin
- A down payment from the importer of **15%** of the export/commercial contract (the remaining **85%** is financed through a Ministry of Finance/Export Agency guarantee facility)
- Compliance with export law/sanctions regime
- Compliance with environmental, social, and human rights standards
- The foreign government deems the transaction/project eligible for coverage and the risks justified within the framework of the agreement, due diligence will be conducted by the Iraqi bank

Mechanism of ECA



Section Five
Iraqi Federation of
Industries
Federation of Chambers of
Commerce

Iraqi Federation of Industries

The Iraqi Federation of Industries “IFI” is a key organization supporting and regulating the industrial sector in Iraq. Established to bring together investors in the industrial sector, the Federation provides investors with the actual opportunities to develop their industrial projects and benefit from available financial and technical support, contributing to the creation of a sustainable investment environment and enhancing economic development in Iraq.



64,000 Projects



40,000 Member

IFI Role Supporting National Economy

- **Strengthen Industrial Sector:** IFI works to support local industries and develop their capabilities, enhancing industrial sector's contribution to gross domestic product.
- **Specialized Studies and Research:** IFI conducts technical, economic, and statistical studies and research to support and develop industrial sector.
- **Developing Industrial Skills:** IFI provides training courses and scientific lectures for workers and factory owners to improve performance and raise productivity.
- **Encouraging National Employment:** IFI contributes to raising the efficiency of local workforce and stimulating job opportunities in various industries.
- **Cooperation with Government:** IFI works in coordination with government agencies to study and propose policies that support the prosperity of Iraqi industry.
- **International Communication:** IFI strengthens its relations with Arab and international industrial bodies and federations to exchange expertise and improve the industrial investment environment.
- **Organizing Conferences and Seminars:** IFI organizes and participates in local and international industrial conferences and seminars to discuss the challenges and opportunities of industrial development.

IFI Role Investors in Industrial Projects

IFI is a vital platform for investors seeking to enter the industrial sector in Iraq. It provides significant opportunities to support industrial projects and facilitate investors' access to financing and technical advice. The Federation can support investors by:



- Provide comprehensive information on promising industrial sectors and priority projects in Iraq.
- Facilitate access to financing by cooperating with banks and government agencies to provide loans on favorable terms.
- Provide legal and technical advice to assist investors comply with regulatory requirements and achieve success in their projects.
- Connect investors with local and international suppliers and manufacturers to strengthen supply chain and improve productivity.
- Participate in industrial infrastructure development initiatives, ensuring a more stable and attractive investment environment.

IFI Role Financing industrial projects

- **Provide Easy Financing Channels:** IFI works in coordination with government and banking authorities to secure subsidized loans at low interest rates for industrial projects.
- **Financing Guarantees:** IFI assists facilitate industrialists' access to sovereign guarantees to finance their projects, reducing credit risk and stimulating investment.
- **Support Equipment Modernization Projects:** IFI encourages factory modernization programs by providing necessary financing for importing modern equipment.
- **Facilitate Access to Grants & Government Support:** IFI works to connect industrial investors with government programs to support the industrial sector.
- **Provide Technical and Financial Advice:** IFI provides specialized advice to industrialists on how to select appropriate equipment and maximize the benefit of available financing.



Types of equipment and machinery that can be imported

Production and manufacturing equipment

Automated production lines, modern food industry machinery, and equipment used in the textile and chemical industries.

Heavy equipment

Construction machinery, cranes, and machinery used in the metal and engineering industries.

Renewable Energy Equipment

Wind turbines, solar panels, and modern electric generators.

Advanced Technological Tools

Industrial control systems, industrial robots, and software specialized in improving productivity.

Raw Material Processing Equipment

Which contributes to reducing waste and improving production efficiency.



Federation Chambers of Commerce “FCC”

The Iraqi Federation Chambers of Commerce is the institution representing chambers of commerce across Iraq.

It coordinates their efforts and regulates commercial activities to contribute to the development of the national economy. The Federation seeks to enhance the business environment and support traders and businessmen by providing economic advice and business information that helps them make informed decisions.



FCC plays an important role in representing the commercial interests of its members before government agencies and international institutions, in addition to encouraging domestic and foreign trade by establishing economic partnerships and organizing exhibitions and conferences. The Federation provides wide range of services, such as issuing commercial recommendations and certificates, analyzing markets, and supporting small and medium-sized enterprises “SMEs”, contributing to the revitalization of the Iraqi economy and the development of the investment environment.

