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**Law No. 22 of 1997 on State Companies**

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["Text" of Law No. 22 of 1997 on State Companies]

[FBIS Translated Text] In the name of God the merciful, the compassionate

The Republic of Iraq

In the name of the people

The president of the republic

As decided by the National Assembly and approved by the Revolution Command Council, and in accordance with the provisions of Article 53 of the constitution, we issue the following law:

Law No. 22 of 1997 on State Companies

Chapter One: The Aims of the Law and the Requirements of Establishment

Article 1: For the purposes of this law, the following terms shall have the meanings stated hereunder:

The minister: The minister concerned or the head of an organization which is not linked to a ministry.

The state company: The economic unit which is self-financed, fully owned by the state, enjoying a corporate status, independent financially and administratively, and functioning on economic bases.

The registrar: The registrar of companies at the Department for the Registration of Companies in the Ministry of Trade.

Article 2: This law is aimed at organizing state companies, with regard to their establishment, management, and liquidation, under unified financial and administrative bases and rules so as to enable them to attain a high level of growth

in their work and production and to adopt the principle of proper economic accounting, competent investment of public funds, and efficiency in achieving state aims and improving the performance of the national economy.

**Article 3:** The ministry shall submit an application to the cabinet for the establishment of a state company supported by a study which states the economic and technical reasons for its establishment, provided the application includes the following:

First: The company's name, location, and head office.

Second: The company's aims and activity.

Third: The company's capital and sources of financing its activity.

Fourth: Any other information deemed essential by the ministry.

**Article 4:** Once the cabinet has approved the application for the establishment of the company, the ministry shall prepare the contract or statement, which shall include the following details:

First: The company's name, location, and head office. The name must reflect its activity and include the word "state."

Second: The company's aims.

Third: The company's activity.

Fourth: The company's capital.

Fifth: The names of the founders.

Sixth: Any other information deemed essential by the ministry.

**Article 5:** For the purposes of statistical records and documentation, the ministry shall submit the establishment contract or statement, which has been approved by the cabinet, to the registrar so he can register the company.

**Article 6:** The registrar shall register the company and issue a certification of establishment. The ministry shall publish this certificate and contract or statement in the Official Gazette and in the bulletin which is issued by the registrar.

**Article 7:** The company shall acquire a corporate status as of the date of the issuance of its certificate of establishment.

## **Chapter Two: The Company's Capital**

**Article 8:** The company's capital shall be fixed in the decision which shall be issued by the cabinet approving its establishment.

**Article 9: First:** The State Treasury shall pay the company's capital as a lump sum or in installments, whose amounts and due dates shall be fixed in accordance with a timetable which shall be drawn up by the company in coordination with the Ministry of Finance.

**Second:** The value of the company's movable and immovable property shall be considered part of the paid up capital.

**Third:** When two or more self-financed state corporate persons participate in the establishment of a state company, the partners shall pay their share of the capital and submit to the same rules which are set forth in the provisions of this law.

**Article 10: First:** Whenever there is a need to increase or reduce the company's capital, the ministry, in coordination with the Ministry of Finance, shall submit an application to the cabinet supported by a financial study on the reasons for taking such a step and its impact on the company's activity, rights, and obligations.

**Second:** Once the cabinet has approved the increase or reduction of the company's capital, the ministry shall take the necessary steps to implement that as well as the contract or statement on the establishment of the company.

**Third:** The ministry shall inform the registrar to amend the registration and publish it in the Official Gazette.

### **Chapter Three: Profits and Losses**

**Article 11:** For the purposes of this law, net profit means the increase in the revenues over the expenditures, as shown in the profit and loss account for the company's fiscal year, organized according to existing rules and regulations and approved accounting procedures, audited by the Financial Control Bureau, and endorsed by an authorized legal quarter.

**Second:** Capital profits and losses and any other profits and losses resulting from any extraordinary activity by the company shall be separated from the profits which are to be distributed among the employees.

**Third:** The profits which are to be distributed must not be more than 30 percent of the value of current activity. Any excess shall be transferred to the Ministry of Finance.

**Fourth:** The profits stipulated in Clause (III) of this article shall be distributed as follows: i) Forty-five percent to the State Treasury. ii) Thirty-two percent as incentives to company employees and to those who excel in their work, including members of the board of directors and ministry employees according to the percentages which will be fixed by the board of directors with the approval of the ministry. iii) Five percent for research and development. iv) Five percent for social services for the employees. The remainder shall go to the capital reserve.

Fifth: The cabinet may increase or reduce the percentages in Clauses (III) and (IV) of this article depending on the economic activity and circumstances.

Article 12: Twenty-five percent of the net profit before its distribution shall be deducted for covering recurrent losses from previous years, if there are any.

Article 13: If the company's losses amount to 25 percent of the nominal capital, the company's board of directors shall make an economic appraisal, indicating the causes of the losses and suggesting solutions. The appraisal shall be referred to the ministry so it can make the appropriate decision on it.

