

BUSINESS

March 2021/Issue 2

LANDSCAPE

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Overview**

The Fundraising Landscape

Seeding the Future



Research Summary

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Nass Al-Iraq, CEO

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Business LANDSCAPE is a quarterly published magazine that covers a wide range of topics regarding the private sector of Iraq.

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Introduction

We are very proud to present you with the second issue of Business Landscape, a quarterly published magazine that sheds the light on the Iraqi private sector.

In those very difficult times, despite the current economic situation, the Iraqi market proves that it is still full of potentials, with big challenges, come even bigger opportunities. The private sector has experienced many developments recently, in which small and medium-sized enterprises and startups can play a significant role.

In this issue, we cover the fundraising scene in Iraq and the investment rounds that were facilitated by the Iraqi Angel Investors Network (IAIN). Also, one of our most important enablers, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), shared with us the impact of their project information and communication technology (ICT) and their perspective on technology and startups.

Furthermore, many governorates that suffered from the impact of conflict and violence, have been reviving many sectors lately. Mosul in particular, where different initiatives such as the opening of the Station took place in order to foster the growth of its startup ecosystem and nurture the potential of entrepreneurship.

Business LANDSCAPE presents many topics related to the Iraqi economy, such as the challenges of the economic free zones in Iraq, the challenges of the banking sector and the hydrocarbon sector.

We provide two reports summary, the electricity sector overview, and the education sector overview.

In both reports, we explore the background of these sectors, the current situation, the main issues, and the possible solutions.

In addition to a summary of our research "Made in Iraq" where we analyze and identify the factors that influence the behavior of the Iraqi consumer.

Our series of interviews with key Iraqi figures continues. In this issue, we had the pleasure to interview the CEO of Asiacell, Amer Sunna, who talked to us about the prospects of the telecommunications sector in Iraq, and Asiacell's view on the Iraqi private sector and startups and their constant support of the youth.

And sat down with Ahmed Tabachali, an expert in the economy and capital markets, who discussed with us the challenges that face the Iraqi economy and the reforms proposed by the White Paper, and how the youth could take an active role in this process to create a tangible change.

Lastly, we met Nass Al-Iraq, a company operating in the field of connectivity infrastructure and digital transformation that recently invested in other sectors through the Iraqi Angel Investors Network.

This issue and future issues will continue to cover all different aspects of the economy in Iraq and the means that take part in its progress. Business LANDSCAPE strives to paint a clearer image of the private sector for entrepreneurs, investors, companies, businesses, and organizations that support this sector.

We deeply appreciate and thank everyone who contributed to this issue of Business LANDSCAPE and we sincerely thank GIZ for being an outstanding enabler for us.

KIPITA





Ali Al-Suhail, CFA

The Fundraising Landscape - Seeding the Future

The Fundraising landscape in Iraq has continued to evolve over the third quarter of 2020. The newly formed Iraqi Angel Investors Network (IAIN) has had a profound impact on the scene facilitating three rounds of seed investments since its launch in August 2020.

The AUIS based Takween accelerator announced the graduation of its first cohort and awarded a total of \$70k to the first five startups. Finally, the International Organization of Migration (IOM) expects to announce the winner of its grants in a public event sometime in mid-January 2021.

The increasing activity at the seed and pre-seed stages will help develop the pipeline for later stage deals to take place in 2021 with bigger tickets. As I have highlighted in our previous letter, the seed stage faces a significant funding gap in Iraq, and it is a primed space for local investors to get involved in.

We saw this materialize with the investments made by IAIN; which focused on the seed stage and was led by local investors.

As KAPITA, we have played an active role in all of the investments that were completed by the network. We led two of the investments and were a shareholder in the third.

Below are the details of the three investment rounds that were facilitated by IAIN:

Tabib Baghdad

KAPITA and Nass Al Iraq made a six figures investment into Tabib Baghdad, an online doctor booking platform. The company started its operations in Baghdad and plans to cover the rest of Iraq in the coming year.

At present, Tabib Baghdad has more than 300 doctors on its platform and has facilitated more than a thousand bookings.

We see a great opportunity in Tabib Baghdad as we believe the process of finding the right doctor in Iraq is hampered and that the community can benefit immensely from digitization.

The main mode of finding doctors in Iraq is word of mouth and this concentrates patients with select doctors while leaving significant capacity with others. Through its ratings and review system, Tabib Baghdad aims to democratize this process creating more efficient ways for patients to find doctors.

Teami

KAPITA and a group of co-investors, including Mohammed Al-Hakim and Iraq Tech Ventures, made a five figures investment into Teami; a customer relationship management (CRM) solution for medical representatives.

Teami was founded in order to provide pharmaceutical agents in Iraq a professional alternative to the current tools (mainly WhatsApp and Telegram) used to manage their on-field sales teams. Teami is a great product with a great team behind it, but what distinguishes Teami is that it is very well-tailored to the needs of the Iraqi market.

Hi-Express

The members of the network; Amar Shubar and Jaafar Al Musawi, along with other co-investors, have made a six figures investment into Hi-Express, a last mile delivery focused on the B2B segment of the market and was co-founded by KAPITA's founder, Mujahid Waisi. Hi-Express has grown to serve more than 170 vendors over the past year. Hi-Express is distinguished by its proprietary technology and the deep experience of its founding team. The company has been able to grow rapidly over 2020, despite the hurdles encountered by the last mile delivery providers.

Being at the forefront of the above investments provided us with some interesting insights into the way investors are thinking of early stage investing in Iraq:

Industry/theme agnostics: investors are looking for attractive startups to invest in across sectors rather than focusing on certain markets or themes.

Commercially viable: investors have a strong preference for commercially viable business models as opposed to superior technology.

Value-add investing: investors prefer startups where their value-add extends beyond the financial contribution, such as providing technical resources or supporting business development.

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The increasing activity at the seed and pre-seed stages will help develop the pipeline for later stage deals to take place in 2021 with bigger tickets

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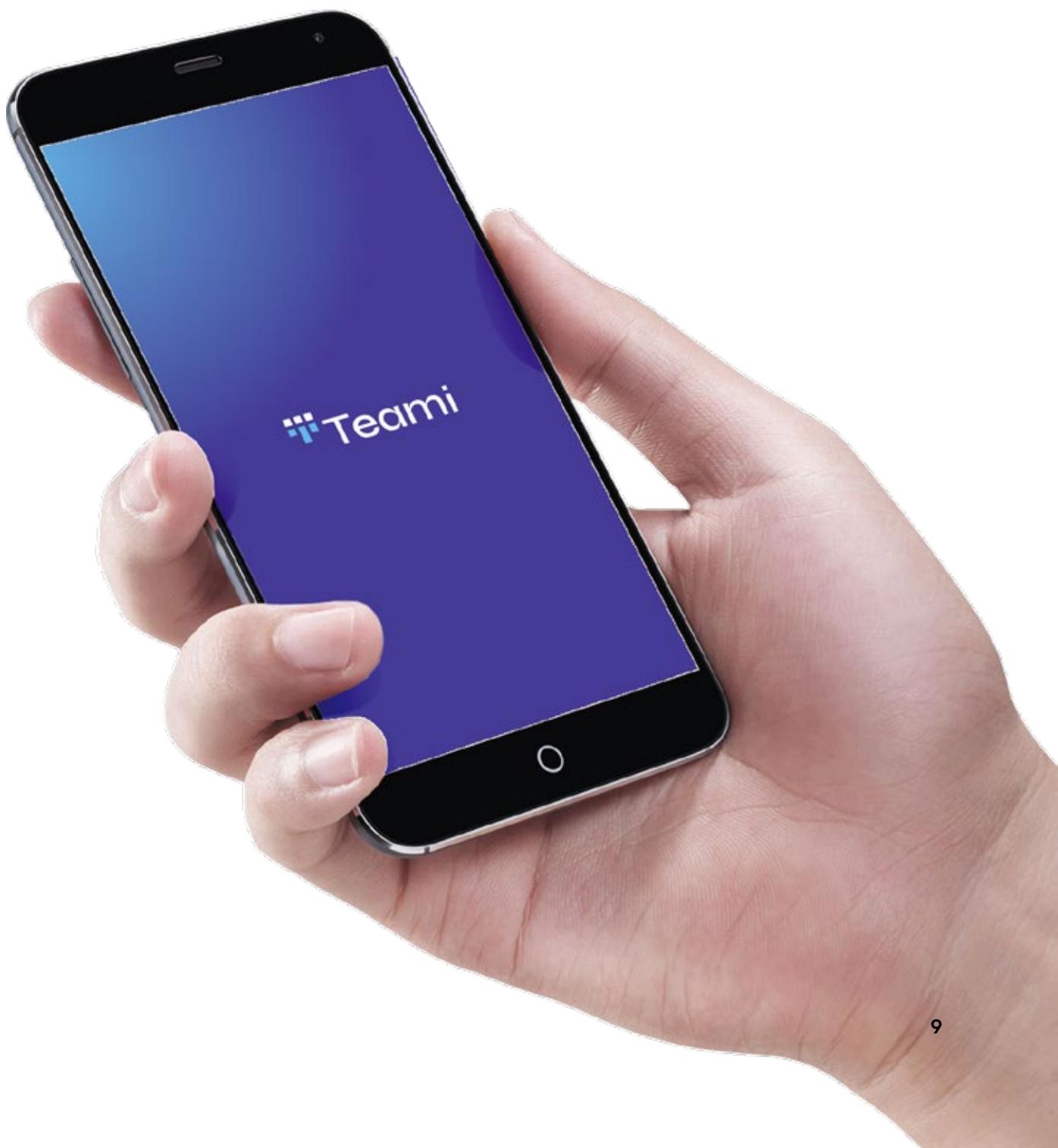
These are the preferences that dominate early stage investing in Iraq today. We expect these preferences to evolve over the coming year with the ecosystem. In general, there is a strong belief in the potential of Iraqi startups among investors despite the economic difficulties. The biggest challenge for most investors is finding startups that are able to combine well-built technology and a sound business model. We do see the pipeline improving significantly over the coming year. I was honored to be selected as part of the judging panel for the Takween accelerator demo day and have been a part of the judging committee for the IOM grants awards for startups. In both events, we were very happy to see the quality of startups coming into both programs.

We are already seeing certain sectors coming into focus with increasing startup activity to disrupt them. One such sector is healthcare; as the country's already fragile healthcare system has been stormed by the COVID-19 pandemic. There are opportunities across the healthcare value chain from helping doctors establish better trust with their patients to helping medical representatives better manage their on-field operations. Education is another sector where we are seeing an increased startup activity, but the right business model remains elusive for most startups in this sector.

Post-investment, investors do face many challenges around company registration and governance. There is a general lack of expertise on term sheet clauses that usually govern the relationship between the investors and the founding team. Another issue is the registration process, startups at the seed stage are looking for the most cost-effective registration paths, and the typical choice falls on a Limited Liability Company. The registration process is lengthy and costly.

Recently, we have seen an announcement by the United Nations Conference on Trade and Development (UNCTAD) on the launch of a single window to register businesses but this has yet to be fully active.

Reflecting on 2020, we have seen an impressive growth of the ecosystem. Miswag and Lezzo both secured investment rounds of more than \$1 million and the onset of the COVID-19 has caused a massive surge in the overall e-commerce activities. We expect this trend to continue in 2021 with an increase in the volume of seed round investments and larger later stage investments.





GIZ - ICT for Youth Program

Technology and Startups – New Perspectives for Youth in Iraq

Information and communication technology (ICT) and digital innovation have become essential for the growth of modern-day economies. The COVID-19 pandemic has just recently demonstrated the rapid adaptability of online-based services, leading to an economic boom for digital startups worldwide. In the context of Iraq, ICT does not only have the potential to diversify and modernize the private sector but to also be a driver of employment for young people.

Since 2018, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has been implementing the project "ICT -

Job Prospects for Youth in Iraq" on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The project aims to unlock the potential of the tech sector as a motor for much-needed job creation in the country by providing young Iraqis with the infrastructure and trainings needed to start innovative businesses or to find employment in the field of tech.

Thus far, the ICT project has supported the setup and development of seven innovation hubs in Baghdad, Basra, Mosul, Erbil, and Sulaymaniyah, where young Iraqis can access trainings in practical skills with high-tech equipment and a broad network of peers and mentors. The training programs focus on startup support through incubation and acceleration, and specific tech skills in demand by the private sector, ranging from programming and app/web development to blockchain development, artificial intelligence, and robotics. To date, the project has trained more than 3,000 young Iraqis, 35 percent of whom are women.

Another 6,000 young people have participated in outreach and networking events that foster collaboration among entrepreneurs across Iraq. 60 new startup companies were founded and have benefited from the project's training activities.

"I am amazed at the speed at which the Iraqi tech and entrepreneurial ecosystem has been evolving over the past three years," says ICT for Youth Program Manager, Jochen Zimmermann. "And I am confident that we will see a major scaling up of investments in this sector in 2021."

For the project, it is of vital importance that the support does not end with the launch of a startup company. Once a young business starts its operations, it has several obstacles to overcome. In addition to structural barriers, such as long waiting periods to register a business or tax regulations, this includes the lack of knowledge on how to grow and scale an innovative business. Therefore, GIZ has been supporting the implementation of the first accelerator program in Iraq, which enables the establishment of a pipeline of investment-ready startups in the country.

"It's inspiring to see these young people develop and work on ideas they're passionate about," says Project Advisor Buse Cubuk. "This is based on the incredible creativity of the Iraqi youth and their ambition for change and innovation."

But even though the number of promising startups is growing, access to finance is still a major barrier.

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It's inspiring to see these young people develop and work on ideas they're passionate about

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To address this gap, the ICT for Youth project has been supporting its implementation partner KAPITA in establishing Iraq's first Angel Investor Network (IAIN). Incentivized by the project's matching grants, the first six-figure seed funding rounds by Angel Investors have now taken place, with more to come. Business Angels not only provide capital but also knowledge of the industry and contacts that are essential for young founders when starting a business and they have invaluable insights into the specifics of building up a business in Iraq.

Angel investment is always prone to risk, but the market in Iraq has great potential and as of this year real opportunities are opening up. As much as the pandemic has put the global economy on hold and created further obstacles, the crisis has driven digitization in all facets of society and young innovative companies with scalable, online-based business models will benefit from this trend in the long term, including in Iraq.

"The Iraqi ecosystem has developed rapidly in recent years but implementing sustainable economic solutions can be a difficult endeavor for entrepreneurs," states Maryam Allami, Project Advisor. "Institutions that support founders and provide access to quality training, connections, and to a potential investment in particular are critical to turning innovative ideas into greater economic development."

The project has supported the consolidation of Iraq's technology and startup ecosystem through the establishment of the Iraq Innovation Alliance. It consists of key players of the ecosystem and acts as a networking platform, to give more political weight to concerns of the Alliance members and promote their activities. To facilitate evidence-based decision-making, GIZ's ICT project furthermore supports much-needed data collection on entrepreneurship and the private sector, as well as the production of sectoral focus studies and targeted analyses, such as on the impact of COVID-19 on the private sector in Iraq.



MOSUL

Introduction

Mosul is the second largest city in Iraq after Baghdad and is home to a myriad of religions and ethnicities. It has been three years and a half since this quintessential province was liberated from the oppressive chains of ISIS, but Mosul continues to face acute challenges across a variety of sectors

War can heavily debilitate a country's economy, governance, and quality of life, and these predicaments are further exasperated when opportunities are slow to emerge. Mosul's fate has unfortunately proven no different.

Following the liberation of Mosul, local governance has been sluggish in its response towards the demands of youth.

For the last three years, thousands have been searching for job opportunities and quality education and the results have been lacking, leading many to seek prospects in the private sector.

Nonetheless, if matters affecting the province's psychological and physical growth, such as violence and instability are not addressed, they will act as major deterrents to future capital and investment, leading to insufficient employment prospects, social engagement, and security.

Therefore, not only is Mosul a fascinating case but one with colossal potential to mature and develop into a fully-functioning and supportive province for its inhabitants.

Integrating entrepreneurship into the sphere of economic and social influence is an approach globally utilized to ensure constructive growth.

Potential of Entrepreneurship

Although economic literature regarding entrepreneurship was deficient over the last decade, the last few years have witnessed some warranted attention.

Capital, entrepreneurship, cultural influence, political dispositions, and support systems co-evolve, respectively collaborate and therefore, impact one another. As they co-evolve, entrepreneurial initiatives and relations between suppliers and consumers, financial institutions and business hubs will too, evolve through shared knowledge.

The defining hallmark of this conception is that the properties of an ecosystem are defined by contextually exposed inclinations for services, activities, and initiatives. Hence, the recognition of mounting environmental failure will offer entrepreneurial opportunities. The instrumentality of entrepreneurship in pertinent circumstances may function efficiently based on the rationale of an inevitable disintegration across all sectors of the state. Entrepreneurs are faced with the potential to explore means of delivering innovative ideas to resolve widely spread problems that can be utilized to yield revenue in fresh market structures. Thus, negative externality can be avoided through entrepreneurial initiatives that allow victims of war to become empowered to resolve the problems they face.

The Beginning of Mosul's Ecosystem

Today, civilians of Mosul are doing the best they can to rebuild the city which they call home through initiatives such as the "Heroes Graffiti" by the Art Revolution that involved covering murals left by ISIS with beautiful paintings, Mosul Space, a community of youth working on entrepreneurship, tech, and education, and The Station Foundation for Entrepreneurship, a co-working space business hub, to name a few.

With a domestic economy grossly reliant on oil, Iraq must delve into emerging markets and break down old, traditional-type businesses that failed to remain alive after the end of ISIS. Even early-stage businesses at the moment are facing acute hardships with earning satisfactory revenue that would permit internal (staff, resources) and external (markets) expansion.

However, this does not mean that all projects emerging from Mosul are unscalable but that the scarcity of financial resources, decision-making skills, and infrastructure have collectively produced challenges that need to be addressed – at the very least by civil organizations.

According to The Station, a local NGO working on the development of startups, when working with entrepreneurs across Mosul, it was observed through the activities implemented over the last three months, that there is a demand for contextually designed pre-incubation programs where ideas are assessed, evaluated, and tested before moving on to an incubation program.

The Station will launch its first pre-incubation, internally designed under the EU-funded YANHAD project at the start of the year 2021. It is imperative to support the success of potential startups by ensuring both their business idea and model are defined to ensure flexibility without incurring huge losses, not only in time and resources but also in motivation.