FCC Role in the Economy

FCC contributes to stimulating commercial and investment activity within Iraq by providing a suitable business environment and encouraging the private sector to actively participate in economic development. It also facilitates trade exchange between Iraq and other countries by establishing economic partnerships and organizing trade exhibitions and forums that enhance investment opportunities. In addition, FCC provides economic studies and research that help traders and investors understand markets and make decisions based on accurate data.

FCC Role in Entrepreneurship

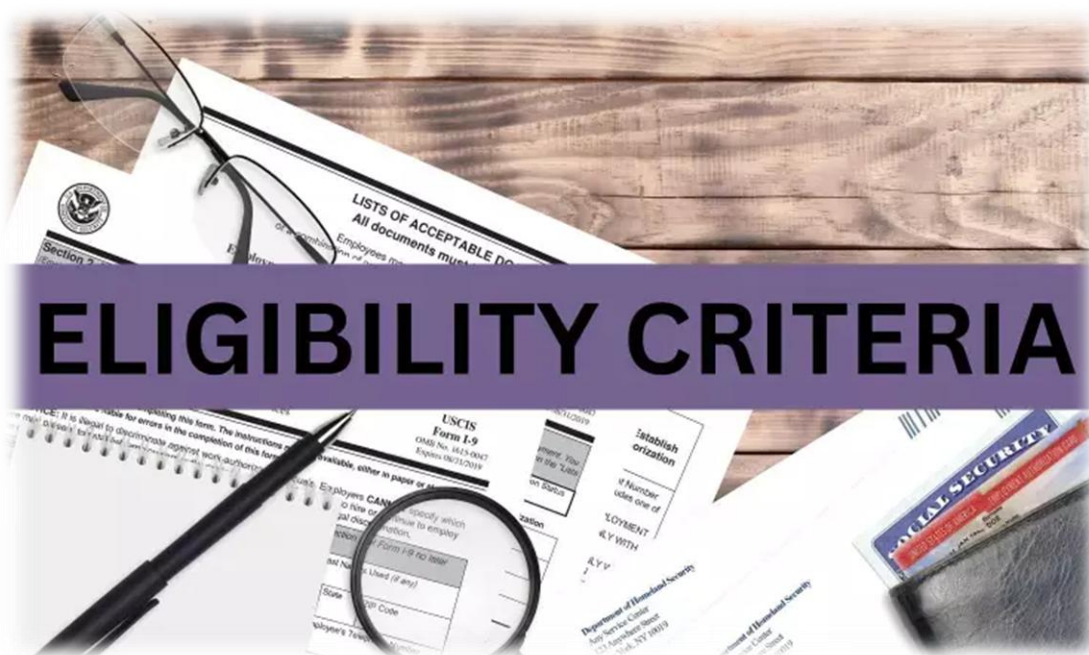
- FCC plays an important role in supporting entrepreneurs and owners Of SME enterprises by providing training and qualification programs that assist to develop their projects and achieve success. It facilitates administrative and financing procedures by coordinating with government and banking agencies to provide the necessary funding for emerging projects.
- FCC seeks to create supported environment to innovation and entrepreneurship by organizing workshops and seminars that focus on developing entrepreneurs' administrative and business skills, assisting startups grow and creating more job opportunities in the Iraqi market.

Section Six

Eligibility Criteria

Eligibility Criteria for SG Loan

1. The investor must be able to meet the government's requirements, which include compliance with legal and regulatory regime, business transparency, and compliance with national objectives.
2. The project must be feasible and have a positive impact on the national economy. The investor must demonstrate a clear and viable plan for the project that promotes national development.
3. The investor must provide a comprehensive risk mitigation plan. These plans may include financial guarantees, insurance, or other tools that protect the government from potential risks.
4. The investor must conduct a comprehensive environmental and social impact assessment of the project. The investor must demonstrate that the project complies with international environmental standards and addresses social issues such as workers' rights and local community impacts.
5. The investor must demonstrate its ability to meet these obligations, such as loan terms or interest rates, and that the project's returns will cover loan repayment.
6. Final approval of the sovereign guarantee depends on the agency's assessment of the investor and the project, as well as the role the government will play to ensure the project aligns with economic and foreign policy objectives.