Article 14: If the company's losses amount to 50 percent of the nominal capital, the ministry shall make an economic appraisal, which shall be referred to the cabinet so that it can make the appropriate decision on whether to maintain or liquidate the company.

#### Chapter Four: Investments and Loans

Article 15: First: The company may invest its surplus funds in joint ventures with other partner companies, provided the ventures are relevant to the company's aims inside Iraq. The company has to obtain the approval of the cabinet if the ventures are outside Iraq.

Second: The cabinet's approval has to be obtained also when funds from partner Arab and foreign companies or establishments are to be used in joint ventures that are relevant to the company's aims outside Iraq.

Third: The company has the right to participate with Arab or foreign companies and establishments in joint ventures that are relevant to the company's aims inside Iraq.

Article 16: First: The company may invest its surplus funds as fixed deposits in banks inside Iraq for a period of not more than 180 days, provided a special account is opened in the company's records to record the interest on these deposits and to also show them in the final accounts so that it will be easy to determine the company's performance in this sector.

Second: i) Insurance and re-insurance companies and banks may invest their funds in the different investment fields. ii) The cabinet may decide to include any other investment quarter under the provisions of Paragraph (i) of this clause.

Article 17: The company may give or obtain loans, or obtain funds to finance its activity from national financial institutions and state companies under contracts and terms which shall be agreed upon, provided the loan does not exceed 50 percent of the company's paid-up capital.

Article 18: The approval of cabinet must be obtained when the loan is being obtained from outside Iraq in order to finance the company's investment or current activity.

#### Chapter Five: The Company's Management and Board of Directors

Article 19: The company's board of directors shall assume the task of drawing up the management, financial, organizational, and technical policies and plans for conducting the company's activity, and achieving its aims, and supervising and following up on their implementation. It shall also exercise all the pertinent rights and powers. It may authorize the company's general manager with any powers it deems appropriate.

Article 20: The board of directors shall consist of the company's general manager as chairman and eight members who shall be appointed as follows:

First: Four members shall be chosen by the minister from the among the heads of the company's various units for their experience and specialized knowledge in their fields.

Second: Two members shall be elected from among the company's employees.

Third: Two members, who are experienced and specialized in their fields, shall be selected by the minister from outside the company with the approval of the "Opinion Board."

Fourth: The board of directors shall have three reserve members. One shall be elected by the employees and two appointed by the minister.

Fifth: The board of directors shall elect during its first meeting a vice chairman from among its members. He will replace the chairman in his absence.

Article 21: The company's basic law shall determine the method of electing the representatives of the company's employees in the board of directors and the qualifications they must have.

Article 22: The term of the board of directors shall be three years, which is renewable. The term shall begin from the date of the first meeting of the board.

Article 23: First: The board of directors shall meet once a month at the invitation of its chairman.

Second: The board of directors may hold an extraordinary meeting at the invitation of its chairman or a written request by two of its members stating the reasons for it.

Third: The quorum for the board of directors is achieved by the attendance of the majority of its members, including the chairman or his deputy. Decisions shall be

made by the majority vote of those attending. In the case of a tie vote, the side getting the chairman's vote wins.

Article 24: If a vacancy occurs in the board of directors, the chairman shall invite a reserve member to cover up for the remainder of the board's term.

Article 25: The board of directors' decisions shall be implemented as soon as they are issued. However, those dealing with the issues mentioned below shall be implemented after obtaining the minister's approval:

First: Annual plans and budgets.

Second: The final accounts and the company's annual report.

Third: Legislations.

Fourth: The production incentive system, since it is considered part of the cost of production.

Article 26: The board of directors' decisions on the issues mentioned in Article 25 of this law shall be considered endorsed unless the minister objects to them within 15 days from the date of their submission to his office. If he objects to them, they shall be re-submitted to the board of directors as soon as it meets. If the board of directors insists on its opinion, a meeting shall be held under the chairmanship of the minister in order to examine the subject. The decision made by the majority of the members present shall be final.

#### Chapter Six: The Company's General Manager

Article 27: The company shall be run by a general manager who is experienced, specialized, and holds at least a first university degree. The general manager shall be appointed under a decision by the cabinet. He shall be the highest authority in the company and he shall undertake all the necessary work for managing and running its activity in accordance with the powers granted to him by the board of directors.

#### Chapter Seven: Internal Control

Article 28: Internal control is aimed at establishing effective control on the company's funds. In the achievement of this aim, the company shall conduct its activity according to programs that ensure the application of all control systems.

Article 29: The Financial Control Bureau shall prepare monthly reports containing the results of its activity for the previous period. The report shall be submitted to the company's general manager. The company's board of directors shall then take the necessary steps to tackle any problems raised by the report within 30 days from the date the report is submitted to the office of the general manager.

**Article 30:** The Internal Control Department shall be attached to the general manager. It is impermissible to transfer or punish any member of this department without obtaining the consent of the board of directors and stating the reasons.

#### **Chapter Eight: Merger of Companies**

**Article 31: First:** It is permissible under a decision by the cabinet to merge two or more state companies into a new state company, provided they engage in a similar or integrated activity.