However, regardless of the level of quality of trainers facilitating the incubation programs and mentoring the youth, there will remain gaps that are necessary to fill to ensure a startup's success, and mentorship can certainly pave the way.

Mentors and/or mentorship, in general, can momentarily enable the progression of the entrepreneurs' success, provided that entrepreneurs have access to numerous approaches and bases of skills. Similarly, they provide support to the growing Iraqi ecosystem.

Mentors can also facilitate access to broader markets and promote market relations that can foster dynamic evolution.

The Station will be introducing a mentor-pool for its co-working space startups, as of March 2021. It will consist of mentors with diverse backgrounds and sets of qualifications, all relevant to the fields of work of the co-working space hosts.

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Courage is a characteristic so often undermined in Iraq as a vital part of what makes a successful entrepreneur.

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It will consist of a one-hour mentoring session per week, for as long as the start-up demands his/her services and can take place online and/or face-to-face.

Courage is a characteristic so often undermined in Iraq as a vital part of what makes a successful entrepreneur. Without courage, there exists no confidence.

No confidence to make critical decisions, to manage an entire team, or to distribute finances effectively; all of which are defining in the journey of a startup's success.

Mentorship in Mosul should not be limited to methodology and technical expertise, but should expand to include a learning curve regarding the concept of what defines an actual “entrepreneur”, with the risks it takes, the high rate of failure, and the ability to overcome the challenges and succeed in a city that sorely needs the vibrance and innovation of its citizens.



The Challenges of the Free Economic Zones in Iraq: Khor Al Zubair

The free economic zones are appointed areas that enjoy favourable regulations to facilitate trade activities, companies' operations, and investments. These regulations could be relaxed procedures, untaxed economic activities, financial incentives, or subsidies for certain industries.

Free zones in many countries of the world form great importance as they can attract foreign investments due to their favourable tax regulations, bring capital, and collect foreign currencies. Investments in the free zones have an important role to develop and flourish the economy of a country.

However, some see these regions as competitors against the local markets because they can glut the market with bad goods, threatening the national industry to prevent Iraqi consumers from buying these local goods. The geographical location of Iraq occupies a significant role in the Middle-East as a crossing point of commercial transactions. We have to go further back in time to point out that law number 3 for the year 1998 was the starting point for establishing the "General Commission for Free Zones" in Iraq in three areas; Khor Al-Zubair, Free Zone in Nineveh, and Alqa'im Border Crossing in Anbar.

In this article, we will focus solely on the Khor Al-Zubair Free Zone which forms one of the most significant points in Iraq.

Khor Al-Zubair is the first free zone which was established in May 1997 according to a custom statement of provision 122 number 23 for the year 1984.

This area has great importance as it lies in the Arab Gulf, and it is considered as a connection point between the Arab Gulf States and the international navigation for commercial transactions with the Asian countries. Moreover, this area connects the Safwan border crossing with Kuwait and Shilamchah border crossing with Iran.

The designated free economic zone in Khor Al-Zubair port occupies the area where the piers (1, 2, 3, 4) are located, reaching its waterfront which is 1000 meters and extends to 7 km to Um Qasar street. This area can increase from 3 km to 7 km on a condition not to interfere with the facilities of other countries.

The area begins with 1000*1000 squared meters along with 3-4 storages that are near the location within an area of 3 km. The area is bordered from the east with Khor Abdullah's navigational canal and piers numbered (1, 2, 3, 4) in Khor Al-Zubair port. To the north, the area extends from the port of Khor Al-Zubair and the railway leading to the concrete piers in the port to the cement factory in Khor Al-Zubair. To the south, there are empty areas and the port of the liquefied gas and the way leading to it. To the west, there are empty areas following the highway (Basra-Khor Al-Zubair- Um Qasar).

The Iraqi market struggles to transform into a free market economy due to the structure of the Iraqi economy which suffers from frail implementations. Nevertheless, the infrastructure in Iraq weakens the role of the free economy entirely, taking into consideration that the factors of production and revenue are in a crumbling state. Iraq also lags in the development of human capital. These points created a great gap in ICT between Iraq and other countries. The administrative and financial corruption, lack of transparency, and the lack of restorative regulations are the main reasons which hinder the transformation to a free economy in Iraq.

Despite Khor Al-Zubair in Basra being a free zone and forming an important point to the commercial transactions and investments, it suffers from the lack of expertise which hinders the development of the area.

The infrastructure in Khor Al-Zubair is still incomplete and suffers from low work standards. To guarantee the longevity of this vital area, the necessary expertise and good infrastructure must be accessible to ensure the development of the region and consolidating its presence among the free zones of the region.

The free zone in Khor Al-Zubair along with the rest of the free zones in Iraq share the problem of limiting the freedom of the foreign investors to transfer capital and business revenues outside of Iraq. Furthermore, the situation in Basra suffers from instability. In return, this pushes investors and foreign companies away. Thus, solutions must be provided to facilitate smooth investment processes and strengthen the security and stability of the region.

Another issue is the lack of transparent and clear laws regarding the free zones in Iraq which creates confusion and conflicts. Therefore, Iraqi legislation should issue new amended, clear, and broad laws and regulations to cover all the matters related to the investment in the free zones.

The project of building Al-Faw port can strengthen the role of the free zone in Basra and contribute to widening the free zones as a plan, sustaining the economic importance of the region. Building this port in the free zone can support the sea sources to the fact that Khor Al-Zubair can consolidate the industry of building boats and yachts. This will result in developing the free zone and attracting the investors to give them new opportunities to start their projects which will help the commercial transaction and employ the capitals to the country.

Industry and tourism could also drive the economic growth of the free zone in Basra; modern buildings and factories can be built to contribute to the prosperity of local investment. Through these factories, new fields can be opened in the scope of the industry and encourage the investors to invest in these areas and make additional benefits to the Iraqi revenue. While tourism could be encouraged through developing the hospitality sector and investing in the rehabilitation of the Iraqi marshes. This could help the coast of Khor Al-Zubair canal to flourish and prosper.



Made in Iraq

The Iraqi industry started declining after hitting its peak in 1990, as the country started shifting towards consumerism and heavy reliance on the oil sector. Oil contributes to over 65% of Iraq's GDP and 90% of the government revenues, while it only contributes to 1% of the employment.

Whereas other sectors such as agriculture, forestry, and fishery contributed to only 2% of the GDP in 2018, although they provide 20% of the employment. This led Iraq to depend heavily on imported goods and lack self-sufficiency.

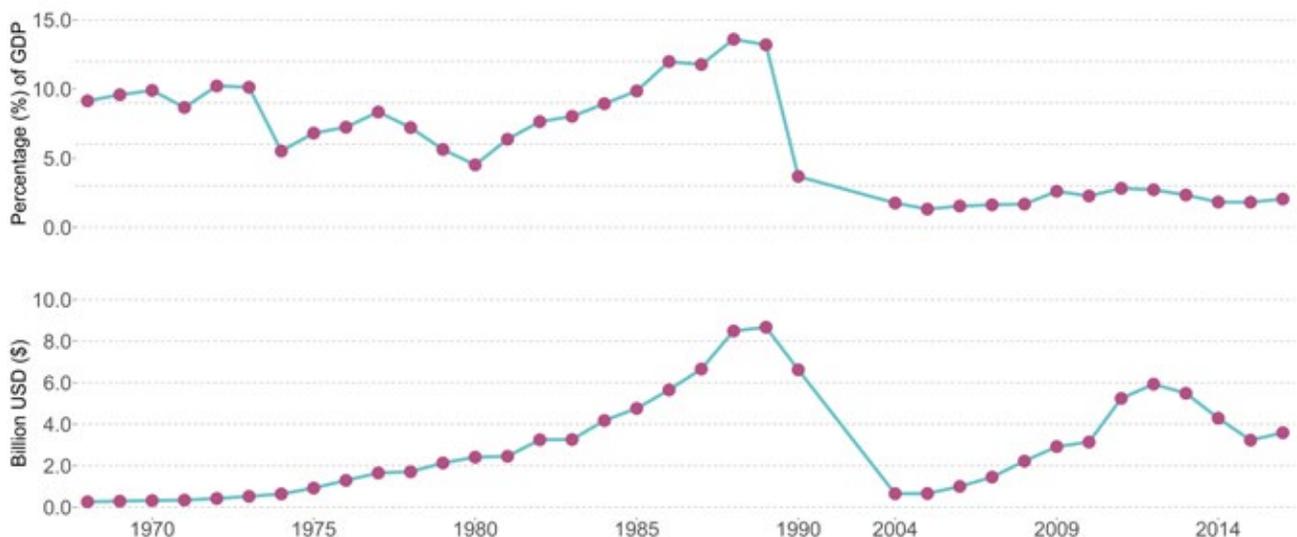
The fragile economic situation, declining oil prices, high unemployment rates, poor services culminated in fueling the uprising of October 2019. Meanwhile, this series of events led to the launch of the "Made in Iraq" campaign.

This campaign has influenced the Iraqi customer behavior to shift towards purchasing and consuming Iraqi products, supporting local businesses; thus, creating jobs for Iraqis and nourishing the private sector. However, in response to the aforementioned campaign, it is noted that there is no clear study of the different factors influencing customer behavior among Iraqis.

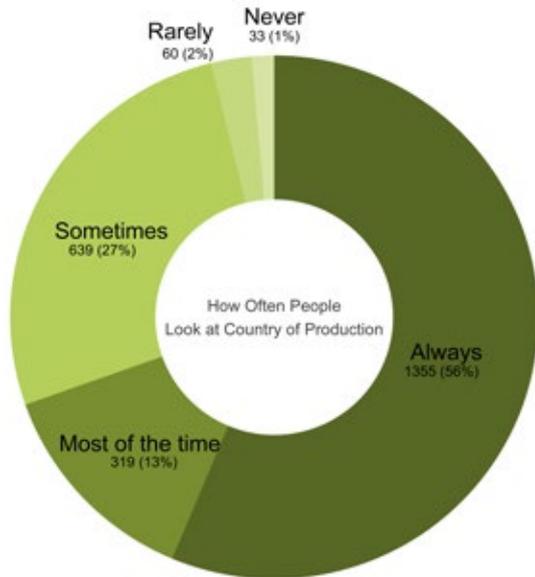
Made in Iraq, is a research that identifies and analyzes the main factors influencing the Iraqi consumer behavior in order to figure out what are the motivating and deterring factors when purchasing both Iraqi and imported goods. We also try to understand to what extent the "Made in Iraq" campaign influenced Iraqi society and encouraged them to support the local industry. Furthermore, we evaluate how gender, age, location, and educational level impact the Iraqi consumer behavior. The data collection took place in an online survey that included 2406 people.

The results show the majority of participants cared about the country of production when purchasing a product as 56% of them always checked for it. Whereas 40% checked the country of origin on a less frequent basis. Opposed to only 3% who were indifferent.

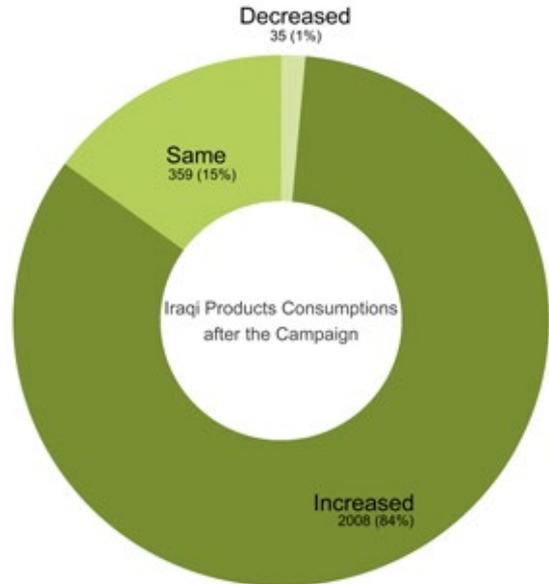
Manufacturing Percentage of GDP & Net Output Over the Years



Customer Awareness of Products' Country of Production



Iraqi Consumers Behavior after the Campaign



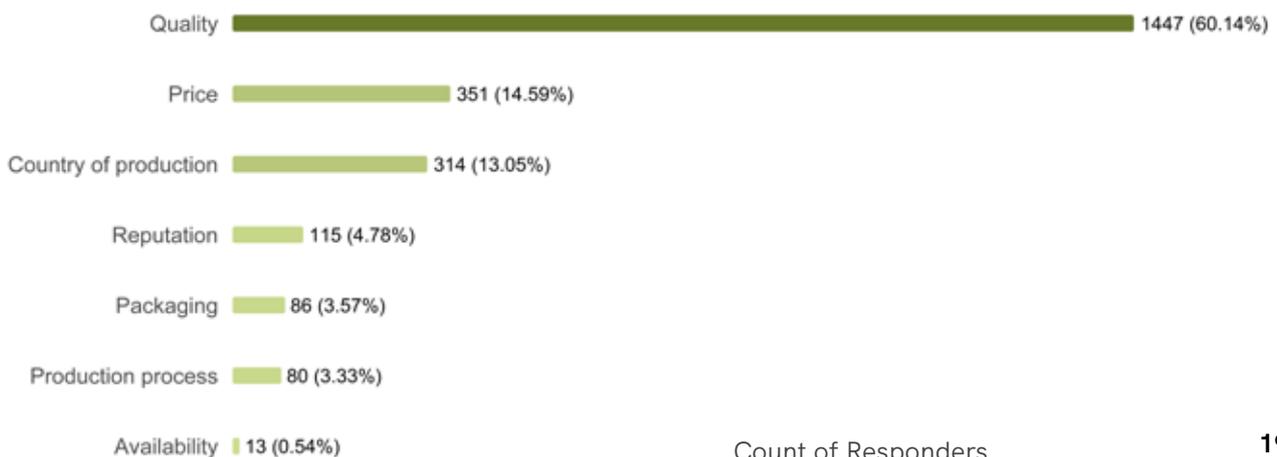
When measuring the impact of the “Made in Iraq” campaign, we observe that around 84% of the participants were positively encouraged to consume more local products, whereas only a minority of 15% were not persuaded to change their consumption habits.

Participants ranked the quality as the most important factor that influences them to purchase products in general as over 60% of the sample ranked quality as the first thing they seek in a product. Price ranked second to quality, almost tied with the country of production but proved slightly more important by 1.5%.

When we assessed the decisive factor for purchasing Iraqi products, almost half of the sample showed the willingness to support local production and ranked “Made in Iraq” as the most significant factor prior to quality. Nevertheless, quality still ranked as an important factor, followed by price.

We could safely assume that the Iraqi consumer would readily support the local industry, if the products proved to be of good quality and were fit for the purchasing power of the Iraqi consumers.

The Top Decisive Factor to Buy a Product



Count of Responders

The analysis also showed that females appear to be more supportive of the local industry than males but not by far off, while they were more indifferent towards the price aspect of the Iraqi products as only 6.5% ranked price as a decisive factor compared to 12.7% of males.

To further gain an understanding of the Iraqi consumer, respondents were asked to rank the deterrent significance that stops them from purchasing a product in general whether it was local or imported.

Around 53% of the respondents ranked quality as the most significant factor that leads them to avoid purchasing an item. Followed by packaging as 11.9% of the respondents ranked it as a decisive factor, and price which ranked behind packaging by a little difference as 11.6% of the sample finding it significant.

Moreover, when we take a look at the decisive factors that lead the Iraqi consumers to avoid purchasing Iraqi products, quality proved to hold its place as the main discouraging factor. Notably, packaging ranks second as 18% of the sample chose it to be a deterring factor. Followed by reputation and availability. Whereas price ranked as the fifth factor that leads people to avoid purchasing Iraqi products compared to third place when purchasing a product in general.

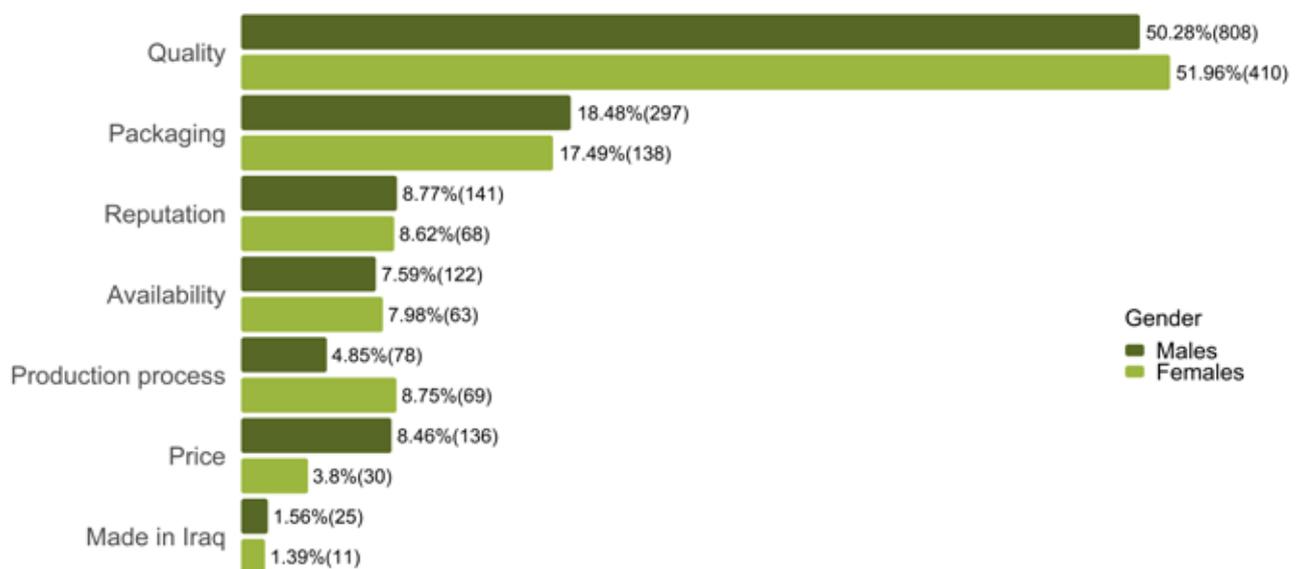
When we assessed these factors while considering the gender of the participants, we observed that women were more indifferent regarding the price as only 3.8% ranked it as a decisive factor to avoid Iraqi products compared to 8.46% in men.

Another worth mentioning distinction is found between location when it comes to price and reputation. Participants from cities other than Baghdad took price as a more important factor to avoid buying Iraqi products with a total of 7.95% and 5.71%.