ELIGIBILITY CRITERIA

Section Seven

Procedures for Obtaining Sovereign Guarantee

Procedures to obtain SG

Stage 1: Application



- Loan application with required details
- Updated bank account
- Economic feasibility study
- Memorandum of Understanding
- Contract signed between the investor and the supplier
- Investor's undertaking to fulfill all financial and legal obligations required by the Ministry of Finance and the Central Bank of Iraq
- Individual facility agreement outlining the obligations, rights, and responsibilities of all parties involved



Stage 2: Reviewing

Submitted applications are subject to review by the relevant committees at the bank, the Public Debt Department, and then the SG Initiative Committee, as follows:

- The bank reviews the submitted documents and requests any additional information or documents it may need.
- Contacts the Public Debt Department/Ministry of Finance after completing the submission of all requirements to the bank.
- Contacts the Export Credit Agency in the relevant country and conducts discussions.
- Signs the authorization letter between the bank, the agency, and the issuing bank.
- Signs the authorization letter between the Iraqi bank and the investor.
- Informs the Public Debt Department of the signing of the authorization letter with the Export Credit Agency and the investor.
- The Public Debt Department reviews the application and its documents according to the specified controls and mechanisms. It is then sent to the Sovereign Guarantee Initiative Committee for recommendations.
- The applications are submitted to the Council of Ministers for approval, and the Minister of Finance directs the signing of the sovereign guarantee.
- The Public Debt Department issues the sovereign guarantee to the entity financing the loan.



Stage 3: Issuing the Guarantee

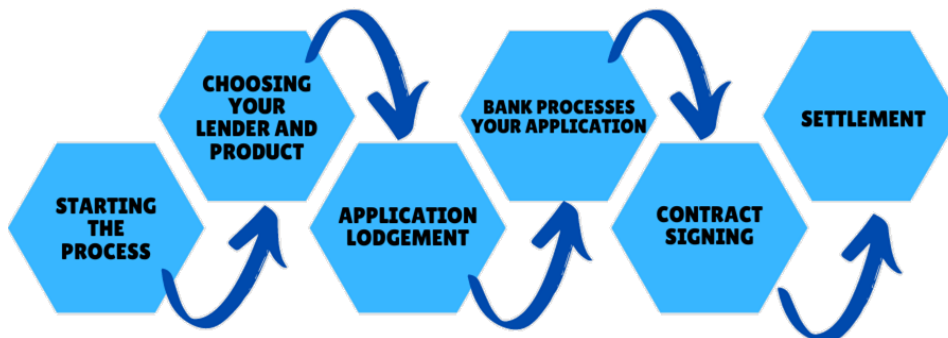
- Signing the sovereign guarantee issued by the Minister of Finance
- The investor deposits **15%** of the production line's value into his account at the bank where the application was submitted.
- The investor deposits **1%** of the guarantee's value, which is paid to the Ministry of Finance after the guarantee is issued.



Stage 4: Issuing Sovereign Guarantee

Before issuing the guarantee to the investor, the bank must:

- A statement of completion of civil works of no less than **30%**, certified by a consulting firm licensed by the Engineers Syndicate
- An undertaking to complete all civil works to install all production lines within a period not exceeding the period of the production lines' arrival in Iraq
- A fire and theft insurance policy issued by an insurance company licensed to operate in Iraq
- Complete the procedures for mortgaging the entire project facilities to the Ministry of Finance and confirm the land allocation for the project
- An undertaking to mortgage the entire production line to the Ministry of Finance upon its arrival in Iraq
- A letter of credit opening form, shipping documents, and a policy to the order of the Iraqi Bank proving that the equipment and devices are reserved for the bank





Stage 5: After Sovereign Guarantee Issuance

Activate Financing Agreement

The Iraqi investor provides the sovereign guarantee to financial institutions to obtain the necessary financing for the project. The sovereign guarantee serves as a risk mitigation tool.

Project Implementation

The investor begins implementing the project in accordance with the agreed-upon terms. The government monitors the project to ensure its alignment with national development goals and compliance with the conditions associated with the sovereign guarantee.

Follow-Up & Supervision

The issuing authority the Ministry of Finance supervises the project's progress, financial health, and factors that lead to the activation of the guarantee.

Potential Claims & Responsibilities

In the event of a project or investor default, a sovereign guarantee may be activated, obligating the government to cover the financial obligations specified in the guarantee. The government may take action to recover funds from the investor or project operator if the default is the result of negligence or a violation of the terms.