**Second:** The ministry shall prepare a technical and economic feasibility study of the merger and submit it to the cabinet so it can make the appropriate decision.

**Article 32:** Once the cabinet has approved the merger, the ministry will amend the original contract or draw up a new one. The board of directors will also amend the basic law or draft a new one.

**Article 33:** The ministry shall inform the registrar of the amended contract or provide him with a new one. The merger shall be considered valid as of the date of the cabinet's approval, or as of any other date set by cabinet. On that date, the corporate status of the old company shall expire. The registrar shall issue a new certification of establishment.

**Article 34: First:** The ministry shall publish the merger decision in the Official Gazette and in the bulletin which is issued by the registrar.

**Second:** The old company's rights and obligations shall revert to the new company.

#### **Chapter Nine: Change of the State Company**

**Article 35:** It is permissible to change a state company to a shareholding company with the approval of the cabinet.

**Article 36:** The ministry shall prepare a study on the economic and technical reasons for the change, the method of assessing the value of the shares in the capital, and the method of selling the shares. The study shall be submitted to the cabinet so it can make the appropriate decision on them.

**Article 37: First:** Once the cabinet has approved the change, the ministry shall prepare a new contract for the company and submit it to the registrar with the approval of the cabinet.

**Second:** The minister shall publish the decision on the change in the Official Gazette and in the bulletin which is issued by the registrar.

**Third:** The shareholding company shall acquire a corporate status as of the date of the publication of the decision.

Fourth: The cabinet may, following the transformation of a state company into a shareholding company, fix a certain percentage of the company's nominal capital so the company employees can buy shares in the shareholding company.

Article 38: The socialist sector's share in the new company shall be determined under the provisions of existing laws.

#### Chapter Ten: Liquidation of Companies

Article 39: First: Once the reasons mentioned in Article (14) of this law become valid, the ministry shall seek the approval of the cabinet to liquidate the company.

Second: If the cabinet decides to liquidate the company, the ministry must take the following steps: i) Form a liquidation committee representing the Ministry of Finance and the Financial Control Bureau, define its powers and jurisdictions, and send a copy of the formation of the committee to the registrar. ii) As soon as it is informed of the liquidation decision, the company shall stop assuming any new obligations. However, it can continue its activity in so far as fulfilling its obligations and retaining its corporate status during the liquidation period. iii) The liquidation committee shall seize all the company's records and documents, make an inventory of its assets, and prepare an initial report, which will be submitted to the ministry. iv) The committee will liquidate the company's rights and obligations and what is mentioned in the liquidation decision, taking into consideration the provisions of this law. v) The liquidation committee shall prepare the final accounts and a report on the results of the company's liquidation once the liquidation has been carried out or at the end of every fiscal year, if the company's liquidation work continues for more than one year, and submit them to the ministry. vi) Once the liquidation work has been completed, the committee shall submit its final report to the ministry backed by the report of the accounts controller. vii) If the results of the liquidation show a balance in the company's funds, this balance shall be paid to the State Treasury or to the companies subscribing to the newly established company. The minister has the powers to transfer assets at the approximate value. viii) The liquidation period must not exceed three years in all cases. Otherwise, the matter should be referred to the cabinet so it can make the appropriate decision. ix) Once the ministry is satisfied that the liquidation has been carried out in accordance with the provisions of this law, it shall notify the registrar to this effect so he can issue his decision to cancel the name of the company and publish that in the Official Gazette and in his bulletin.

#### Chapter Eleven: General and Final Rules

Article 40: Within a period of one year from the implementation of this law, all existing self-financed economic organizations must adjust their conditions in harmony with the provisions of this law.



Article 41: The cabinet may, whenever necessary, exempt any mining companies belonging to the Oil Ministry from the provisions of this law.

Article 42: The company's activity shall be subject to the control and auditing of the Finance Control Bureau.

Article 43: The minister shall issue an internal system for the company which shall be prepared by its board of directors in accordance with the provisions of the law within 60 days from the its formation. The system shall include the following:

First: The duties and powers of the board of directors.

Second: The method electing the representatives of the employees in the board of directors.

Third: The required qualifications for a member of the board of directors.

Fourth: The management structure of the company and the descriptions of the management and organizational units' jobs and duties.

Fifth: The organization of the procedures for following on the company's activity and internal control.

Sixth: Any other matters relating to the tasks and activity of the company.

Article 44: The existing employment rules shall apply to the employees of the companies covered by this law until new employment rules are issued.

Article 45: This law shall be implemented as of the date of its publication in the Official Gazette. Any public or private provisions contrary to its provisions are considered invalid.

Written in Baghdad on 15 Rabi' al-Thani 1418 Hegira corresponding to 18 August 1997.

[Signed] Saddam Husayn, president of the republic

Reasons for issuing this law: This law was enacted for the purpose of organizing the activity of self-financed state economic organizations and unifying the laws organizing the activities of these organizations by establishing national state companies and organizing their work in such a way as to contribute to the advancement of the national economy and to achieve the social aims of the socialist sector.

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