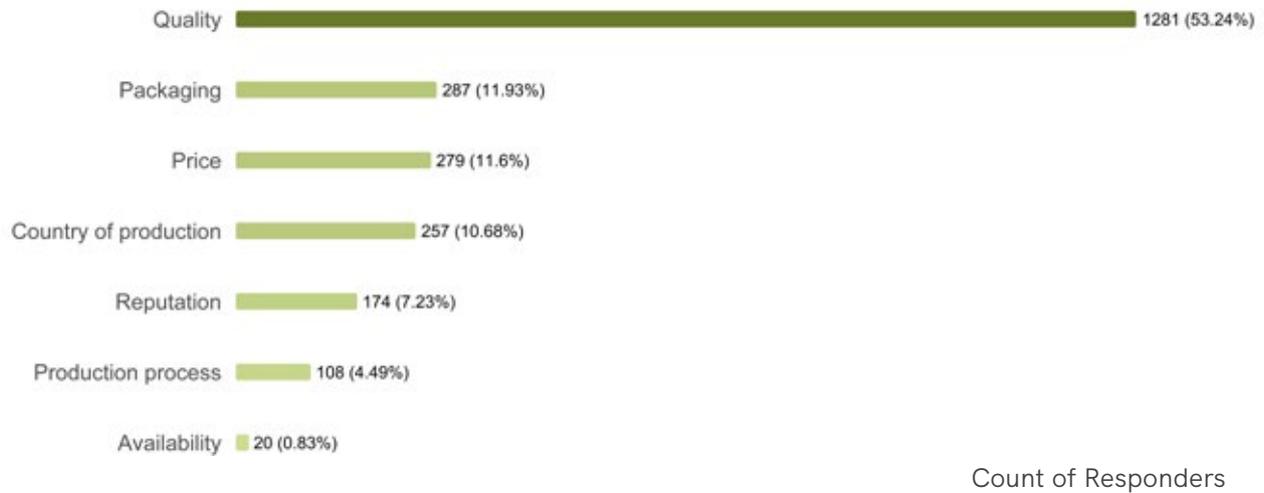
This research aims to understand the consumer behavior of the Iraqi individual, in order to provide those who might be interested among producers, manufacturers, and stakeholders with the necessary insight to improve and raise the standards of their products to fit the Iraqi market.

The research identified many valuable distinctions between the Iraqi consumer behavior towards imported and local products. The research has found that the packaging factor ranked higher as a discouraging factor that led the customers to avoid Iraqi products compared to other products with 18.08% and 11.92% respectively. Therefore, producers should take into account the importance of the packaging.

The Top Decisive Factor to Avoid Buying Iraqi Product by Gender by Gender



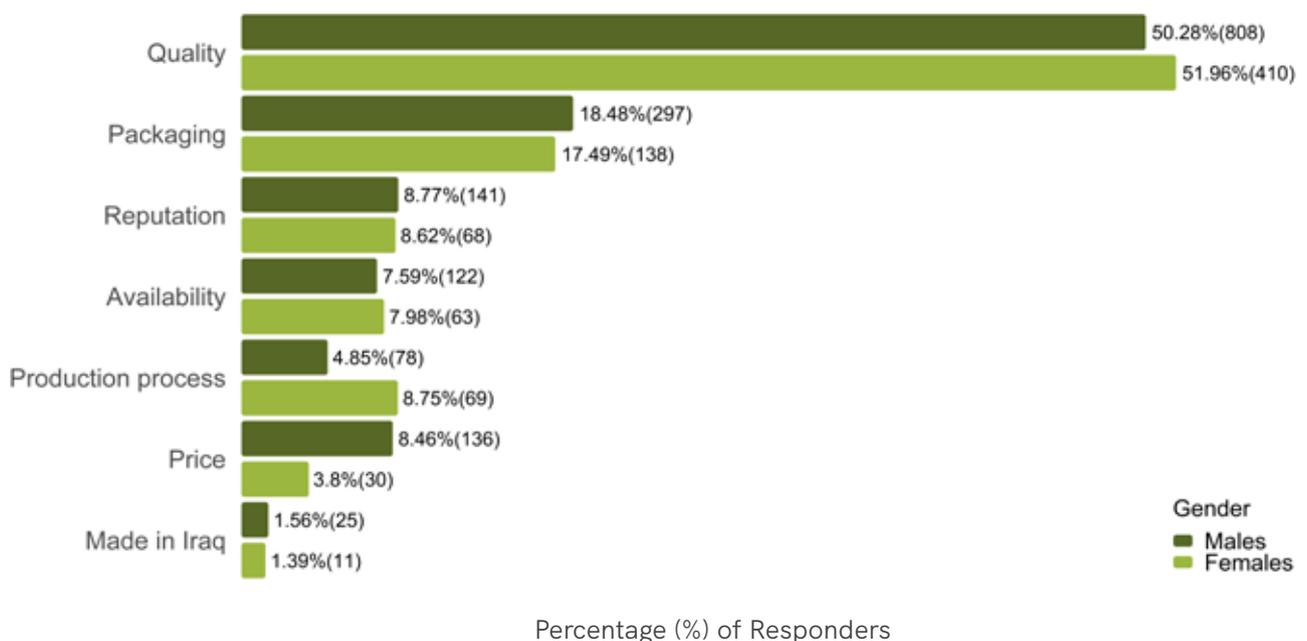
The Top Decisive Factor to Avoid Buying Products in General



Meanwhile, product availability was significantly more important in Iraqi products compared to other products, it was ranked as the 4th decisive factor to avoid Iraqi products by 7.73% of the respondents compared to less than 1% of the sample who ranked availability as a discouraging factor when purchasing a product.

Whereas high price ranked less important as a factor to avoid Iraqi products compared to imported goods. Hence, the Iraqi individual would readily support the local industry, if producers cared about the customers' main consumers and provided the Iraqi market with high-quality products of good packaging and reputation and abundantly available.

The Top Decisive Factor to Avoid Buying Iraqi Product by Gender



Post “Made in Iraq” Thematic Analysis

Made in Iraq was one of the largest campaigns to support iraqi produce and products. This campaign rejuvenated the market and stirred the community to support local goods, however, its effect has not been investigated until over a year from its launch.

A qualitative approach was adopted to identify how Iraqis feel about national products. Posts about national products from several Facebook pages (Yalla, Made in Iraq, Baghdad, and others) were collected and the comments were examined to identify the main occurring themes.

Results and Findings

- Posts sharing the story of a manufacturer/producer: this type of posts often included photos of the producer/manufacturer and the product. The 1st person point of view was used in these posts and the challenges were mentioned.
- Posts sharing developments in the manufacturing/production: this type of post is usually written as a single, short paragraph with photos of the product detailing how a new technique is being employed. The 3rd person point of view is used in these posts.
- Posts sharing statistics about national products: this type of post includes data regarding production, exports, or lost products.

Three shared themes and one specific theme emerged from analyzing the comments on the aforementioned types of posts. The shared themes are seen in all of these posts about national products but the dominance of each theme varied depending on the type of the post and as detailed next.

Theme 1: Sarcastic, underestimating comment

This theme dominated the comments on posts that shared details about a new development or breakthrough in production. The quality of the national product was the material of the sarcastic, underestimating comments followed by the price. Some considered sharing such news as shameful and made the national products look even worse.

‘You consider this a new development when it has been used for ages in other countries? You should be ashamed of that’

‘We used this technique for a long time and there is nothing new about it to consider it a breakthrough’

These comments usually sparked arguments and the tone became hostile and personal after few comments.

Theme 2: Unsympathetic, opposing comment

This theme can be seen in life story posts. The commentator usually mentions how the prices of certain products have soared dramatically after the support the producer/manufacturer obtained. People did not show compassion for the challenges the producer is facing nor provided any possible solutions to overcome them. Moreover, some even hoped that the producer gets affected negatively and ceases operation entirely. The replies to these comments were divisive. Some agreed with the commentator while others offered an explanation for the rise in prices.

‘You support the national product and stop purchasing non-Iraqi products, the merchant doubles the price instantly. Let their products rot’

‘Don’t stop importing products from other countries, at least we can afford the prices and eat many varieties. Once the imports stop, the greedy sellers will double the price’

Theme 3: Concerned, upset comment

This theme is found where production numbers are found. People expressed their concern about losing the products due to sabotage. They usually referenced the incidents of fish death and wheat fields fires. The tone of the comments was defensive without expressing the feared culprit in such incidents. They also used metaphors to express this fear.

‘Wait for a few days and fire will catch these facilities.’

‘Just like the wheat fields fires, this will be lost and we will have to import it from other countries’

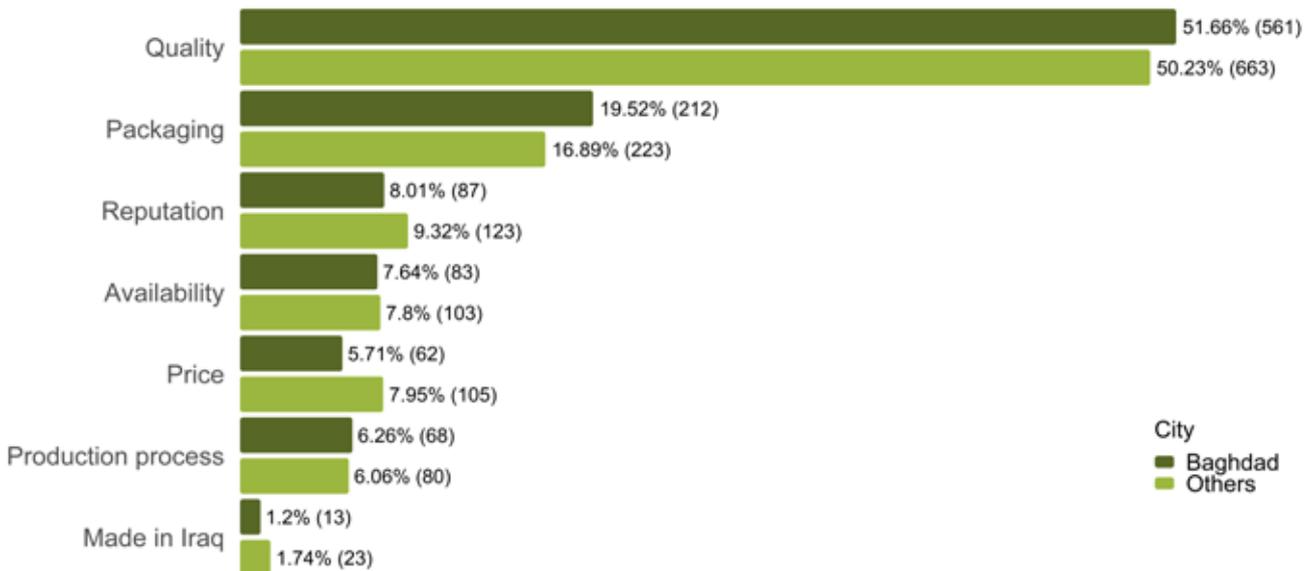
Some people expressed frustration with the lack of protection for such projects.

Theme 4: Skeptical, canny comment

This theme is seen only in posts where the number of exported products are shared. The tone is satirical with intimidation and surprise sometimes. Commentators shared the same idea of exporting raw products and importing them again in another form. Some pointed that national-sufficiency is more important than exporting products while others pointed that the whole exportation process is corrupted as non-Iraqi products are exported as Iraqi products.

‘We export the products and gain few millions but we import them again and pay a couple of hundred million’

The Top Decisive Factor to Avoid Buying Iraqi Product by City





Analysis of the Hinderling Factors of the Iraqi Banking Sector

Introduction

The widely accepted role of the commercial departments in a bank is to provide the financial and banking facilitation to enable businesses to operate by making payments to suppliers and receiving funds from clients to enable them to grow by providing financial support.

This article looks into the facilitations that any business would require to meet their banking needs, It would also look into their availability and accessibility in the banking sector.

This article uses the PESTL tool to analyze and identify the obstacles from industry-wide to give the readers a good understanding, it, also, uses Porter's five forces tool to analyze an anonymous bank that operates in Iraq.

Background

The banking sector before 2003 was set up and controlled by the government through the Ministry of Finance with six main banks (oligopoly).

However, each of these banks has a role and they do not compete or operate cross departments, such as the trade bank's role is to provide support to trade activity, while the agricultural bank's role is to support the given sector

All these banks' actual role was to deliver the government schemes, these banks depend purely on the government support that also includes paying their salaries (to date).

This led to the lack of improvement and growth of this sector as there was no competition or requirement to improve the services, as well as the lack of demand due to the sanctions that the country endured from 1990 to 2003.

After 2003, the Iraqi economy was about to open up to become a free market, hence we have seen a sharp increase in imported goods floating the Iraqi market from many parts of the world.

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The limits of the banking sector in Iraq have held back many companies from growing and developing.

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Furthermore, we have seen an increase in the number of international companies entering the Iraqi market and an increase in the number of SMEs and startups, which requires the availability and accessibility of banking services.

The limits of the banking sector in Iraq have held back many of these companies from growing and developing, which in return negatively affected the market and the different industries.

Small and Medium-Sized Enterprises (SMEs)

To the author's knowledge, no bank in Iraq has a portfolio to manage commercial accounts or business banking departments. To elaborate, the specialist department requires to provide the staff and account managers with a specialized focus and to enable them to have a good understanding of the business needs. As the staff expected to be trained and knowledgeable of the business, local economy, and banking services. Thus, they would become a trusted advisor to the business.

Furthermore, if the account manager has a good understanding of the business, he/she would be able to spot growth opportunities and provide banking solutions.

The facilitation for SMEs would become more complicated depending on the complexity of the business, but for basic SMEs, the requirements would depend on the level of the operations and the size of the business, also if the business is trading at local, national, or international level.

Facilitations

A table of services and products available to SMEs in the UK by high street banks is provided below, this would be used to examine the products and services availability in the Iraqi banking sector.

Making and Receiving Payments	Cash Flow	Loans for Growth	FX Services	Services
Bank Transfer	Trade Facilitates	Commercial Mortgage	Spot Rate	Branch Services
International Transfer	Invoice Finance	Business Loan	Forward Booking	Advisor Service
Cheque	Overdraft	Asset Finance	Currency Payments	Telephone Banking
Cash	Revolving Facilities		Currencies Accounts	Internet Banking
Card Processing/ Debit and Credit	Credit Card			Mobile Application
Standing Orders	Corporate Card			Support Team
Direct Debit				

Table 1 Banking services and facilitations: designed and completed by the Author.

In Iraq:

Payment solutions: Some of the payment solutions are available to SMEs in Iraq but others such as standing orders and direct debit are not available to date.

Cash flow: this service is not available or very limited to SMEs except for some of the trade facilities such as a letter of credit.

Loans: are available but not designed for SMEs' needs.

FX Services: only available for currencies account, spot rate and forward booking are not available.

Services: are kept at a minimum and enhancement is required.

The Factors

This article aims to look into the factors that impede the banking sector from providing SMEs with the services they need at a macro level represented by the country and the banking sector, and micro-level at an unnamed bank using PESTL and Porter five forces as a framework.

Macro-Level Analysis

PESTL tool is used to analyze the banking sector at a macro level with a high level of details that is likely to be known to the sector and for those who are interested in banking. In this section, the article aims to have an unbiased view of the issues and what has been done or in the process to resolve them.

Economical Factors

The Economy after 2003 was expected to be an open and free market, which to some extent it was when compared to the past decades. However, the government still controls the majority of the economy starting from the main six banks to all services provided.

The state-owned banks mainly Al-Rafidainn and Al-Rasheed hold the majority of the government deposits (liabilities) and facilitate the majority of the government loans. However, for international trade, the Trade Bank of Iraq (TBI) has taken this role.

As of 2020, 72 private banks operate in Iraq (CBI, 2020). Nevertheless, these banks have a small role or scope of operation for many different reasons which this article will discuss further in the micro-level analysis section.

Social Factors

The Iraqi society is rich and cosmopolitan and the majority of the nation is young. However, society depends heavily on public sector jobs, and they do lack trust in the banking sector.

That being said, for religious reasons, there are 29 Islamic banks in Iraq (Sharia banks) that provide banking services meeting the sharia requirements (CBI, 2020).

Trust is a major issue between the public and the banks across the country, the public does not trust the private-owned banks as they think they are unreliable.

However, recently the central Bank of Iraq (CBI) formed The Deposit Guarantee Company, in this article we would refer to it as (DGC) that has started operating in December 2020, the role of DGC is to enhance the trust relationship between the banks and the public by guaranteeing the deposits of the bank customers.

Technological Factors

Iraq still encounters many technological issues hindering its progress to date, starting with poor infrastructures such as electricity shortage and poor internet facilities, Iraq was still using the third generation of telecommunication (3G) until very recently. The fourth generation was introduced in the beginning of 2021.

In the banking sector, the issues are grave, as there are no FX market, credit reference agency, cheque clearing system, nor payment systems such as standing orders or direct debit collections. While cash machines numbers are very low. Also, there are no international payments nor debt collection agencies.

Front-office technology: full on-line banking, telephone banking, investments risk advisory, money transfer, and other enabling technology.

Back-office technology: such as account opening, monitoring and screening technology, annual account analysis, risk rating, and many others.

Furthermore, banks are unable to access the required information such as land registry and companies registry records.

Legal Factors

Although the legal frame in Iraq is considered good and meets the minimum standard, however, the main issue is the law enforcement regarding companies registration requirements, accounts reporting law, tax reporting, and VAT collections.

It is quite known that a very low number of businesses are registered as companies in the registrar of companies due to the tedious procedures, which leads to only a few companies having accounting and tax reporting records.

The facilitation for SMEs would become more complicated depending on the complexity of the business, but for basic SMEs, the requirements would depend on the level of the operations and the size of the business, also if the business is trading at local, national, or international level.

Micro-Level Analysis

In this section this article uses Porter's Five forces to analyze the challenges facing a given bank, it uses an unnamed private bank, as this article believes the same issue applies to the majority of banks, hence not using a specific bank. Moreover, with each element of Porter's Five Forces, this article highlights the challenges and what could be considered as solutions to overcome these issues or threats.

Power of Suppliers

The main player in the Iraqi banking sector is the government as it holds the majority of the cash and only uses state-own banks for deposits, which is a disadvantage to the private banks competing with state-owned banks.

Other suppliers have strong powers, such as corresponding banks for international payments, international referencing agency for anti-money laundering (AML), and name screening. These agencies have the power of knowledge and information but for known and unknown reasons they do not supply or work with Iraq.