Section Eight

Additional Considerations

Recommendations to Government

Additional Considerations



1. Environmental, Social, and Institutional Governance

First: Combating Corruption and Bribery

- In recent years, ECAs have increased their focus on combating corruption and bribery, which is particularly important given the use of public funding and the fact that ECAs often finance projects that may not be accepted by global multilateral banks.
- ECA-supported operations are increasingly subject to auditing by organizations, and an international ECA monitoring network has emerged. Cases of poor anti-corruption performance have been highlighted, prompting calls for greater transparency in ECA operations and improved anti-corruption measures.
- In Iraq, ECAs that provide government financing or guarantees for projects must adhere to strict anti-corruption standards. The OECD's ranking was amended in 2006 to address this issue, now requiring thorough legal and commercial due diligence in case of any previous corruption cases involving any of the entities involved. Applicants for ECA support must, among other things, declare that they, or any of their agents, have not engaged in any bribery or corruption.

Second: Sustainable Development

The environmental and social impact of projects has become a key focus for ECAs in their efforts to support sustainable development. The OECD arrangement requires participating ECAs to conduct environmental and social due diligence to identify, study, and address potential environmental and social impacts and risks through the decision-making and risk management systems of the applicant members.



2. Investor Evaluation Criteria

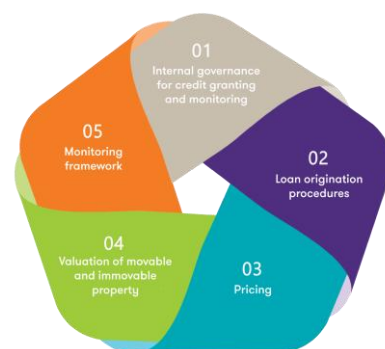
- The investor's financial position is assessed by analyzing key financial indicators, such as liquidity, solvency, profitability, and overall credit history. This assessment assists determining the investor's ability to repay the loan and bear the risks associated with the project.
- The investor's experience in managing similar projects and their success in implementing international projects are examined. The more successful the investor has in similar projects, the greater their chances of obtaining a sovereign guarantee.
- The investor's reputation and transparency in corporate governance practices are evaluated. The investor must have a transparent organizational structure, strong management, and be free of legal issues or violations.
- The investor must demonstrate robust risk management strategies, including financial, operational, and political risks. This includes the investor's ability to anticipate potential risks and take the necessary measures to mitigate them.



Recommendations

These recommendations aim to establish an integrated framework for issuing and monitoring guarantees, ensuring efficient financial management and adherence to the principles of good governance, given the growth of need to regulate sovereign guarantees within clear and effective policies that reflect international best practices.

1. Developing a comprehensive guarantee registry
2. Periodic reports
3. Legal and regulatory assessment of guarantees
4. Legal framework for issuing guarantees
5. Risk assessment and guarantee management
6. Guarantee terms and procedures
7. Transparency and disclosure
8. Capacity building
9. Sovereign fund management



Additional Case Study

Glass Factory

Background: It is the country's first glass factory, with a production capacity of 800 tons per day. The factory will rely on locally available silica as a raw material, enhancing the use of local resources and reducing dependence on imports.

Project Objective: Covering 25% of Iraq's needs, providing direct and indirect job opportunities inside and outside the factory itself.

Loan Amount: 110,000,000 Euro

Industry: Chemicals

ECA: Germany

Status: Approved, Issued

Caustic Soda Plant

Background: Caustic Soda Plant in Iraq aims to meet the growing demand for this vital material used in various industries. The project leverages Iraq's rich natural resources and geographical location, contributing to expanding export opportunities to regional markets and increasing economic returns.

Project Objective: contributes to expand export opportunities to regional markets and increasing economic returns

Loan Amount: 78,000,000 Euro

Industry: Chemicals

ECA: United Kingdom

Status: final procedures

Black Urea Project

Background: Black Urea Project is a strategic industrial Agricultural, Commercial, Industrial, and Energy Investment. It aims to establish a black urea production line.

Project Objective: Enhancing local fertilizer production and reducing reliance on imports, while supporting Iraq's agricultural and industrial sectors and achieving economic sustainability through the establishment of a local black urea production line

Loan Amount: 13,690,000 USD

Industry: Agriculture

ECA: United Kingdom

Status: final procedures



EXPERIENCED LAWYERS

UNIQUE APPROACH

Disclaimer

While every effort has been made to ensure the accuracy of this guide's content, Etihad Firm assumes no liability for errors, omissions, or any statements that may be misleading. The firm also makes no guarantee or assumes any responsibility for the standing or reputation of any individual, entity, institution, or entity mentioned in this guide.

Please note that the content in this guide is not a comprehensive description of Etihad services, but rather is intended to provide general information for guidance.

Etihad, the authors of this guide, or any of its authors or contributors, bears no legal or financial liability for any damages or losses that may arise from the incorrect use of the content herein.