



Interview

Dr. Ole Diehl

The German Ambassador, Iraq

Business LANDSCAPE had the chance to visit the German Embassy in Baghdad and meet his Excellency, the German Ambassador in Iraq, Dr. Ole Diehl. Germany is a very active contributor to the development of the private sector in Iraq and is constantly supporting the youth and the entrepreneurial scene in Iraq.

We were delighted to discuss these matters with his Excellency and learn more about the impact of ongoing German projects and initiatives in Iraq.

How does Germany perceive the situation in Iraq in general and the economy in particular?

The security situation is much better than it used to be. It is not yet completely stable as not every internal conflict is already resolved but it is on the right track. The political situation is not without tensions, we have important elections coming up, that will be decisive for the future political development of this country.

As for the economic and financial situation, it is better than it used to be months ago but it is still critical. The dependence of Iraq's revenues on the oil price is by far too extreme and the public sector is far too big. This leaves little space for investments or the development of the private sector. Surely, also corruption does not help.

Furthermore, we all know that the COVID-19 pandemic has been an additional burden to the development of all countries all over the world but it has been particularly bad for Iraq in this difficult situation.

What is the role that Germany is playing in the rehabilitation of Iraq and its economy?

Germany is the second largest donor in Iraq. Since 2014, the German Government has allocated over 2,8 billion EUR of project support in Iraq. We contribute to stabilizing, reconstructing, and developing Iraqi regions and supporting the Iraqi population.

German development cooperation is currently focusing on three pillars: support sustainable economic development, good governance, and decentralization as well as reconstruction, resilience, and peacebuilding. We contribute to the stabilization of the liberated areas that witnessed the effects of conflict and violence caused by ISIS. And we are also involved in programs of reconstruction and development of the Iraqi regions and supporting the Iraqi

population through humanitarian aids. Germany has a strong economy and is a strong international actor and Iraq is an important partner country for us.

Why is Germany interested in supporting Iraq and stabilizing the situation?

Germany sees a huge cooperation potential for our business sector in Iraq. This country has a huge youth population that is already well educated and could be even better educated if the education system could be improved further.

Iraq is also an important regional partner for our foreign policy. The Middle East is a complex region with numerous challenges and frequent tensions between countries. We think that Iraq could be the bridge to stabilize the entire region. It is, therefore, important that we help Iraq overcome the permanent threat of terrorism. Until now terrorism is still present and not only Iraqis have to deal with it but the entire world.

In addition, Germany also has strong migration links to Iraq. Many Iraqis used to leave the country and come to Germany during the days of ISIS. And even after the defeat of ISIS, the migration continued due to the difficult economic circumstances that Iraqis are facing here. Germany is very open to having people come from this region legally, but migration needs to happen in a structured, well-organized and, most of all, legal way. This means that Iraqis who want to come to Germany need to apply for a visa at our Embassy or Consulate.

At the same time, Germany is eager to assist in improving the living conditions in Iraq so that young people are not forced to leave the country in search of a better life. We are convinced that most Iraqis want to stay and contribute to the development of their homeland - as long as they see a perspective in this country.

Finally, Germany and Iraq have cross-culture links as well. Iraq is the cradle of civilizations and Germany is cooperating closely in the cultural field through the Goethe-Institute or the German Archeological Institute.

How is Germany contributing to the revitalization of the private sector in Iraq?

Germany has numerous, very concrete projects in the economic cooperation portfolio to help further develop the private sector of Iraq.

The private sector development project for example amounts to nearly 40 million USD, which includes policy advisory through a pool of experts, technical assistance with economic data collection and analysis, capacity building for vocational qualifications, and other matters for young entrepreneurs who want to start a business in the private sector.

We also run a project specifically focused on information communication technology (ICT) for young Iraqis, because we know this is a field young people are particularly interested in and there is a huge potential for creating job possibilities.

The project also coordinates the construction of smart training business hubs in several Iraqi cities, supports technical entrepreneurial skills training, facilitates public-private partnerships, and facilitates mentorship as well as investment networks in central Iraq and KRI. In total, this project amounts to nearly 25 million USD.

Moreover, we also have several projects in the field of development cooperation that support already existing enterprises through rehabilitation of infrastructure, business training, and loans in several parts of Iraq. Recently, I visited Mosul and we went to a juice-producing factory that received a grant from the German Development Bank (KfW).

With this grant, the company was able to hire 16 people and expand its business. It is important to underline that the company obtained a grant and not only a loan and that this grant is accompanied by advisory services to develop a sustainable business plan for the company. These are measures to help strengthen the existing private sector.

Through which German institutions are these projects implemented?