Possible solutions

Private banks should not depend on the cash liquidity supplied by the government. Instead, they should encourage the public to open bank accounts and savings accounts, as this would increase the liquidity in the banks. Currently, only 25% of the Iraqi people have a bank account (IEN, 2020).

The banks in Iraq should come together and use the power of buyers to encourage these providers to support Iraq in increasing its capacity which would not only benefit the Iraqi banking sector but also their partners too.

Power of Buyers

The buyers in the banking industry are the customers who in simple terms would like to use saving and investment facilities or borrow funds. The customers have several options to choose from which include a large number of high street banks including state-owned and Islamic banks.

The customers seem to have a long life memory and experience with the state-owned banks. Thus, individuals would choose them over new banks, mainly since they believe they are more trustworthy.

Possible Solutions

Banks should increase the awareness of the bank facilitates and build trust with the new generations, create bespoke products that meet their requirements, such as online banking accounts, multi-currencies accounts, providing debit cards, develop partnerships with retail shops and mobile phone networks providers, or even service providers such as transportation services.

That would attract new customers, increase their trust in the banking sector, and enable them to build a strong and sustainable relationship with banks.

The Threat of Substitutes

At many levels, people seem to use substitutes to banking facilities, such as using Bureau de Change for money transfer and foreign exchange and borrowing from friends and family.

Possible Solutions

The banks should enhance and increase their services to meet the customers' requirements and needs. The procedure of opening a bank account should be simplified especially for those who never had banking experience before to increase financial literacy. Additionally, banks can increase their market share, they should reach out to the wider public, by opening more branches and increasing the number of cash machines.

Banks can also appeal to younger generations by reaching out to university students to open a student account and have a mobile branch that can go out to the markets and high street shops to encourage them to open a bank account.

New Entry

The barriers to enter the market are considered to be low and this has been exhibited by the number of banks that are already operating in the Iraqi market which approximately reached 74 banks.

Possible Solutions

The CBI could look into changing the requirements to enter the industry and encourage the existing banks to merge to form a stronger bank. As for the banks, they should look into improving and enhancing their products and services to raise the bar for the new entries.

Rivalry Among Existing Competitors

It is only fair to say, that the competition in Iraq is not fair, since state-owned banks control the market by far and have almost 90% of the market share which only leaves the others with just about 10% of the market shares. In addition, the government which is the main buyer and supplier only relies on state-owned banks.

Nevertheless, the competition among private banks is very low as they have not differentiated themselves yet.

Possible Solutions

The government should start to look into reforming the state-owned banks to enable fair competition in the market which would benefit the industry regarding its performance and the quality of its services.

As for the banks, they should differentiate themselves and provide services and products that meet the customers' needs.

Other Challenges

- **Accounting:** The banking sector in Iraq is weak and requires further enhancement and to move from reporting activities solely to providing consultancy for SMEs such as business planning cash flow, forecasting, and tax planning.

- **Human Capital:** the industry expanded very quickly but without having the skilled human capital or trained staff to enable them to meet the objective of the banks.

The solution to this would be by establishing training facilities which would be in charge of providing training in commercial banking, investments, advisory services, customer service, and so forth.

- **Trust:** is a big challenge for all banking sectors in the world. Iraqi banks should prioritize enhancing their products and services to meet their customers' needs and provide them with great well-rounded banking experiences. Moreover, educate the customers of the DGC and insurance facilities, thus having more trust in the banking sector.

Encourage the customer to provide feedback and establish a framework to enable them to raise their concerns and report issues. This way, the customer would trust their banking provider and feel secure about their savings.

Conclusion and Recommendations

As discussed in the macro and micro analysis sections, there are no differences in the basic banking services between the personal and commercial facilities and the challenges that both departments face.

Although, the SMEs would require more understanding of each business to enable the banks to provide them with better banking solutions that meet their needs.

It is only fair to say that the Iraqi banking sector has been through a very long and challenging journey that has witnessed improvements yet to meet the high expectations and customers' needs, the banks need to increase their efforts to enhance and improve their products and services.

Thus, many factors hinder the banking industry from providing the services and products some of them are out of their control but many within their given, and some of them would be a great growth opportunity as discussed in this article.

Recommendations

1. Establish a banking training facility to provide the banking staff with training and education.
2. Establish a regulated FX market.
3. Enforce the law of competition through the CBI.
4. Build trust with the customers by educating them. Remember they are not bankers.
5. Establish a relationship with the International banks to gain knowledge and expertise and learn from their experience to enhance the technologies used.
6. Raise awareness of the CBI schemes such as salary domiciliation, the Deposit Guarantee Company, and the Tamkeen initiatives to support projects.

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A Glimpse into the Iraqi Hydrocarbon Sector

Iraq's hydrocarbon sector is a major player on the world stage and has navigated relatively well during an extremely turbulent period, which included the war against ISIS, two periods of the oil price collapse, and the COVID-19 pandemic. It has managed to nearly double its output and become one of the largest producers in the world.

However, much more could have been done and many opportunities have been squandered due to many factors including mismanagement, bureaucracy, and lack of a coherent strategy.

Iraq needs to develop this sector, especially since oil and gas accounts for almost 60% of the country's GDP, 99% of export earnings, and 90% of government revenues, making the Iraqi economy one of the most oil-dependent in the world.

The relationship between hydrocarbon revenues and the national budget is crucial. Government expenditure has closely tracked movements in oil prices, rising when the oil price is high and falling when the prices are low.

The Technical Service Contracts (TSCs) launched by Hussain Al-Shahrestani were successful in bringing investment into the country and increasing production.

However, there were many issues and before delving into these issues, it is worth providing a brief overview of the type of petroleum contracts available.

Internationally, three major types of petroleum contracts are recognized:

1. **Tax-royalty:** in this contract, the investor is typically granted ownership of the oil or gas that is discovered in the ground and pays a royalty to the government, then pays tax on its profits.

This model is utilized by many countries, including the United States, Western Europe, and Australia, amongst others.

2. **Production-sharing contract:** in this contract, the government owns the oil or gas in the ground, but the contracting company has an entitlement to a share of production or its financial equivalent. It may pay a royalty to the government; then it can recover its costs from a share of the remaining production. The remaining production is divided between the company and the government according to a formula, which may vary according to the production levels, oil price, profitability, or other measures. This model is utilized in many of the Gulf countries, Asian and African countries. Finally, the company may pay tax on its profits (or the deemed tax might be included in the government's profit share).

3. **Technical service contract:** the contractors invest capital to find and/or develop oil and gas; they do not own the resources but they are compensated for the investment by recovering its costs and receiving a remuneration fee per barrel produced. This model is utilized in a small number of countries, predominantly in Iran and Iraq.

It is important to understand that countries operate within a competitive world market for oil and gas investment. Therefore, fiscal terms have to attract investors. International oil companies have a choice of which countries to bid in, thus countries are competing among themselves.

At a time of relatively lower oil prices and constrained budgets, companies might be less aggressive in bidding and have to be more selective about investing in particular countries.

Iraq's TSCs have several fundamental structural issues with them, which ultimately negatively impacted Iraq. The first problem was the actual bidding parameters, the remuneration fee, and the production plateau target. In order to win, companies had to bid a lower remuneration fee and a higher production plateau target than their rivals.

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It is important to understand that countries operate within a competitive world market for oil and gas investment.

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This created the unintended consequence of large and unrealistic plateau targets and low remuneration fees, which ultimately caused the winning company to push for renegotiation once they were on the ground.

Another major issue that adversely impacted Iraq was the fact that cost recovery was guaranteed, no matter what the costs were. There were absolutely no incentives for the operating companies to keep their costs to a minimum.

The only way for costs to be kept low was for effective oversight by the Ministry and the National Oil Company, who initially were not capable to properly monitor those companies as they lacked adequate training in these new functions which they had to carry out.

Suddenly, overnight, the Iraqi staff had to oversee the work of major international oil companies such as BP, Shell, and Exxon who have a wealth of expertise and experience, bringing in their armies of expats.

It was a complete mismatch and Iraq struggled with this in the first few years of operations. If the contract structure incentivized joint working and partnership and made it worthwhile for the operator to train and develop the Iraqi staff, then this issue would have been resolved. Unfortunately, this was not the case.

The other issue with the TSCs was the fact that cost recovery was not linked to the oil price, which might not be a problem when oil prices are high, especially in days when it was worth \$120 per barrel. However, when the oil price collapsed in 2014, this became extremely insufferable for Iraq. The government could not afford to compensate the companies and had to renegotiate the production plans and place projects on hold to muddle through this difficult period.

The TSCs, by their nature, create an adversarial relationship between the Ministry and the National Oil Company, and the international companies operating in Iraq. It is an owner-contractor relationship, further complicated by the cultural and language barriers and the difficulty of operating in Iraq, which hinders a lot of progress. All those issues accumulated and resulted in several international companies walking away from their investments. For example, Shell sold off its operating interest in mid-June and its 20% stake of West-Qurna 1.

To remedy the problems of the TSCs, Iraq has proposed a new contract model as part of its 5th bidding round which was held in April 2018. The contract model was a significant improvement of the TSCs, which created a link between the oil price and the cost recovery. Essentially, this means that when oil prices are high, the company can recover more of their costs and when oil prices are low, the company recovers less of their costs.

In addition, the new contract model incentivized the operator to keep their costs as low as possible by linking their profit to their cost. In other words, if their costs are low, the profit margin increases, and vice versa.

Furthermore, the contract structure was less adversarial and encouraged partnerships, in which both the companies and the country are aligned and working towards increasing production while also keeping costs low.

In the 5th licensing round, 11 blocks were offered, the majority of them being border fields and non-associated gas fields. Several of the fields were in economically deprived areas, such as Diyala, and in desperate need of development.

Several international companies participated in the bid round and 6 blocks were awarded. However, two and a half years later, the Iraqi government has still not signed the contracts and the resources remain undeveloped, which is inexplicable.

Signing the contracts and allowing the work to progress will bring much needed economic development and employment opportunities as well as utilizing the hydrocarbon resources, especially the gas in Khashm Al Ahmar field. Therefore, reducing the need to import expensive Iranian gas for power generation.

Furthermore, developing the border area fields secures Iraq's territorial integrity and ensures that no hydrocarbons are lost to neighbouring countries.

For example, the Huwaiza field neighbours Iran's Paydar West oilfield, Naft Khana field borders the field of the same name in Iran.

Another lamentable issue has been that of gas. Iraq's gas resources are abundant, both as associated gas and non-associated gas. Rising oil production meant an increase in gas flaring to reach approximately 16 billion cubic meters per year. Some of this gas is captured and utilized.

However, Iraq's efforts need to be accelerated, particularly when considering the growing need for gas in energy generation and the costly reliance on imported Iranian gas.

Gas has been traditionally a waste product in Iraq. Therefore, it is not a priority in terms of utilization. It is much less lucrative per unit of output than oil, and it is also more difficult to transport and its use requires a complex process of coordination along the value chain.



In Iraq, the most common problem is that there is no infrastructure in place to allow for the productive use of the gas, hence the persistence of flaring. But there are also examples of the reverse case, where a gas-fired power plant has been built and ready to operate but no gas was available to operate it.

This was the case in Mansuriyah, where a power plant has been built and was supposed to receive gas from the Mansuriyah gas field. However, this field has not been developed, instead, the power plant runs currently on expensive imported Iranian gas.

Even more sadly, the Khashm Al Ahmar gas field, which is close to Mansuriyah power plant and can send gas to the powerplant, was awarded in the 5th licensing round in 2018. However, the Iraqi government has not yet signed the contract.

Iraq has some major non-associated gas fields, including Mansuriya, Akkas, Siba, and Khashm Al Ahmar. Only the Siba field has started commercial production in 2018. It is essential for Iraq to begin utilizing the gas resources as the short-term incentives for Iraq to develop a better functioning gas market are strong.

Iraq continues to suffer power shortages while importing gas from Iran is expensive and difficult to justify given the wealth of Iraq's gas resources. In the long term, gas can underpin an industrial strategy creating 'gas cities' and industrial zones and therefore an important conduit to economic diversification and employment. It will also have positive environmental impacts as gas flaring practice is reduced.

The oil and gas sector is the building block for Iraq to create a more diversified economy. It needs to immediately expedite the development of projects that can deliver water to the oil fields, implement gas flaring reduction projects as well as developing the non-associated gas fields. Iraq is not able to do this on its own and will require the assistance of neighbouring countries as well as international oil and gas companies.

Iraq needs to improve the investment framework to attract international investors and reduce the bureaucracy in order to create an attractive environment for companies to do business in Iraq.

Delaying implementation of the projects is to the detriment of Iraq. The world is moving away from hydrocarbons to renewables at breakneck speed. In the UK, the government has legislated net-zero emissions by 2050 and will ban the sale of new petrol and diesel cars by 2030, switching to electric vehicles. Many of the European countries are following this example, even China declared a net-zero emissions target by 2060.

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In Iraq, the most common problem is that there is no infrastructure in place to allow for the productive use of the gas, hence the persistence of flaring.

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This means that the oil demand will be significantly reduced in the future. Therefore, Iraq has to create a balance between restraining production now while ensuring to make the best use of its resources and is not left with oil in the ground which could have been produced economically at an earlier date.

Iraq has one of the world's highest reserves-to-production ratios - i.e. it is producing its reserves very slowly and will require 94 years to produce most of its reserves.

This is risky as it is not clear whether the world will still require large amounts of oil in the next 94 years.

The Electricity Sector in Iraq

The electricity sector is an essential indicator of the development and economic growth of a country. It is also a key player to promote the growth and stability of the industrial sector. The Iraqi economy is known to be oil-dependent and lacks other developed sectors.

According to the International Monetary Fund, around 89% of government revenues in 2017 were from crude oil exports. The main focus of the government falls on the petroleum industry which has led to the negligence of other sectors like the electrical and industrial sectors.

Thus, the electrical sector has become highly dependent on the money generated from the oil revenues which are in turn proved to be unstable.

Electricity supply is usually divided into three stages of the delivery process, electricity generation, transmission, and distribution which the Ministry of Electricity follows.

The first Iraqi Ministry of Electricity (MoE) was established after 2003. Previously, it was an establishment operating under the authority of the Ministry of Industry and Minerals until it gained its independence as the Commission of Electricity in 1999.

Following the war, the generation capacity was hindered and citizens experienced long hours of power cuts.

In the years to follow, the electricity sector continued to struggle affecting the economy negatively. The unstable situation, weak infrastructure, unreliable grid, subsidies policies, gas flaring, and mismanagement were and still are contributing to this issue.

In 2011, the grid electricity could meet only 55% of demand (IEA, 2012). The average grid supply was estimated at 16.4 GW in 2018 while the demand peak was 27.3 GW (IEA, 2019). The rehabilitation of the electrical grid is an important step in developing the country and promoting economic growth.

The government provides electricity supply through multiple sources that include imports, diesel generation which is sourced by both the Iraqi Ministry of Electricity and Ministry of Oil, and the Ministry of Electricity generation portfolio.

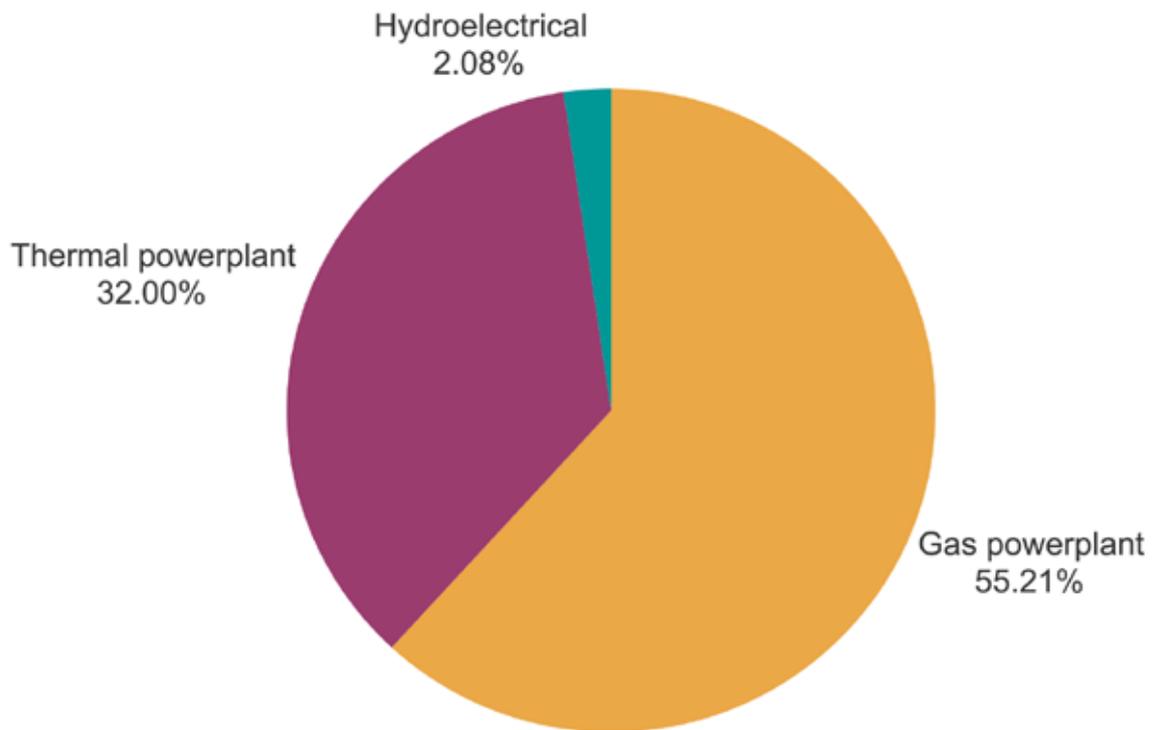
The generation portfolio is composed of three different types of power plants. The majority of electricity supply is sourced by gas power plants, followed by thermal power plants, and hydroelectric power plants.

The heavy reliance on gas power plants is decreasing the efficiency of the generation portfolio and increasing the costs.

