



**BUSINESS**

June 2021/Issue 3

# LANDSCAPE

Report Summary

## **Iraqi Household Expenditure Report**

Report Summary

## **Iraqi Health Sector Overview**

Interviews with

### **Dr. Ole Diehl**

The German Ambassador  
in Iraq

### **Amar Shubar**

Co-founder and Partner,  
Management Partners

### **Yadgar Mirani**

Co-founder and CEO,  
Lezzoo

Ali Al-Suhail, CFA

## **The Investment Landscape: Other Variables of the Investment Equation**

Missing the Big Picture:

# **10 Lessons From Unsuccessful Startups' Pitches and Stories**

# CONTENTS

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

Supported by:



Editor-In-Chief:  
Mohammed Jamal

Senior Editor:  
Safwa Salim

Proofreader:  
Issa Mohammed

Researchers:  
Riyadh Radhi  
Essam Munir  
Faisal Al-Saffar  
Hanguin Al-Ramadani

Public Relations:  
Taher Tameem

**KAPITA**

[www.kapita.iq](http://www.kapita.iq)



**04.**

Safwa Salim

**Introduction**

**06.**

Ali Al-Suhail, CFA

**The Investment  
Landscape:  
Other Variables  
of the Investment  
Equation**

**10.**

Mohammed Jamal

**Missing the Big  
Picture: 10 Lessons  
From Unsuccessful  
Startups' Pitches  
and Stories**

**20.**

Issa Mohammed

**Cultural and  
Heritage Tourism**

By KAPITA's Research Department

**24.**

**The One  
Trillion Dinar  
Initiative**

**28.**

**Iraqi Household  
Expenditure  
Report**

**34.**

**Iraqi Health  
Sector  
Overview**

**40.**

**Iraqi Tourism  
Sector  
Overview**

**14.**

**Ranya Bakr**

**Women in Business: Exploring the  
Role of Women and the Female  
Entrepreneurial Challenges in the  
Iraqi Startups' Landscape**

## Interviews

**48.**

**Dr. Ole Diehl**

**The German Ambassador in Iraq**

**56.**

**Amar Shubar**

**Co-founder and Partner,  
Management Partners**

**66.**

**Yadgar Mirani**

**Co-founder and CEO, Lezzoo**



Safwa Salim  
Senior Editor,  
Business LANDSCAPE Magazine

## Introduction

We are delighted to put the third issue of Business LANDSCAPE between your hands, a quarterly published magazine that covers a wide range of topics regarding the Iraqi private sector.

In this issue, we further delve into the investment scene, its latest trends in the Iraqi market, and the instruments that could protect the investors. We also share with you real-life lessons and stories right from the front row of the startups' pitch day.

We explore the important role of women in the Iraqi startup ecosystem, the entrepreneurial challenges they encounter, the recurring themes and reasons behind the gender gap in the ecosystem.

We cover the One Trillion Initiative by the Central Bank of Iraq, the need behind its release, its vital contribution to the national economy, and the rules and guidelines for obtaining the loans.

Moreover, our reports series covering the different sectors in Iraq continues. You will read about the health sector overview and the tourism sector overview. Where we touch on the importance of these sectors, their current state, latest initiatives, and our recommendations.

We also emphasize the significance of cultural and heritage tourism, its main issues, future market, and provide the perspective of Iraqi entrepreneurs working in this sector. In addition, we provide a summary of our Iraqi Household Expenditure Report, where we examined the Iraqi household expenditure patterns and how they compare to MENA region households.

Furthermore, Business LANDSCAPE had the opportunity to sit down with his excellency, the German Ambassador in Iraq, Dr. Ole Diehl, who talked about the active role Germany is playing in the development of the Iraqi private sector and the impact of its projects on the Iraqi youth.

Amar Shubar, co-founder and partner at Management Partners, shared with us the insights he gained from his rich experience across many countries and the MENA region, regarding the investment scene, the role of the Iraqi Angel Investors Network, and the importance of digital transformation for the economy.