In the field of private sector development, Germany is very active with predominantly two implementing organizations: The Gesellschaft für Internationale Zusammenarbeit (GIZ) is a facilitator for technical development cooperation. In Iraq, it is one of the most prominent implementors for technical assistance.

The GIZ, on behalf of the German Government, has been working on the priority areas of reconstruction and peacebuilding, economic development and life perspectives, and governance since 2017.

Starting with providing transitional development assistance in Northern Iraq, GIZ Iraq has since 2018 expanded its geographical scope to Central Iraq and enlarged its portfolio with projects aiming at developing the private sector, fostering economic development and creating jobs, supporting the Iraqi government in decentralization, as well as improving the livelihoods of people through reconstruction and peacebuilding efforts.

The other institution is the Kreditanstalt für Wiederaufbau (KfW). KfW is one of the world's leading and most experienced promotional banks. As an integral part of the KfW Group, KfW Development Bank carries out Germany's financial cooperation with developing and emerging economies on behalf of the Federal Government.

KfW provides investments and finances projects with a focus on stabilization, recovery, and reconstruction in Iraq since 2015.

Furthermore, in all fields of development cooperation, transitional and humanitarian aid, we work also together with other NGOs and institutions that implement programs in housing and livelihood. They have great experience in this sector and had success in implementing programs all over the world.

How is the German Embassy supporting German companies that are operating in Iraq? How do you think these companies perceive the Iraqi market?

German companies see a huge potential in Iraq, they can find reliable partners and realize important projects for the infrastructure of Iraq. Security used to be the biggest challenge here. As the security situation is improving, we are hopeful that in the future no German or other international company would be refrained from investing in Iraq due to security issues.

But, despite the opportunities and potential of the Iraqi market, it remains a difficult market since project partners are mostly from the public sector and German companies struggle to find partners from the private sector.

Additionally, many German companies face the problem of regular payment and contract fulfillment.

German companies approach us repeatedly regarding such issues. We do our best to help them and find solutions but also for us it is sometimes difficult to find our way through Iraq's bureaucracy. The processes in Iraq take often a very long time. Once again, lack of transparency and corruption are hindering business activities in the country.

Do you think these challenges are being addressed or tackled?

The current Government of Iraq with Prime Minister Mustafa Al-Kadhimi and Finance Minister Ali Allawi is doing its best to tackle these challenges. The publication of the White Paper and its implementation plan was an important step in the right direction.

We stand ready to assist the Government of Iraq in its efforts and provide them with advisors, consultancy, and projects that help them develop and implement the very much needed reforms.

How can we reinforce the cooperation between the Iraqi and the German private sectors? And which fields show promising potential for this cooperation?

German companies operate in many sectors here in Iraq such as energy, construction, health, and services. We also have many companies dealing with agriculture machinery here. All of these sectors have their potential, but it surely is the energy sector, which is one of the most promising sectors for German companies like Siemens.

In addition, the German cooperation project for private sector development facilitates the transfer of knowledge from Germany, including German companies, into the Iraqi private sector.

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Concrete example: we connected young companies and startups in the fields of solar energy and recycling with German companies. This helps those young companies to get in contact with successful business models and they may be able to upgrade their technology.

Germany has set up years ago a German Liaison Office for Industry and Commerce in Baghdad and Erbil, where both German and Iraqi businessmen and women can be brought together and interlinked in order to implement projects and ideas.

We as German Embassy also support entrepreneurs in case they would like to do business with German partners. If they approach us or the German Liaison Office for Industry and Commerce we will do our best to establish contact with German counterparts.

What are the German entities that are involved in supporting the youth in Iraq? Why is Germany actively supporting this portion of the population?

Working with young Iraqis and improving the chances for the youth population is at the core of the German engagement in Iraq.

Iraq has a very young population and we aim to improve the chances and opportunities for them. They are the building blocks of the future. We see many young people with good ideas, especially in the private sector and we try to help them realize these ideas and dreams through our projects and initiatives. We have therefore projects that focus solely on young people, such as the GIZ-ICT for Youth program.

Despite the COVID-related lockdown last year, its partners were able to deliver online training to over 100 Iraqis with nearly half of the participants being young women. In addition, more than 1000 young people were introduced to high-tech applications through online events.

There is also the EU-Qudra project, to which Germany contributes. It facilitates job training for young people in northern Iraq. As part of this project, 145 people including 30 women were trained on the installation and maintenance of elevators, air conditioners, and escalators.

These projects are important and they have a positive impact on individual cases. But there are hundreds of thousands of young people in the country.