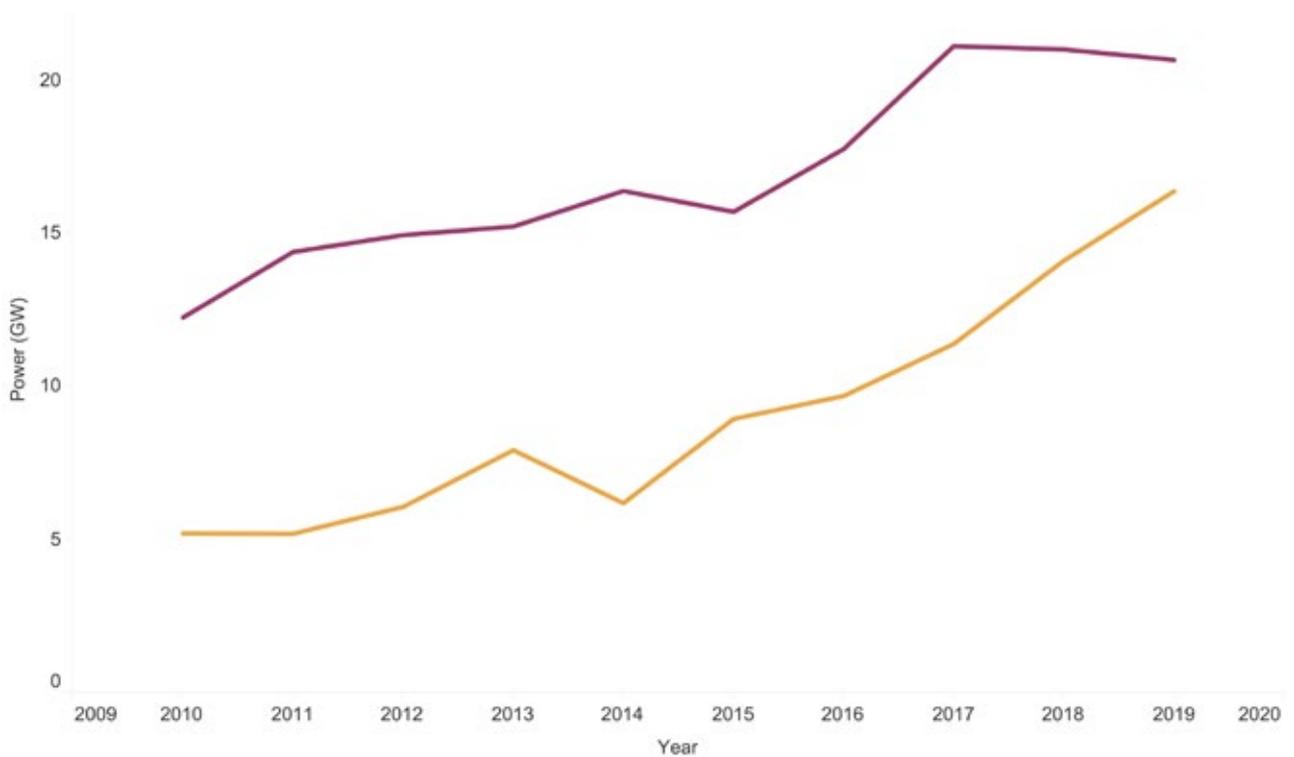
The Public-Private Partnership (PPP) model appeared very recently in Iraq in the form of independent power producers (IPPs) license, service, and billing contracts.

The PPP trial was executed in a couple of areas such as Zaiyona, Yarmouk, and Harthiya. The results show a decline in the maximum loads from 89 MW to 62 MW and an increase in the number of consumers and collected bills from 13,655 consumers with total collected bills of 94 million IQD to 18,174 consumers with total collected bills of 1.749 billion IQD.

Percentage of Generation Portfolio



Supply and Demand (in GW)



■ Demand
■ Supply

Main Issues:

- **Fuel type:** Iraq relies more on gas turbines rather than steam turbines in electricity generation, gas turbines (gas-fired) can use multiple fuel types but it would affect the production efficiency, operation cost, and maintenance cycle.

Natural gas is the most suitable type of fuel for these units. However, resource mismanagement led to the flaring of 60% of gas in 2011 (IEA, 2012). The amount of gas flared reached 16.8 billion cubic meters in 2018 (IEA, 2019).

Iraq has been relying on heavy crude oil for years to power the units which is inefficient on all levels, recently it switched to using natural gas in a few of the units and the number is increasing, which helped the Ministry of Electricity to increase the generation of these units by 10-20% and reduced the operation and maintenance cost.

Yet, the natural gas is mostly being imported from neighboring countries, as the flaring practices continue to take place.

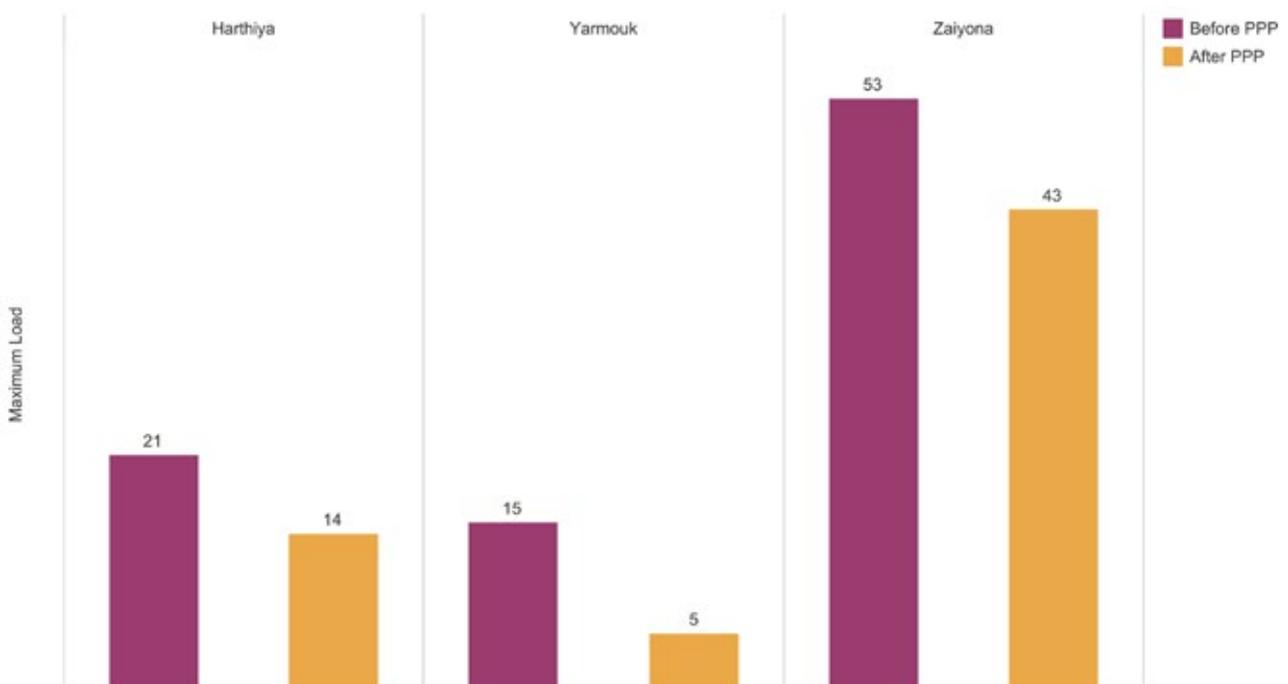
- **Trespassing on the electric grid:** One of the main issues that lead to losses in the electrical grid is consumers trespassing on the grid. As many of them connect their appliances to electricity supply lines that are not being metered. This pattern of consumer behavior causes losses in the grid up to 54% of the supplied power, which means only 46% of the supplied electricity, is actually billed. It is very difficult to assume that the consumers paid 46% of the supply worth, it might be even less than this amount.

The public-private partnerships showed some results in the pilot project but Iraq still needs more professional, transparent, and co-operative to be taken to make a real impact on the electricity infrastructure.

- **Damages caused in the conflict-affected areas:** The war with ISIS has caused severe damages that impacted many different sectors.

The damages to the electrical grid in the conflict-affected areas were estimated by 7 billion USD, as many power plants, transmission stations, distribution substations were either destroyed or damaged.

Maximum Load



• **Private Generators and Consumer behavior:**

The insufficient electricity supply led to the widespread use of private generators, where citizens started paying monthly subscriptions for specific capacity measured by amperes and controlled by a circuit breaker.

Based on the Ministry of Electricity supply and demand data in 2019. It is shown that the Iraqi citizen needs 4.74 MWh/year per capita. Whereas, the state only supplies 3.77 MWh/year per capita, and the remaining demand is supplied by private generators.

The fees vary according to time and place but the average cost is 15,000 IQD per ampere, the majority of the households subscribe to 8 amperes which cost annually 1,800,000 IQD but this also varies according to the household size.

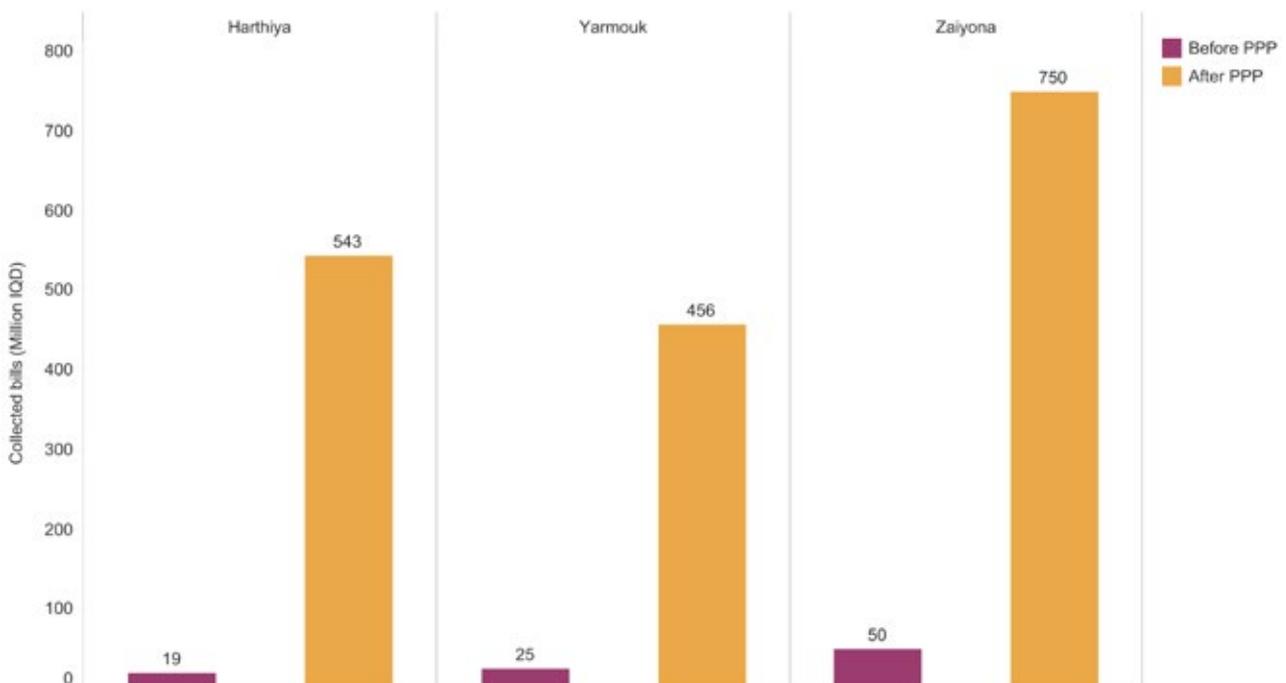
Hence, the shortage of the electric utility is 0.970 MWh/year per capita which costs 1,047,600 IQD based on the average cost of MWh supplied by private generators (IEA,2019).

While the demand that is supplied by the state costs 132,000 IQD annually based on the average of resident consumers' tariffs. In total, the cost of electricity annually is 1,179,600 IQD per capita.

Reducing the consumers' demand and increasing the government's supply would help to bridge the gap and to reach 100% of the electricity supplied by the public utility, which makes it more reliable and affordable as it would cost 564,000 USD annually when considering the same consumption rate in 2019 but at a higher state tariff of 120 IQD per kWh.

This would reduce the subsidies on the services provided for the residential consumers but more affordable and reliable in total. The difference would be to pay the state instead of private generators for electricity supply.

Collected bills (Million IQD)





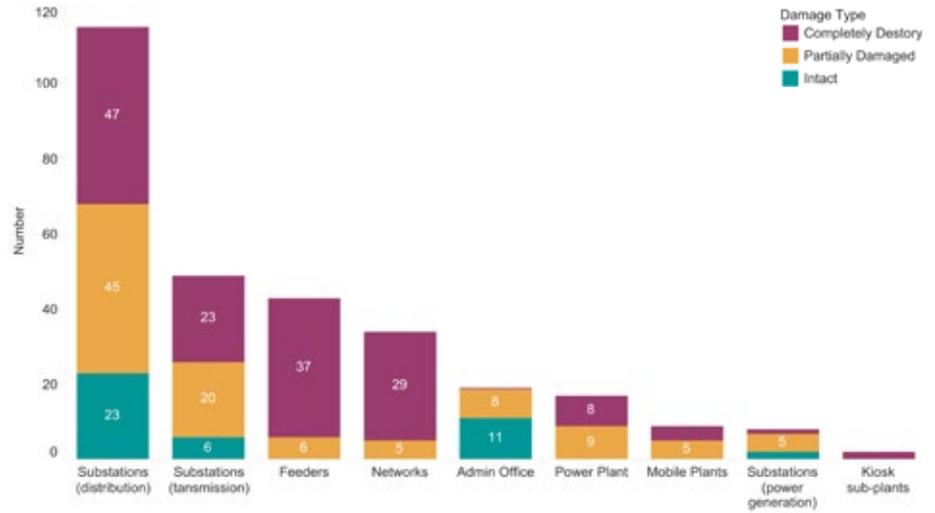
Conclusion and Recommendations:

- Energy subsidies result in poor quality services and shortage in providing these services. In addition to uncontrolled consumption growth which further increases the gap between the supply and demand. Energy subsidy reforms would stabilize the electricity sector, improve its performance and services, and decrease the debts.
- Energy tariffs need to be shifted towards a time-based structure where the tariff amount increases during peak times like midday. Therefore reducing the peaks and the crashing possibility of the transformers.

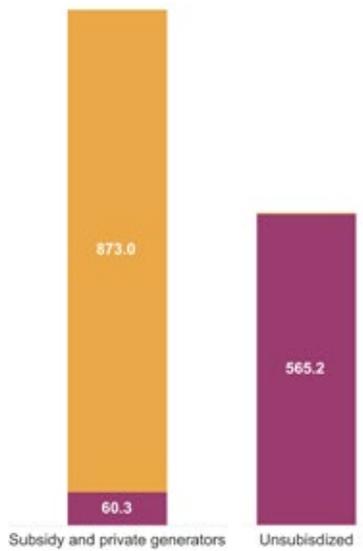
- Improving the process of bill collection would decrease the losses in the distribution network, promoting a more efficient consumption behavior.
- Iraq has a poorly designed generation portfolio that relies on the usage of gas power plants (gas turbines) instead of thermal power plants (steam turbines) for about 73% of the generation supplying both the baseload and peak load. Moreover, heavy fuel oil is used instead of natural gas most of the time, which impacts the efficiency, working hours, and increases operations and maintenance costs.
- Promoting and improving Public-private partnership models would play a huge role in distribution networks, it would decrease the demand and increase both registered users and revenue.
- Initiatives to distribute electricity generation like community solar projects, where members have access to energy supply from a solar farm and can own shares in the project which in return makes them gain benefits from the power produced and receive credits on their electricity bills, would take a portion of the burden off the Ministry of Electricity.
- Increasing the percentage of renewables in the Iraqi power generation portfolio would reduce the greenhouse gases and the total cost of the bills since they would be self-sufficient in the day time.
- The Iraqi electricity sector has many technical limitations, empowering the private sector and the multinational companies to employ their platforms that support data analytics functionalities would overcome these limitations, unleash great potentials, limit fraud, and increase efficiency.
- Encouraging entrepreneurial initiatives and startups in the electricity sector.

Number of Damaged Assets in Conflict-affected Areas

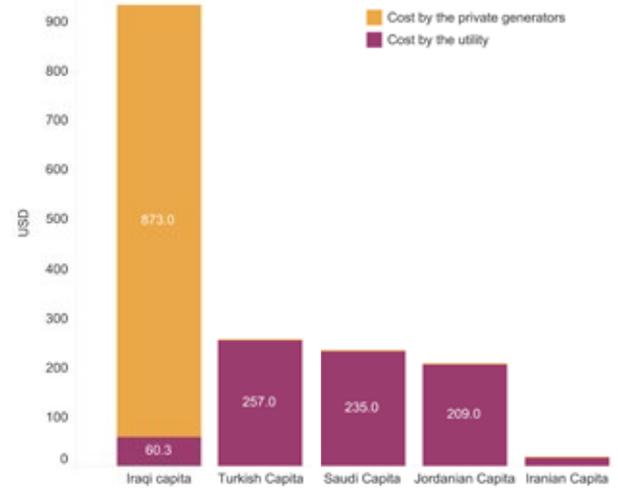
"The length of the bar represents the baseline number of assets"



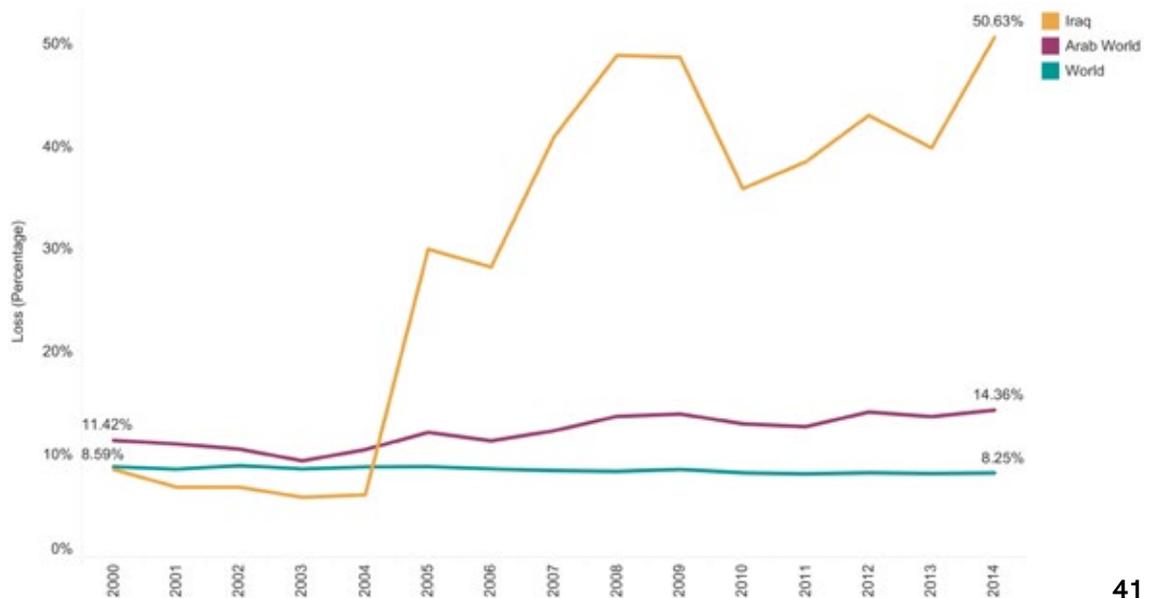
Electricity Cost per Capita Entirely Reliant on Unsubsidized Grid vs. Subsidized Grid and Private Generators



Annual Electricity Cost per Capita in USD



Losses in Electrical Grid



Education Sector Overview

The development of an educational system that meets the need of modern times directly relates to the growth of a nation. Education extends beyond the mere addition of vocabulary to one's thesaurus, it shapes personality, thoughts, and social skills, if and when delivered properly.