Yadgar Mirani, co-founder and CEO of Lezzoo, an Iraqi last-mile delivery startup, discussed with us the aspiring journey of Lezzo, their vision, the challenges of the Iraqi market, the potential and the future of Iraqi startups.

Business LANDSCAPE proceeds with its endeavors to highlight the importance of the private sector in Iraq and unravel its prospects.

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









---

Ali Al-Suhail, CFA

# The Investment Landscape: Other Variables of the Investment Equation

The Iraqi Ecosystem is alive and well. I write this as a new article coming out by Wamda is titled “Iraq’s Big New Opportunity”. The article reiterates the messages from the Iraqi Digital Transformation Summit; Iraq’s population is young, internet-savvy, and has a relatively strong spending power, which presents a very attractive consumer market. Also, there are groups of brave entrepreneurs rising to address the market’s needs and problems. However, the ecosystem remains to have serious challenges, which can be attributed to the outdated regulatory regime, weak banking system, and a neglected education system.

On the investment front, we have seen continued investments into Iraqi startups. Zajil/Alsree3 raised a seven-figure mezzanine round and Orisidi raised a follow-on round. Both companies received their investments from syndicates of investors. The mezzanine round of Zajil/Alsree3 included its previous investors coming back to invest additional capital and a new set of investors as well.

This is becoming a common trend in Iraq, where investors are doubling down on their investment into Iraqi businesses highlighting the potential of the market. On top of this, we are seeing increasing interest from regional players looking to enter the Iraqi market.

Furthermore, the early stage investment in Iraq is mostly focused on e-commerce and its enablers. E-commerce usually serves as the area where capital first flows in the ecosystems. The product/market fit is obvious and the success metrics are well established.

This is different when it comes to Software as a Service (SaaS) businesses or platform startups. As such startups require capital and time to prove product/market fit and to develop their core product. This does not only make it difficult to assess the premise of the business but also challenging to determine whether it is heading in the right direction or not.

To put things into context, here is a quote from the founder of SuperHuman, an email agent company: “We had set up a shop and started coding Superhuman in 2015. A year later, our team had grown to seven people and we were still furiously coding. By the summer of 2017, we had reached 14 people — and we were still coding. I felt intense pressure, from the team and also from within myself, to launch. My previous startup, Rapportive, had launched, scaled, and been acquired by LinkedIn in less time. Yet here we were, two years in, and we had not passed go.”

Superhuman valuation today is \$260 million and is increasingly recognized as one of the best email agents in the world. For investors in Iraqi startups, this presents an additional challenge, the uncertainty of early stage investing is made more difficult by a volatile market.

Most investors look at the valuation to price such risks. While this approach caters well to more mature companies, it fails to address the dynamics of startups.

Startups or small and growing businesses are all about growth. Growth is never cheap and it usually comes with the price tag of a highly committed team and a good supply of capital. This makes the valuation a balancing act for both founders and entrepreneurs.

Founders that overshoot the valuation of their business will struggle to attract capital at further stages to match investors' expectations. Investors risk making entrepreneurs lose their commitment by turning them into employees with dilute shareholdings. Globally and regionally, this has caused many innovative tools to emerge to structure investments into startups; especially at the seed stage where valuation is the hardest to assess.

**“Growth is never cheap and it usually comes with the price tag of a highly committed team and a good supply of capital.”**

It should be noted as well that while valuation is a key factor in the investment, it is accompanied by other contributing factors that make up the investment offer (i.e., the term sheet). The terms sheet usually includes many items that de-risk the investment from the investor's perspective and provide guarantees against the performance of the company.

The most common company registration structure in Iraq is LLC. While this structure is cheaper and faster to process, it has a major drawback as it does not allow the company to issue multiple classes of shares. This, in turn, does not authorize different rights to each class of shares and as a result, makes it difficult to incorporate terms that are now popular in startup investing such as liquidation preference and anti-dilution.