What we are doing can only cover a fraction of those in need of training. This is why it is so important to create the right conditions for the development of the private sector. In order to develop the private sector, young Iraqis need the right mindset.

Today, many young people go on demonstrations and demand jobs in the public sector. We believe this culture needs to change. Young people should see their future in the private sector. In the long run, only the private sector can create

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enough jobs for hundreds of thousands of Iraqis that come to the job market every year. And jobs in the private sector offer not only an income but also chances for self-fulfillment

Our projects might help some individuals, but the only way to change the system is through economic reforms.

Do you think this mindset that focuses on public sector employment is a challenge? And how can we address this issue?

I do understand why a fresh graduate from university who wants to have a job and start a family thinks the only way is to be employed in the public sector. Until now, this has been the way the system works.

But the public sector is far too big and too expensive for the state's budget. This political and economic culture and mentality need to change. Unfortunately, there are huge hurdles for people who want to establish a business.

I was shocked when I learned that you need to have a family member working in the public sector as a guarantor to secure a loan.

It is up to the government of Iraq and entrepreneurs to show good examples of success stories to inspire young people to pursue their ideas and realize them.

It is also up to the international partners of Iraq to help create an environment where young people do not dream about working in the public sector, instead, they want to fulfill their dreams of having their own business.

Germany is contributing a lot to the entrepreneurial scene, but how is the German Embassy helping in terms of policy reforms?

Last year in October, the Iraq Economic Contact Group was founded by the Group of Seven (G-7) countries, the World Bank, and Iraq.

The G-7 countries have the biggest economies in the world and they stand ready to help implement the reform plans of the Government of Iraq presented in the White Paper on Economic Reforms.

Germany and the European Union currently co-chair this group. Thus, Germany is very involved in identifying ways for the international partners to support Iraq in implementing the reforms. We have already offered advice and executed a donor mapping where we identified what international partners are doing in Iraq.

We tried to identify the gaps between these activities and the reforms presented in the White Paper implementation plan to see where donors can play an active role.

As soon as the Iraqi Government specifies its reform plans, we can then further help find concrete projects to support.

Moreover, the German Cooperation is planning to support and strengthen public financial management and we have set up a cooperation project to improve citizens' access to banking services.

We facilitate business loans in enterprises all over Iraq. German companies are also eager to help and support the development of the banking sector in Iraq.

German efforts also support the entrepreneurial scene and startup ecosystem in Iraq, how do you evaluate this sector? What are the obstacles this ecosystem presents? How can we tackle them?

We admire the people who have the courage and found startups in Iraq. Iraq has witnessed a boom in this sector compared to the past five years but it is still not enough.

There is still the need a much more than a few numbers of successful investments to create a whole strong private sector.

We are willing to help them when they face obstacles. Several cooperation projects have already been set up, specifically targeting young and upcoming entrepreneurs. ITC for Youth specifically supports young people and new entrepreneurs.

It coordinates the construction of smart training Business Hubs in several Iraqi cities, supports technical and entrepreneurship skill trainings, and facilitates mentoring as well as investor networks.

Several other cooperation projects support new and already existing enterprises in several parts of the country through rehabilitation of infrastructure, business trainings, and business loans.

Some of the problems and challenges startups face in this country include the lack of access to loans and finances and developing sustainable business plans.

We can help develop further these plans and bring together young startup owners with successful Iraqi entrepreneurs. Currently, we have 200,000 Iraqis residing in Germany, most of them are well integrated and highly successful.

These successful Iraqis love their country and know the language and can trade and invest here or partner up with young Iraqis who want to start or grow their business.

Are there any programs for the Iraqis living in Germany that specifically cater to their needs, or help them develop their skills, business ideas, or anything of that sort to facilitate their integration into the private sector?

There are no programs specialized for Iraqis, but there is a strong social and education system and there are programs that support businesses and provide vocational training. We have to look for successful people who live in Germany and encourage them to invest and partner up with Iraqis in their homeland.

How did you find the stay in Iraq so far?

I would have loved to get to know more of Iraq, but security restrictions prevent me from going out into the city or traveling around.

I would have loved being here without all these restrictions and getting to know more about the people and the country. But even so, it is good to be here in times when so much is changing.

What have you seen as shocking or surprising about Iraq?

I was shocked when I learned how big the public sector is. Many public sector institutions hire a large number of people without a real need for these people, which consequently creates disguised unemployment where few people are working while the rest is just getting paid.

The rentier economy creates pseudo-jobs in the public sector that is a waste of potential. This is frustrating for young, energetic, well-educated people. Having a stable income is important and essential in order to enjoy a decent life but having a job is also about being challenged and finding fulfillment.