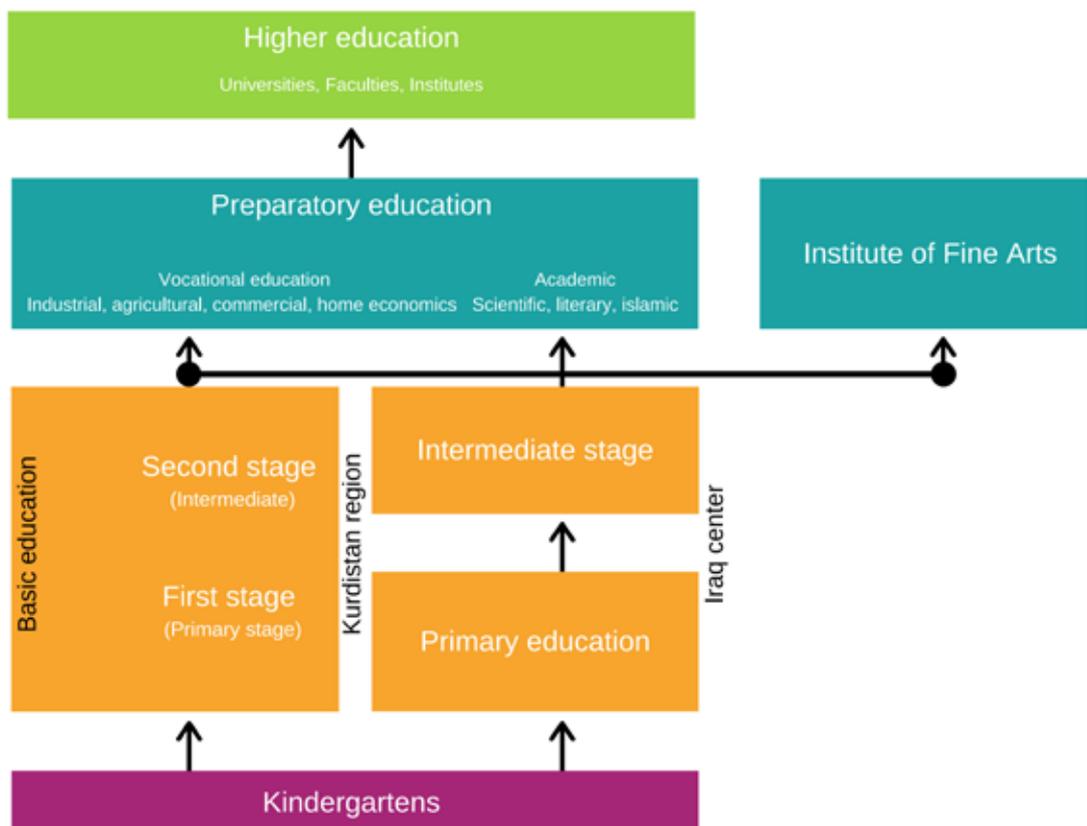
Iraq was known as the cradle of civilization, the place where the first letter was written and complex urban centers grew.

In 1921, public and private educational systems were established when the University of Baghdad established schools of Medicine, Engineering, Law, and Arts. Throughout the 1960s, the governmental expenditure on education kept increasing with multiple universities established in Baghdad, Basra, Mosul, and Al-Sulaimaniyah.

Education was, by law, free in Iraq. By 1985, Iraq was free from illiteracy. Governmental expenditure reached 6% of Gross National Product (GNP) and the average government spending per student for education was approximately \$620.

Two ministries are responsible for the education system in Iraq. The Ministry of Education (MoE) and the Ministry of Higher Education and Scientific Research (MoHESR). The COVID-19 pandemic led many sectors to halt activities, education was severely impacted and the transition to remote learning was and still is very challenging.

The structure of the education system in Iraq is composed of six compulsory years of an elementary school, followed by three years of intermediate education, ending with 3 years of preparatory education. Preparatory education is divided into the academic track and the vocational track.



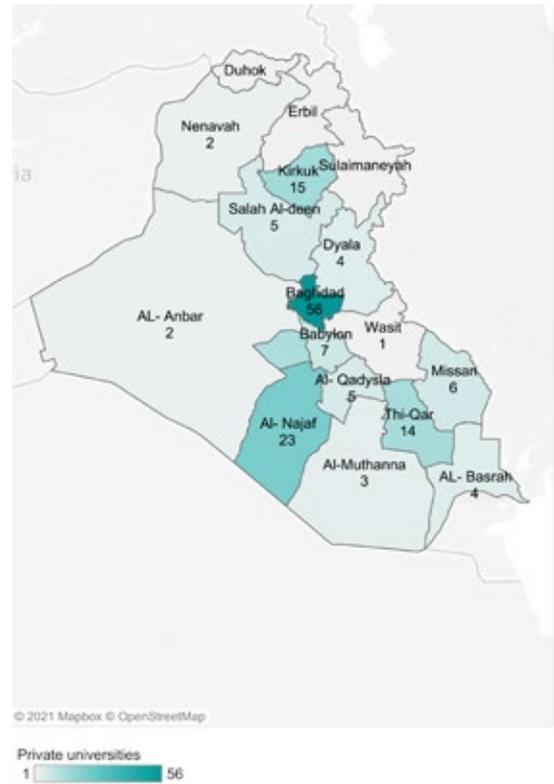
According to the data of the Central Statistical Organizations (CSO) in 2018/2019, Iraq's higher education system comprises 31 public universities, 17 technical colleges, and 75 private universities recognized by MoHESR.

The number of students attending public and private universities in the past 3 academic years witnessed an increase. Private universities are admitting larger numbers of students every year as public universities are struggling to accept graduates.

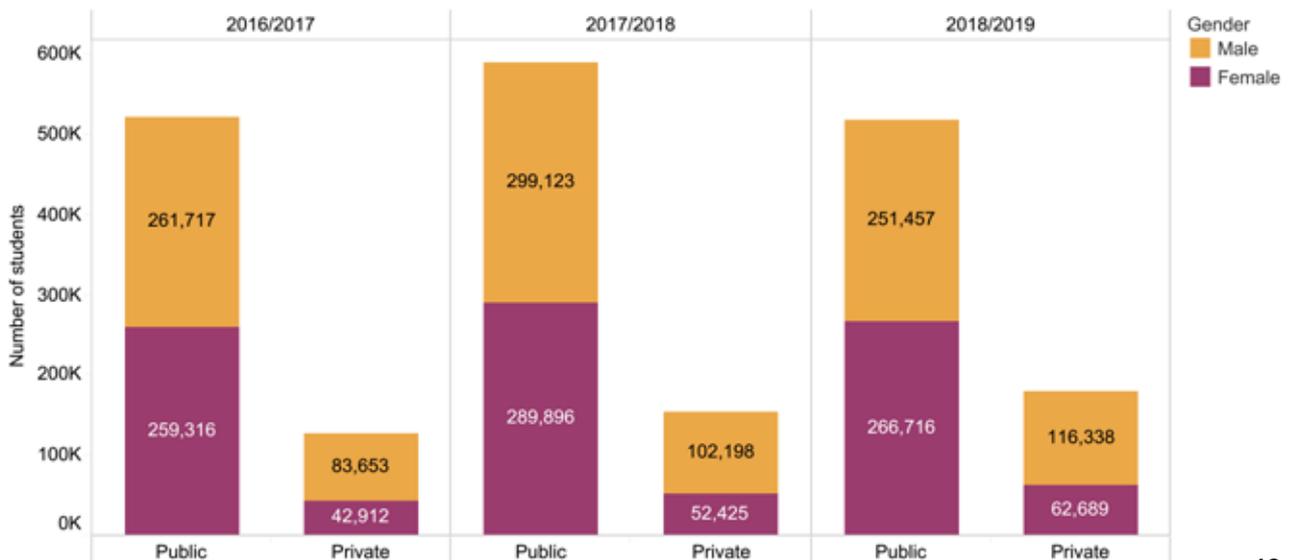
Number of Public Universities in Iraq



Number of Private Universities in Iraq



Number of Students throughout the years



Source: Ministry of Planning, 2018/2019

EdTech Startups in Iraq



Eduba

Eduba is an online education management platform based in Iraq, that was founded in 2019 and aims to digitalize the education process. The platform provides the educational institutions with a set of different features that include E-learning, course management, video conferencing, accounting, human resource management, and student affairs management.

The platform also provides safety solutions features like school bus tracking and smart bracelet for younger students to assure their parents about their whereabouts. Educational institutions can choose the packages with the features that meet their needs.



Medresty

Medresty is an online school management system that was founded in 2015. The platform provides educational institutions with course management features including homework and grading, and live virtual classes.

It also provides parents with access to connect with the teaching staff and each other and follow up on the educational process. The platform was acquired by Talabatey, a food delivery company, in 2020.



IoT Kids

IoT Kids is an EdTech company that was founded in Iraq in 2016. They seek to provide kids with the set of proper skills and knowledge needed in our modern day through animated interactive courses that help them discover their talents and add to their skills and abilities.

The educational platform provides online courses in many fields such as robotics, coding, game design, and electronics catered for kids aged 5-15. The company operates in 9 different cities across the country and has 8000 children on its platform.



Najeh Platform

Najeh is an educational online platform that was founded by the end of 2012. The platform targets school students and offers them free access to a wide range of courses and tutorials in different subjects like maths, physics, chemistry, biology, languages, and others.

In 2020, the platform launched an application version that enables students to download the courses and lectures offline to overcome internet connectivity issues. The Najeh audience has grown significantly since the transition of schools to online learning due to the effects of COVID-19.

Initiatives in the Education Sector

- **Nuffic - Orange Knowledge Programme (OKP):** the development program is funded by the Dutch Ministry of Foreign Affairs and administered by the Dutch organization for internationalization. It targets several themes and aims to achieve a long term impact in the agriculture sector and water management. It also aims to improve technical and vocational education and training (TVET) and higher education through institutional programs in order to achieve sustainable social and economic development.

This goal in light of the framework of the program can be achieved through improving the curricula and including internships and training programs, creating programs to help students acquire entrepreneurial and business skills, preparing graduates for the labor market. The first OKP institutional collaboration was launched in Erbil in January 2020, the collaboration involved 6 Iraqi universities; the University of Salah Al-Din, the University of Anbar, the University Mosul, the University of Kufa, the University of Kerbala.

- **Technical and Vocational Education and Training (TVET):** implemented by UNESCO and funded by the European Union, the budget exceeds €12.3 million. The reform program directly contributes to the sustainable development goals especially concerning the acquisition of skills relevant for financial success, and equal access to affordable technical and vocational higher education.

The program partnered with the Iraqi government and private sector to ensure people acquire the proper set of skills to match the labor market. The program aims to create a governance framework to ensure the quality of vocational qualification, improve the curricula in collaboration with the Central Statistical Organization, capacity development training of the teaching staff and instructors, support 13 career centers to ensure a smooth transition of the graduates into the labor market.

- **Improving access to quality and inclusive education with gender equality for out-of-school children (OOSC) in Iraq:** implemented by UNESCO with a budget of €13.4 million, it started in 2018 and will end by September of 2021.

The program aims to enroll around 150,000 OOSC including those who were internally displaced and rehabilitate educational facilities to provide them with a safe child-friendly environment.

The program successfully helped the enrollment of 91,669 children by the end of 2019 in 7 provinces including Baghdad, Ninewa, Erbil, Thi Qar, Salah Al-Din, and Babylon. The UNESCO has also rehabilitated 22 schools in Baghdad and another 11 in Ninewa in cooperation with the Directorates of Education.

- **Accelerated Learning Program (ALP):** is a program implemented by UNICEF in 10 Iraqi governments initially since 2005. The program is tailored for children aged 12-18 who had to leave school due to conflict and violence, internal displacement, socio-economic reasons, and other issues.

The program provides them with 3 years of primary education instead of 6 which allows them to transition into secondary education or vocational schools.

- **Newton Platform:** is an E-learning platform that was released in March 2020 by the Ministry of Education and supported by UNICEF as a measure to combat the impact of COVID-19. The platform provides students with live classes for all levels and all different subjects.

The content follows the official curricula of the Ministry of Education. Moreover, the platform allows teachers to register and host virtual classes and interact with their students, and also for parents to create an account and follow up with their children's education.

Main Issues

• The Curriculum

The obsolete curricula of the education system in Iraq despite many attempts to modernize it is still a major issue. The curriculum does not provide students with relevant skills and knowledge for our modern-day, and is mostly based on memorization ability which deters the creativity of students and their analytical skills.

Another issue is the lack of practical learning and inadequate laboratories that could enhance the learning experience of students. Moreover, extracurricular activities are often disregarded.

• Teaching Quality

The quality of teaching is reflected in the poor learning output. The teaching methods are outdated and do not keep up with the developments in our modern day. The current teaching methods unfortunately do not equip students with the required skills, knowledge to meet the job market.

The number of teachers does not meet the growth rate of students. For example, primary schools enrolment rate has increased by 7.6% while the teachers decreased by 0.1%. In addition to the recorded drop in the quality of teachers by 4% (UNICEF, 2017).

• Weak Infrastructure

The public education sector shows no significant improvement in terms of infrastructure, supplies, and equipment. In addition to the fact that conflict and violence in recent years have severely impacted the school buildings leading a large number of students to drop out or to continue their education in poor environments.

In 2019, the Ministry of planning has estimated that around 58% of schools in need of rehabilitation or rebuilding.

• The Multiple Shift Schools

The multiple shift schools is one of the most common issues facing the educational sector, many schools run multiple shifts in order to contain the 6.5 million Iraqi students. According to UNICEF, around 35% of primary schools and 30% of secondary schools in Iraq run double shifts, sometimes even triple shifts.

• Drive towards Medical Education

The MoHESR has been addressed by the syndicates in Iraq (medicine, pharmacy, and dentistry) to the various issues facing new graduates of these fields, as the numbers are growing exponentially each year while the "central hiring" policy is not keeping up with the aforementioned growth.

The market is saturated with no new opportunities on the horizon. Despite all this, the number of students choosing the medical field is still growing and the concerns are getting more difficult to tackle.

Students still choose this path for social status, family pressure, and the perception of other sectors lacking job security.

• Vocational Education

The vocational track in the Iraqi education structure is composed of 3 years in different fields of study, including industry, commerce, agriculture, arts, and technical education.

This track, however, does not attract students nor does it receive the right attention. In 2018-2019, the number of students admitted into vocational schools has reached 16,881 students, of which 30% were females.

The industrial education program alone admitted around 50% of the total number of students. This marks an increase of 16.2% since 2014-2015 in the number of admitted students and 45% in the number of females enrolled.

Recommendations

- Rehabilitate, rebuild, renovate and refurbish the physical infrastructure of school facilities that have been damaged to help contain the ever-growing number of students and eliminate double-shifts in school.
- Initiating a clear and realistic curriculum reform, one which suits the demands along the needs of the market at modern times would contribute to better learning outcomes.
- MoE should utilize an Education Management Information System (EMIS) as it would help obtain data regarding the education sector, which could contribute to better analysis and development of the sector.
- Encourage and foster extracurricular activities in schools and universities to better shape the learning experience of students and support their potentials, interests, and talents.
- Collaboration between the public and private sectors to train educators on advanced methods of teaching.
- The Iraqi government has to facilitate private educational institutions with offerings of grants, incentives, access to land, and support with infrastructure, among other offerings.
- Establishment of modern and up-to-date educational development centers to aid in rehabilitating teachers when they commence their services, thus keeping them aware of the latest teaching methods.
- Provide education, protection, psychological support to internally displaced children and those who have been affected by violence in conflict areas.
- Address the issue of distance and e-learning, and provide better means and frameworks to tackle it.
- Develop the quality of vocational education and technical training.





Interview

Amer Sunna: **Asiacell, CEO**

Mr. Amer Sunna, the CEO of Asiacell, in an interview with Business LANDSCAPE, tells the success story of Asiacell as the first Iraqi telecommunications company. He sheds the light on the role of the telecommunications sector in our modern economy.

He shares with us the challenges they encounter and how to overcome them. He also stresses the importance of the entrepreneurial scene and Asiacell's continuous support of the startup ecosystem and the youth.

Would you walk us through the journey of Asiacell in Iraq and your success story as the first national operator?

Asiacell is the first Iraqi telecommunications company founded in 1999 by Mr. Faruk Mustafa Rasool, an Iraqi businessman and entrepreneur. One of the many things Asiacell is always proud of is being the first Iraqi telecommunications company to operate and be founded by an Iraqi person. In 2003, Asiacell was granted a two-year GSM license for the six northern provinces of Iraq. Later, this license was extended in 2005 to cover the entirety of the Iraqi Republic. In 2007, Asiacell received a 15-year license to operate all over Iraq, becoming the first GSM telecom operator with full-country coverage. In 2015, Asiacell began its 3G services. By January 2021, Asiacell marked the 4G LTE services' launch to provide the best internet service to all of the country.

Asiacell's presence is prominent in the major cities of Iraq: Baghdad, Mosul, and Basra. Aside from this, Asiacell has successfully made several international and local partnerships with many businesses and organizations. We proudly own the most extensive digital data center for our business-to-business solutions.