In terms of valuation, I would like to bring attention to few methods that investors can utilize to protect their investments:

### **Milestone-based drawdowns:**

Investment into startups can be structured wherein money flows in the form of tranches into startups. Each tranche is drawn once the startup achieves a certain milestone; either based on hitting a certain operational milestone (launch of an application) or a commercial milestone (acquiring a certain number of customers or users).

### **A mix of different investment instruments:**

While investments into startups are traditionally made in equity on the basis of the business ability to repay creditors in the case of debt. That being said, companies with SaaS business models typically have good margins and can handle some debt. Investment can be made in the form of equity against a stake and a debt with a certain grace period. Another structure that can replace debt is revenue-based finance.

### **Use of self-liquidating equity:**

Investors can also consider buying a larger share of the business and provide the company with the ability to buy back the investors' shares based on the business paying back the investors.

The legal form can be challenging and will need strong legal expertise to apply this within the Iraqi context. Nevertheless, such instruments should be considered by investors as methods to decrease the risk of their investments. In the context of startup investing, such structures are vital for a healthy ecosystem and continued investment. Therefore, we need the legal community to start finding legal forms to implement such structures.

The fundraising landscape in Iraq continues to develop at a rapid pace and more investable startups are emerging. The latest cohorts of our own ScaleUp Academy and Takween are presenting many more investable businesses. Smart capital will be essential for those businesses to reach their potential.







Mohammed Jamal

## Missing the Big Picture: 10 Lessons From Unsuccessful Startups' Pitches and Stories

As a researcher and a developer of startups' support programs, I have been given the opportunity to witness firsthand Iraqi entrepreneurs and startups of different stages through multiple programs, including the awareness-building phase; innovation for development, incubation phase; OC Baghdad, and acceleration phase; ScaleUp academy.

The ideas were mostly bright, with many trying to bring new products, services, or mimicking international startups. However, many common factors have always been found as the reason behind their failure to establish the business or to scale it up.

Here is a list of the top 10 lessons learned from unsuccessful startups' pitches:

### 1. The lack of business focus

Most of the entrepreneurs show immense affection for their products or services and spend most of their pitches talking about how they developed the idea and how it is an excellent solution for the business problem.

But, unfortunately, they tend to over-explain the manufacturing or preparing process, dwell on the social impact of the business, and miss talking about the achieved milestones, revenues, expected growth, or even their user-base.

Even though believing in the product or service is a key indicator in the evaluation process of the entrepreneurs and their startups, missing the main business points usually causes a negative impact on their evaluation.

It gives the impression that the startup, no matter what phase it is in, is still trying to find the product-market fit.

## 2. “My project”

Most of the young entrepreneurs, sometimes the older ones too, when talking about their startup call it “their project.” It is infrequent to hear one calling it their business or company.

It seems that many of them are dealing with the startup as if it was a university graduation project. That explains their excessive focus on product development or/and app development while missing to touch upon their revenues or growth.



## 3. Not believing in the opportunity

Many startups are necessity-driven, in which the entrepreneur has no other employment option. However, many startup founders abandon their businesses when they are offered a well-paying job in a company or NGO. Regarding the concept of starting a business as a resume builder rather than an opportunity.

An entrepreneur must present oneself as a responsible person trying to solve an identified problem for customers, providing job opportunities, and driving a growing business. Thus, an entrepreneur who leaves this opportunity for stable employment can cause irreversible damage to their entrepreneurial image.

## 4. Financial illiteracy

Many entrepreneurs lack the knowledge of basic financial terms, reflecting a deficiency in basic business education across all college degrees. In addition, most startups lack the proper digital documentation of their transactions.

This is not due to any fault of their own, the businesses in Iraq are still mostly cash-dependent. This results in a culture of entrepreneurs that do not invest in systems that track sales and cash flow. Relying on estimations to assess their past and current status, or anticipated growth.

## 5. What is your plan to scale up the business? “Funding!”

Many entrepreneurs when asked about their growth plan, their foreseeable answer is funding. Unfortunately, many see funding as a magic wand that will conjure a spell to instantly cause exponential growth.

In reality, the lack of a well-designed plan and key performance indicators to measure success and assess the viability of the growth plan is a shortcut to failure.