Consequently, today Asiacell is the only telecom network to provide coverage exceeding 99% of the Iraqi population, making its national network the most extensive among the other two mobile operators in Iraq. Asiacell is not just the first, but it is the leading telecommunication and digital service provider in Iraq, surpassing a subscriber base of 14.5 million satisfied customers. The company's breakthrough spread brought about its continuous success, growth, and expansion. Ever since Asiacell has been taking an active role by being a socially responsible company that considers the overall society's well-being. Asiacell has always been at the forefront of supporting the Iraqi community, especially youth. In 2019, Asiacell won the globally-recognized Stevie Award for "Excellence in Innovation in Technology

Industries" at the 2019 International Business Awards in Vienna and was recognized as the best telecommunications company in corporate social responsibility (CSR) in the MENA region.

What importance does this sector play in Iraq today? And what role does Asiacell play in the telecommunications sector?

The telecommunications sector is crucial and vital in our world today, but it is even more critical for developing countries as it is considered an essential means of economic growth. Several reports and data analyses found a direct correlation between GDP growth and telecommunication. Investing in the telecommunications sector is an investment in the infrastructure of the country overall.

The telecommunications investment generates growth due to a few simple factors: reduced cost of interactions, expanded market boundaries, and enormously expanded information flow. Modern management and business structure heavily rely on the network and connections made available through the telecommunication sector. Therefore, the existence of robust telecommunications and technology sectors for Iraq means an opportunity to accelerate the slow economy and sustain economic growth for Iraq that is going through the direction of a developing country.

The importance of Asiacell lies in several areas in this sector as the first mobile telecommunication operator in Iraq with the most extensive national network coverage and content that reaches more than 99%; hence, Asiacell provides its services to the largest segment of the Iraqi population. Alongside, Asiacell has the most extensive digital data center for our business-to-business solutions. It is also worth mentioning that Asiacell is the only operator in Iraq with four advanced Tier 3 Data centers. We have been the market leader in Mobile Financial Services (MFS) and cybersecurity services. Hence, our most recent partnership with Kaspersky, the global cybersecurity company, ensures the best cybersecurity solutions for our customers.

We have created a thriving network of connections with several partners outside and inside Iraq, such as Huawei, Nokia, and Ericsson. Asiacell is always at the forefront of introducing the latest technologies to implement them in the Iraqi market. Moreover, Asiacell is supportive of the entrepreneurial scene in Iraq and the youth, and we will further get into details about this.

What are the most prominent challenges that you encounter in the telecommunications sector? Any that are specific to the Iraqi market?

There are challenges in every industry, and they increase when you work in a vulnerable market and a developing country such as Iraq. Here at Asiacell, we view these hurdles as a means of development and a motive to perform better. The main challenge is that the customers always expect the best from us as the leading and first telecommunication network operator in Iraq. Another major obstacle we face is the weak telecommunication infrastructure (fiber network) in Iraq that we strictly abide by governmental regulations.

Operating in a post-conflict country where political and economic instability prevails, we encounter many challenges as a private sector company that vary from counter-terrorist wars to recessions and financial difficulties. All the latter affects the work environment, the community, and the organization's performance in general.

What can be done to overcome these challenges? And who are the entities and stakeholders that could contribute to the solutions?

The steps that can be done to overcome these challenges lay in creating stronger connections between the telecommunications sector, Communication & Media Commission (CMC), and other government entities. They contribute largely to our success in implementing future developments in the infrastructure of telecommunications in Iraq.

In addition, the commitment from Asiacell's employees and partners to always provide the highest quality and the best services to their customers is significant in overcoming these obstacles. Furthermore, strengthening the economy, training the youth, investing in entrepreneurship, and supporting as many business startups as possible will positively contribute to the solutions. Another critical solution is bringing foreign direct investment to Iraq and creating work opportunities in the market for the Iraqi community.

Why is Iraq still lagging when it comes to introducing the 4th generation of mobile phone technology? And how does this affect the telecommunication sector in general?

Asiacell launched the 4G LTE trial services on the 27th of January and was the first Iraqi operator to launch the 4G service, we have been getting positive feedback ever since. Asiacell and the rest of the telecommunications companies were abiding by the Iraqi government's regulations and the CMC, which is why we and Iraq, in general, were late in introducing the 4th Generation LTE services.

Lagging in providing the 4G services has affected the Iraqi telecommunications sector's development as a whole, whereas most neighboring countries are getting ready to launch their 5G services. The existence of 4G LTE services will contribute positively to the development of the national economy. The 4G's effect will be embedded in developing a digitalized government that will create systematic plans to tackle corruption. It will directly impact the Iraqi market and economy and provide an improved user experience in terms of download speed, connectivity, better app experience, and technology development for Internet users such as gamers, families, and business people.

What are your current plans and your future vision?

Our main goal at Asiacell is to provide the highest quality of services for our customers while generating sustainable net profit for all our stakeholders and investors as we are a publicly-traded company.

Our primary focus will be to maintain our position as the market leader in value leadership and digital partnerships.

We aim to digitize the Iraqi business and market environment and further develop our digital data centers for our partners and business-to-business solutions.

Our teams hope to make Asiacell's name recognized internationally as the leading telecommunication company.

What made you get involved in supporting startups and the entrepreneurial scene in Iraq?

At Asiacell, we view the entrepreneurial scene in Iraq as an opportunity to rebuild the country's foundation and build hope in its youth.

Over the past several years, a rich culture of entrepreneurship has developed in Iraq, many incubators and accelerators that support start-up business launching flourished in the country.

These entrepreneurial initiatives have created an opportunity for the youth to discover their talents and creativity and build on their ideas to contribute to the future of their communities.

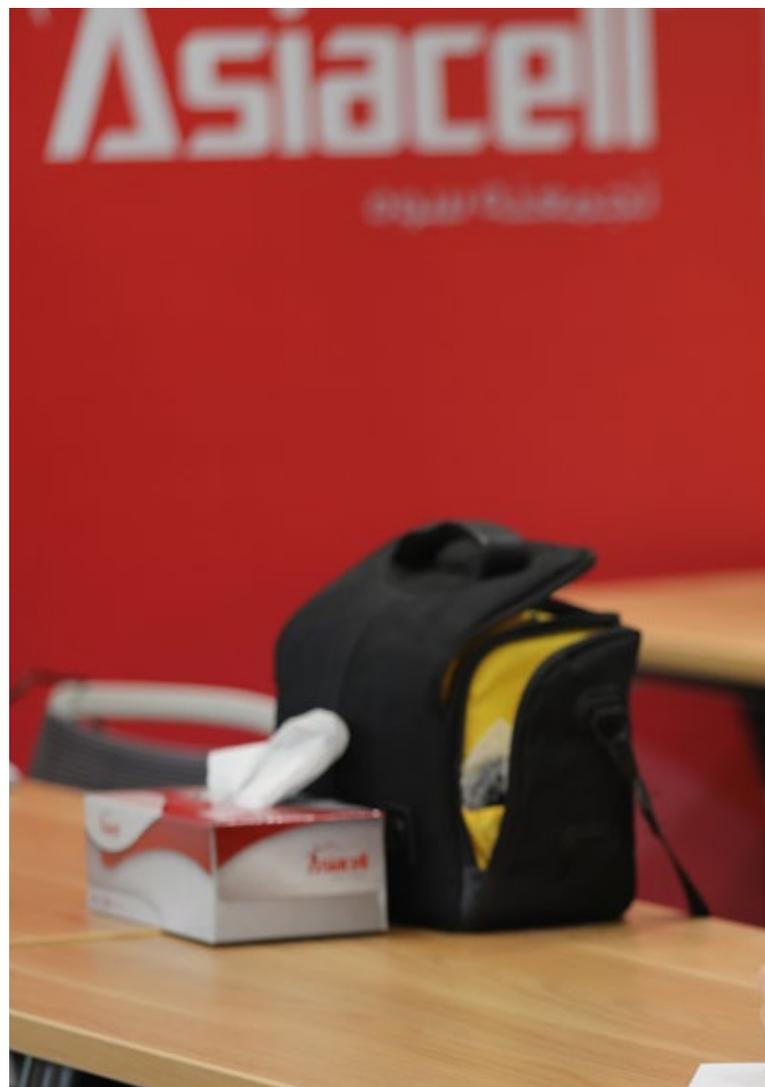
Our main aim is to keep supporting the youth and the entrepreneurial initiatives everywhere in Iraq to revive the country's economy and build on its youth's skills and talents.

What are the current initiatives and programs that you support in the entrepreneurial ecosystem?

As mentioned, it is a priority for Asiacell to support as many business incubators and accelerators as possible in Iraq. We have proudly supported KAPITA, Orange Corners, ScaleUp Academy, Cisco Networking Academy's Business Entrepreneurship in Baghdad, Qaf Media Lab in Mosul, 51Labs in Kurdistan, and several more entrepreneurship workshops and economic initiatives all over Iraq.

How do you perceive the Iraqi startup ecosystem and its future?

The startup ecosystem and its future in Iraq in the medium and long terms are promising. As a country and an economy emerging from conflict, there are undoubtedly several obstacles and challenges, but young entrepreneurs can easily overcome them with patience and perseverance.



For decades, the power of government overshadowed most private sector businesses, and they still influence them today. In light of this background, it is fair to say that generally after 2003, recovery and post-conflict reconstruction policies have explicitly targeted the private sector and entrepreneurial scene and strengthened them. These attempts varied from developing regional and foreign trade alliances to a broad development program at the provincial level. Not to forget, many incubators, accelerators, and entrepreneurial start-up support programs have been created to support the youth to bring their ideas to life.

Iraq's market is filled with opportunities that need to be taken advantage of, and the Iraqi youth are filled with excitement and creativity. They can carry and contribute to the development of their communities at other levels. Therefore, it is our job as the leading telecommunication company to support and assist in the flourishing of Iraq's entrepreneurial scene.

What drew you to support ScaleUp Academy and the Orange Corners? What are the criteria that a program, business, or initiative must follow in order to gain your support?

What pushed us to support Orange Corners and ScaleUp Academy is that they combined both the pre-accelerator and the incubator programs needed to support the Iraqi youth gain enough knowledge in turning their ideas into on-ground projects and businesses.

The professional training, organized workshops, network creation, possible funding, mentorship, and the dedication to further develop the personal and professional aspects of the participants' mentality concerning the growth of their business ideas are crucial criteria that we consider to support similar programs.





Interview

Ahmed Tabaqchali: Expert Opinion on the White Paper

The White Paper for Economic Reforms was released in October 2020 in an attempt to put the Iraqi economy on the right path.

The Paper addresses the root cause of the issues facing the Iraqi economy, the challenges and the risks of the rentier role of the state, and the dangers of relying on oil production as the main source of revenue.

Furthermore, the Paper introduces a reform program to overcome the budget deficit, strengthen the private sector, and improve the infrastructure of the main sectors such as the electricity and telecommunication sectors.

Business LANDSCAPE had the pleasure to sit with Mr. Ahmed Tabaqchali, an expert in the economy and capital markets with an experience of over two decades, a senior fellow at the Institute of Regional and International Studies (IRIS), and an adjunct assistant professor at the American University of Iraq-Sulaimani (AUIS), to reflect on the current situation of the Iraqi economy and discuss the reforms released in the White Paper.

What has led to the crystallization of the White Paper and its release at such a timing?

The financial and the economic crisis that occurred after the decline of the oil prices and the global lockdown that arose as a result of the pandemic has led to the staggering decline of Iraq's revenues while its expenditures increased. This resulted in a drastic decline in government spending, which in the case of Iraq is the wheel of the economy. Additionally, this government was formed as a result of public demands for change, which in turn led to a new Minister of Finance, who has a thorough understanding of the Iraqi economy.

The Iraqi economy is built on incorrect grounds; its fragile foundation makes it very susceptible to the global crisis, and we became weaker with each passing crisis. Therefore, in order to resolve the above mentioned, we must change the policies that made us vulnerable and fix the accumulated mistakes the previous governments have committed. We need to treat the disease itself and not the temporary symptoms. The core function of the White Paper is to analyze the reality of the Iraqi economy and diagnose the roots of the problem to reset the course of the Iraqi economy. The purpose of the White Paper is to initiate a nationwide dialogue, inviting everyone to participate in this conversation, coming up with and implementing the necessary solutions.

Since the release of the White Paper in October, what progress has been made so far?

The solutions of the White Paper will debut in the government's 2021 budget. The fundamental defect is that the state has an enormous role in the economy; through the massive public sector payroll, social security, the apparatus of the rentier state through the whole system of subsidies, and the provisioning of public services.

The solution requires us to rationalize and reduce the overall level of expenditures. They contribute to the erosion of the economy and are the root cause of the problem. In 2016, payments of salaries and pensions alone exceeded 88% of oil revenues, and currently, they exceed 100%. In the 2021 budget, the payments of salaries and pensions alone are projected to be at 74 trillion dinars while oil revenues are projected to be 73 trillion dinars.

However, when you look at the individual salaries and pensions, they are very modest, but the total combined amount is very large given the huge size of the public sector, and this is where both tragedy and dilemma lie. The total has to be reduced, but without inflicting hardship on the vulnerable members of society. The solution is to impose progressive income taxes on salaries and pensions, as well as consumption taxes, but the political system and society are in a state of denial when it comes to this issue.

They would not accept such a solution, rather they opt for wishful thinking and solutions that do not address the core issue. One example would be maximizing non-oil resources, and in particular taxes on companies and custom tariffs, which while essential and a solution that should be pursued, yet they would take a long time to happen, and even then, would not resolve the main problem. Moreover, such a solution, especially the collection of custom tariffs, is more of a security and political issue, than being an economic issue.

Previously, a timid attempt to implement income taxes on retirees, as part of a wider plan on all incomes, was tried in June 2020; however, it led to public discontent, and media coverage that reversed the measure did not lead to a national dialogue or a discussion of the necessity of the issue.

Imagine you are in a ship, there is a large hole in the hull, and you are trying to remove the water with a teacup. Such solutions would help, but they would not address the basic problem and do not substitute for the fundamental solution to close the hole.

One of the first actions that were taken since the release of the White Paper is the devaluation of the Iraqi currency. However, the public reaction was outrageous and irrational, as the majority feels that the decision is unfair. Yet, everyone is contributing to the problems that plague our country, many citizens participate in the problem as they are overly dependent on the government, looking for jobs in the public sector, and not paying their electricity/water bills, wasting these resources as if it was a birthright. For the White Paper to address the fundamental issues, everyone should bear a part of the responsibility and actively participate in implementing the solutions.

Was there proper media coverage regarding the White Paper to communicate the problems and the suggested solutions on the societal level to initiate a local dialogue?

I do not believe that there was sufficient or enough amount of media coverage surrounding the White Paper. The Minister of Finance, Ali Alawi, and I separately participated in many discussions conducted by economists, experts, intellectuals. Nevertheless, not enough of these discussions were not directed towards the Iraqi citizens, which made it more difficult for the society to accept the suggestions and proposed solutions of the White Paper. My personal conviction is that the paper should be discussed in town-hall-style meetings and not in the usual manner of top to bottom.

The White Paper discussed the effects of the devaluation of the Iraqi dinar and the exchange rate on the economy and the competition with other countries. Iran and Turkey are two of the main countries we import from, and which compete with our agriculture and light industry in our domestic market. But their currencies have depreciated significantly against the dollar over the last few years, which rendered our agriculture and light industry uncompetitive in our own market against them and led to an increase in their exports at the expense of our products.

The devaluation of the Iraqi dinar would serve as an immense boost for Iraq's agricultural and industrial sectors; it will provide them with the opportunity to compete domestically against foreign imports. Agriculture in Iraq accounts for nearly 20% of the jobs in the country, which makes it the largest source of employment outside the public sector at over 40%. The development and the ascent of this sector will contribute to the prosperity of every link in the chain of all the industries and jobs related to this sector - after all a third of all Iraqis live in rural areas.

How essential is the banking sector to the economy and the private sector in particular? The challenges of private banks?

The banking sector in Iraq is one of the most fragile pillars of our economy. The main solution is to enhance and reinforce the banking culture among the population and increase cashless transactions. The essence of any bank's business is converting deposits into loans and earning an income of the difference between the interest paid to deposits and charged on loans. In our case, the majority of the deposits are governmental, and so are the loans; also, the public sector banks dominate the banking landscape leaving a very small role for the private sector banks.

A significant issue is that the majority of the private sector relies on public banks since they believe they are more secure. As a result, our private sector banks do not have the deposit base from which to provide loans to the private sector. We must reduce the role of the public sector banks, especially the Rafidain and Rasheed, as their infrastructure and systems are very outdated and old-fashioned.

Additionally, we must implement the deposit insurance scheme to establish public confidence in the safety of their deposits with the private sector banks.

We notice today that the youth is still dependent on the public sector in terms of hirings. What are the reasons for this behavior pattern, and how does it affect the economy?

The government started hiring citizens in the public sector in the 1970's, this transformed people's lives and ended the feudal system of the past. Professions in the public sector earned the individual the respect of society and increased their socio-economic status.

While this expansion of the public sector worked at the beginning, yet it did not lead to productive activities, i.e., the growth of the tradable goods and services sectors, and instead over the years led to the growth of a massive unproductive bureaucracy.

Therefore, the accumulation of this over the years is a bloated public sector with low productivity workers leading to disguised unemployment that both burdens the federal budget and weakens the private sector.

As a consequence, the educational system, over the years, has transformed into a system that qualifies people to work only in the public sector and does not equip them with the proper set of skills to work elsewhere.

Furthermore, this propelled people to seek employment in the public sector believing it would earn them a more secure and stable lifestyle, to the point that even if they have their own business or work in the private sector, they would still lack the incentives to make their business a success, since they are confident that their profession in the public sector is their insurance.

Changing this system takes time, as the problem is rooted deeply in the Iraqi society.

I do not blame people for perceiving public sector employment as a right, as it is almost a social contract that was established between the government and the people, but we have to understand that it has come to an end, and with that end this open-ended liability.

Ad hoc measures such as providing people with the right to take time off from their public sector job to work on their business or startups are not sustainable, as no business can succeed knowing there is a backup plan.

The only available solution is for people to understand that this path is no longer an option and to start looking for other options and paving new paths.

On the other hand, the government needs to facilitate the registration process, the laws, and the regulations, to encourage people to start their own businesses.

There is a huge gap between the skills required by the private sector and the youth. What can be done to bridge this gap?

We need to implement changes to the educational system to produce graduates equipped with the proper set of skills, train teachers, and change the curricula. We also need to change the social perception of craftsmanship and vocational schools to create opportunities in different fields and sectors. We should also implement more initiatives to train students to fit the needs of the private sector.

How can we create an environment that fosters the growth of the private sector?

Our thinking as a country is still socialist and we depend heavily on government subsidies, but these subsidies are like bike training wheels that should be removed eventually to create commercially sustainable businesses.

The government's role should not revolve around providing subsidies and all manner of goods and services, but its role should be providing security, law enforcement, providing transparent and enforceable regulations, and ensuring a sturdy infrastructure in terms of banking, electricity, transportation, and telecommunications.

We can also look at similar neighboring countries and their experiences, what they have implemented in terms of laws and regulations to strengthen the private sector and lift the government's support and emulate these experiences in Iraq.

What is expected from entrepreneurs to contribute to the success of the solutions presented in the White Paper?

They are expected to focus on and succeed in their work. Success in any sort of work would provide employment opportunities and demand for local products, and would also inspire others to follow in their footsteps. As a result, this would strengthen the private sector and the economy.

The White Paper focused mainly on the electricity, transport, telecommunication sectors, and the free zones and industrial cities, why these in particular?

These are the main levers that move the economy. The list is long, and we do not have the bandwidth or capacity to pursue all, but those are the main aspects that need our urgent attention and would provide the underpinning for other sectors. For example, without electricity, no industry can succeed. Likewise, the telecommunication sector.

In our case, the government manages those main sectors, it rules, regulates, produces, and consumes. Ultimately these sectors need to be privatized on a correct basis to grow and develop while diminishing the role of government to be the regulator and arbitrator in these.

Other countries' attempts to privatize those sectors had only replaced the government monopoly with a few major private sector companies that monopolized the market and did not lead to better services to the population.

Privatization of these sectors should aim to create an open free market where companies compete to provide better services at better prices to the consumers.

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The purpose of the White Paper is to initiate a nationwide dialogue, inviting everyone to participate in this conversation, coming up with and implementing the necessary solutions.

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Is the White Paper an action plan or just one of those resolutions that would not take place as the previous ones?

What differentiates the White Paper from all the previous solutions is that it does not come up with temporary solutions to treat only the symptoms of the issue but rather it plucks the roots of the issues.

However, its success relies on the actions taken by the government and the people. As they say, everyone wants change, but no one is willing to change oneself.

The diagnosis the White Paper offers is critical and requires the adoption of difficult measures. Everyone has to participate in implementing those solutions and accept the harsh measures to create a stronger economy and a better future for the youth and our children.



Interview

Bahaddin Salim: **Nass Al-Iraq, CEO**

Nass Al-Iraq Holding is an umbrella to different companies that first started its operations in 2007. The group offers a wide range of integrated services and innovative solutions for business-sector from connectivity infrastructure services, all the way up to digital transformation & automation, technological solutions, management & business development, advertising & digital marketing, and engineering & construction services.

Business LANDSCAPE had the pleasure to interview Bahaaddin Salim, the co-founder, and CEO of Nass Al-Iraq.

He told us about the journey of the company, the challenges they encountered, their success story, and their future goals. He also shared with us the reason Nass Al-Iraq joined the Iraqi Angel Investors Network and their recent investment in Tabib Baghdad.

Would you walk us through the journey of the company? How was your start back in 2007?

Our business started with the idea that we do not provide one product only but a group of integrated services that enhance the value of the product we offer to the clients.

In the beginning, we started as Nass Connect and focused on one field only, which was providing internet infrastructure services for businesses and enterprises then we expanded horizontally and vertically.

Internet services infrastructure struggles in Iraq and enterprises and businesses are in dire need of these services.

Therefore, we decided to transform our business to operate as a business-to-business (B2B) instead of business-to-customer (B2C) to provide our clients with the services and the added value they require. This allows us more space to control the facilities, quality of services, and pricing.

How did Nass Connect turn into Nass Al-Iraq Holding?

Nass Connect was the core of our business, it was established in 2007 to provide internet infrastructure services, by 2010 we were a part of many projects such as Q-card and the process of connecting banks to the payment systems.

As we established our path, we opened a department specialized in digitization services and administrative systems in 2011. This department started growing and the need emerged to expand to offer a wider range of services that support and enhance our core products. Thus, we transformed this unit into a separate company called Digital Transformation Company (DTC) in 2017, which specializes in providing technological solutions and digital transformation technology for corporations and enterprises.

We created Qafia, a creative advertising agency, that started operating in 2014 in digital marketing and advertisements as we kept expanding and diversifying our range of services.

While in 2016, we established Al Ayd, for construction engineering services and real estate development. Last but not least, we established Tamkeen for administrative services and business development.

All these units together formed Nass Al-Iraq Holding, which is a part of our vision to provide integrated services, offering solutions in different fields to enhance the added value of the final product that we offer to our clients.

Have you registered each company separately?

They are all registered officially in the registrar of companies. We usually go into the process of registration after a year of starting the company, Tamkeen is still in the process.

Were you able to register as a holding company and what were the challenges?

At the end of 2019, the Iraqi Parliament approved the registration of holding companies. We are at the end of the registration process to obtain the necessary approvals.

The concept of holding companies is new to Iraq and the current legal framework does not cover all of its requirements but it is a step in the right direction. I believe it is important to register as this makes a difference in the perception and the interactions with other businesses, especially on an international level.

Are all your services internally sourced or do you collaborate with other businesses?

The core of our business is the technical field, we want to digitize and transform enterprises, and this is our main goal. We started with Nass Connect to provide telecommunication infrastructure services and it was a building block to enable other services.

You have to write the story A-Z, from building an infrastructure for the business to transforming and digitizing its systems, to marketing and advertising this business.

This does not prevent us from collaborating and integrating with other entities that could provide similar services and fall under our criteria of standards.

Providing all these services and solutions must have created a challenge to keep up the quality of these services, how are you managing this process?

These business units are purely technical and there is an administrative arm managing all these units. All the business units have separate independent specialized teams focusing on providing the services and ensuring they are up to our quality standards.

Why would a holding company join the Iraqi Angel Investors Network?

Joining the Iraqi Angel Investors Network (IAIN) matches our philosophy that adopts enabling the private sector and businesses. We established our business units on the correct basis and standards with technically efficient individuals. We believe we can contribute by applying this to other businesses and projects.

The Iraqi Angel Investors Network is a forerunner experience on the national scale, it works in an important field to enable entrepreneurs and startups to build a sustainable business that can grow and scale up on many levels.

The success of IAIN will reflect on the private sector and will develop the standards of successful projects and concepts. Currently, many projects prioritize making a profit without considering establishing a sustainable business model, growing human capital, or contributing to the growth and development of the economy.

Many companies today are commercially successful but lack the institutional work and basic sustainability ingredients. This was the main incentive to join and support the network. We believe the success of the network's vision will promote and foster a successful business environment that will positively impact not only our business but others as well.

What made Tabib Baghdad an attractive investment opportunity for Nass Al-Iraq?

We believe that investing in the medical and health services sector provides solutions that could reduce the challenges related to quality control. Since the service provider is a segment of physicians that we believe possess a high level of awareness and responsibility in dealing with the customer, which covers the quality required by this sector. The business can also grow, expand, and incorporate more features.

This does not conflict with our focus on the business sector. Even in Nass Al-Iraq, we have services that are directed towards individuals but are supervised to comply with our standards.

The main challenge in the 'individuals' sector' is the process of quality control and implementation of the standards that we follow in the business sector with the difference in customer requirements.

Is investing in Tabib Baghdad an extension of your philosophy and mission of digitizing businesses?

Indeed, the health sector needs to go through a long journey of digitization and digital transformation in Iraq. However, it is possible to achieve that. In the meantime, the service is limited to booking appointments, organizing them, and giving recommendations, but it can expand to include records and history of patients and the issuance of statistics of all kinds.

This, in turn, will reflect on the strategies of building the health sector. If we had real statistics, they would affect different aspects of the health sector from the admission of students to medical universities, hospital construction, employment policies, and the distribution of majors.

This sector currently lacks any source of data and statistics. The digitization processes will help provide that, to hand them over to the relevant authorities, to help them to generate their own strategies at both the public and private sectors.

Is Nass Al-Iraq interested in entering other sectors?

We try to attract partners and projects, and affiliate with them to cover an area of work according to our philosophy and values.

The field is open to establishing partnerships in new sectors as long as the standards that we adopt and the philosophy of enabling businesses and clients are met. Targeting and entering any business sector depends on the available human capital and the business units of that sector.

How do you perceive the entrepreneurship environment and the startups that started in Iraq over the past few years?

We believe any experience, or any attempt, is applauded as it adds value to different sectors and the general business environment in Iraq particularly amid the void and the confusion it struggles with. The businesses and the startups we have seen have some mistakes, but they are trying to address them and overcome the obstacles and challenges to achieve their goals.

There are some drawbacks and errors in the criteria for evaluating businesses and ideas that are still qualitative, unrealistic and do not take into consideration the ability to grow and expand on a larger scale.

The success of the Angel Investors Network in implementing its vision and expanding its scope of work will reflect positively on this reality.

It will produce accurate criteria for evaluating startups and businesses in Iraq and develop the concept of a successful project from a narrow view that depends on the profit concept to a broader one that takes into account the components of the project's success and its role in turning the wheel of the national economy.

Have you participated in supporting startups before joining the Iraqi Angel Investors Network?

We were supportive of different institutions and events, where we provided tools, facilities, and consultancy in the sectors we operate. For example, supporting the Behance Baghdad event.

Currently, we are supporting KAPITA and CoWork. Supporting projects like CoWork is important to enabling startups and the business sector. It is a part of our social responsibility to offer support for such projects.

In order to create an environment where businesses and startups can pave their path, overcome the obstacles they face, and become successful businesses that can grow and expand properly.

As a holding company, what are your future vision and goals?

The main mission of the group focuses on the concept of integrated services and the localization of global solutions and ideas to suit the non-traditional business environment at the local and global levels.

In the meantime, we focus on localizing and fortifying the business units of the company to be productive and fully integrated to achieve the vision that we aspire to which is providing high-quality services and technological solutions to our clients.

Since your start in 2007 until now, what are the changes that the business environment has witnessed?

The business sector has matured immensely during this period. We provide a modern type of services and solutions that customers in the past did not fully appreciate but as the business sector grows and develops; this issue has diminished as clients started realizing their need to keep up with the developments happening in the world. This allowed us to expand the provision of services and solutions and to provide innovative mechanisms to meet the needs of the clients and businesses.

What challenges did you face during your journey as a holding company in general?

The business environment in Iraq suffers a great deal of instability in terms of government directives and regulations, which makes businesses encounter great challenges to operate legally.

There are continuous changes in the regulations and the legal frameworks that take place without taking into account the reality of the business sector, as occurred in the recent change in the exchange rate that affected all businesses in different sectors. In addition to that, security challenges prevent us from developing and bringing foreign cadres to reinforce and develop the local team.

Besides, the environment of Iraq is open which allows a lot of unfair competition between businesses and institutions.

Aside from that, it is an excellent environment for new ideas and businesses, offering many opportunities. However, people who enter the business environment and the private sector 'battleground' must show patience and strength to face the challenges and the anomalous changes and not rush to harvest the fruit of their labor.

Are there other challenges that you encounter, particularly, in the telecommunications sector?

The telecommunications sector is lacking the necessary infrastructure that provides the required stability to enable us to provide services to the clients.

Another issue is the high pricing policies, which, in turn, makes our services relatively more expensive.

The situation changed to some extent after the cuts that were administered by the Ministry of Communications. There is a new approach that we would like to see more of from the Ministry of Communications to strengthen the existing infrastructure and reduce taxes on the capacity transported inside Iraq, but more measures are still required to be taken.

Some projects such as fiber to the home (FTTH) are steps in the right direction, but the ministry focuses heavily on the individuals, disregarding the business sector that lacks the necessary framework to regulate the competitiveness between companies specialized in this sector.

We hope to witness, in the near future, mechanisms that support the provision of services to the business sector, and to avoid issues such as internet cuts.

What do you think of the reality of business digitization in Iraq?

Today we need a new approach in order to digitally transform institutions on a national or global scale to deal simultaneously with changes happening in the world.

The digitization of institutions is a fundamental factor in providing statistics and periodic reports, and whenever this digitization is professionally executed, it will contribute to the accuracy of these reports and statistics and their impact on the work of these institutions.

Furthermore, digitization is an essential factor in building short and medium-term strategies, and it contributes immediately to the correction processes, specifically in Iraq, where there are many variables and constant changes.

The lack of digitization in institutions prevents them from dealing with the issues they encounter accurately. There is a huge lag in digitalization at all levels in Iraq, even in large and established companies, where they suffer from ineffective administrative systems.

Do you think that the COVID-19 pandemic made businesses realize their need to transform digitally and accelerate the execution of this process?

All companies felt the need for digitization and the need to manage their staff remotely, using hybrid management systems, and monitoring systems for productivity and job performance.

Personally, I think the steps that are being taken in that direction are still slow. We can see clearly that many businesses had to shut down because they could not transform digitally and many sectors, like the education sector, are struggling with this change due to the lack of the appropriate infrastructure.

Therefore, we try to raise awareness regarding this necessary change. Digitalization means increasing productivity, reducing expenditures, and accelerating business growth.

We provided free systems for the government institutions within the unified national platform that provides momentum management services, electronic reservations, and an instruction guide for each institution.

However, some institutions could deal with this system and adopt it in their work frame, but some institutions were reluctant to this approach and were not ready to adapt to this change.

Do you think the reluctance of businesses to digitization is a problem of awareness or lack of capital to invest in these systems?

In my opinion, one of the misconceptions in the Iraqi society is that the automation and digitization processes need a huge sum of capital and that institutions need to carry out the digital transformation process from A to Z, which led to the failure of many of these businesses and attempts at digitization.

Currently, we work within the concept of the gradual digital transformation of the organizations, as the administrative regulations sometimes do not grant the complete transformation of all units. We have more than 10 years of experience in this field. We can work within any institution and the results appear within two to three years.

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We try to raise awareness regarding this necessary change. Digitalization means increasing productivity, reducing expenditures, and accelerating business growth.

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Why enabling businesses and startups is important to you? How does it relate to the fields in which you operate?

The core of our work as a group is to provide services and tools that help companies build their strategies and execute them, and therefore these emerging companies represent new markets for us and other companies. Today, startups present a fertile ground with high flexibility to customize and localize services and solutions. We need a high degree of customization to create the right prototype that is in line with today's entrepreneurial scene.

What standards are you looking for to support or partner with a business?

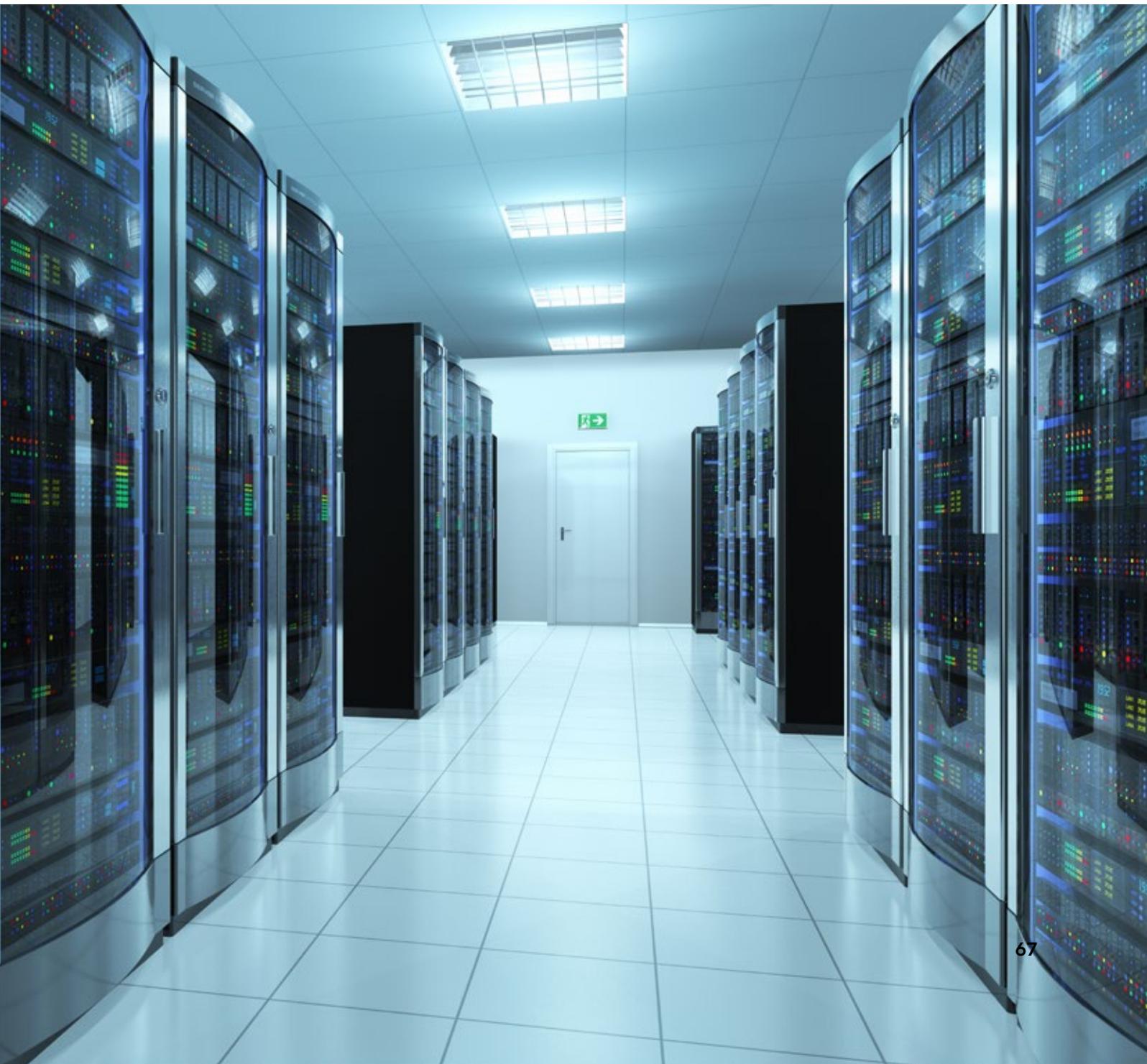
As a group, we enter as the guarantor for the company's success story, so we make sure that this business should match the standards that Nass Al-Iraq represents.

The business has an idea with clear characteristics and the owner should have the perseverance to work hard and is looking for a partner who reintegrates with his products and services.

There are many ideas today, but the important part is that the person is willing to go beyond the ideation and make a real attempt.

The business should have the necessary study and foundations that prove that this project is able to grow and expand.

Adding to that, the person managing that business should be able to cover the technical and administrative side of the business.





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