“

**Ambition is a great virtue in the business world. Nevertheless, being unrealistically optimistic is a trap.**

”

## **6. Failure to identify competitors**

One of the most recurring scenes of startups' pitches is when a judge asks about the competitors of the startups and the entrepreneur fails to identify any. Then the judge proceeds to show the entrepreneur the social pages of a direct competitor to their startup which is operating in the same region, with the same value proposition.

Also, many entrepreneurs with tech solutions or apps that match users to services or products fail to recognize that the standard brick and mortar stores and those that sell online through social media pages as their competitors. Failure to identify the competition is evident in most startups' pricing strategy in which the prices are either too high or too low compared to similar products or services provided by competitors.

## **7. "As long as no one is doing it, then it is the right thing to do."**

Many entrepreneurs think this way. Sometimes it is the right approach when the entrepreneur identifies an untapped potential. However, in many of the cases that we have dealt with, startups are employing non-feasible business models to differentiate themselves from more prominent competitors.

In the usual case, a startup builds their app, logistic team, and launches their app only to find out later that the business model is not a viable one!

## **8. Well-established startups applying for early-stage opportunities!**

Some startups, who have already secured a good amount of investments or loans and have been in the market for over a year with a good number of transactions, apply for programs or funding opportunities that clearly target and cater to early-stage startups.

It is concerning when the startup founders fail to recognize the stage that their business is at, it shows an inability to evaluate their business.

## **9. A team without a clear division of shares or structure**

Most pitches end with a slide that mentions the startup team structure; the founders and the main employees. Many entrepreneurs fail to identify why each individual is filling that position, and when discussing the shares, many still have not decided by this point.

The usual case is a fifty-fifty shares division. Such a decision is usually taken arbitrarily to avoid sensitivity in the early startup days. However, when the actual work duties and day-to-day tasks show the different input of co-founders, the sensitivity becomes even more evident, which in many cases results in the collapse of the startup.

## **10. Trying to do it all**

Ambition is a great virtue in the business world. Nevertheless, being unrealistically optimistic and planning to provide all the business activities related to the startup without recognizing the key partners who can provide such activities with better quality and less cost is a trap that early-stage startups frequently fall into.

Avoiding these ten traps would definitely improve your startup pitch and make it more attractive to investors and stakeholders.









# Women in Business: Exploring the Role of women and the Female Entrepreneurial Challenges in the Iraqi Startups' Landscape

Iraq is facing an inevitable economic crisis due to its government's dependency on oil as the main source of national income and the unprecedented drop in its prices in 2020, in addition, corruption levels, youth unemployment rates, and the exposure to international entrepreneurial success stories have led the Iraqi youth to have a general sense of frustration with their reality and the rise of protests in October 2019.

The need for an alternative income coming from the private sector's SMEs and startups has been recognized as essential, although Iraq has been experiencing a stable growth in the level of entrepreneurial awareness and education due to many initiatives that were established and supported by International organizations such as the United Nations Development Programme (UNDP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Netherlands Embassy, and World Bank, to name a few, such practices have created a high level of dependency on international support from the Iraqi officials and the ecosystem.

This was one of the main motivations behind conducting research examining the characteristics of the entrepreneurial ecosystem in Iraq and its readiness to absorb all of the diverse youthful energy and power that is now formulating the era of "The Mesopotamian Startup Vortex".

## Entrepreneurship & Female Entrepreneurship:

The research began by reviewing the relevant literature which was not an easy task due to the general scarcity and lack of academic input in the field of entrepreneurship in Iraq and the Middle East. Yet, it was unquestionably crucial to understand the role that entrepreneurship and innovation play in the economic development in Iraq and especially in reducing the gender gap within the country, research suggested that there are two sources of entrepreneurship in economies:

1. **Opportunities-based entrepreneurship:** where an entrepreneur actively seeks business opportunities as a career choice.
2. **Necessity-based entrepreneurship:** where an entrepreneur has no feasible option of making a living other than entrepreneurship.

Due to the aforementioned Iraqi economic crisis, entrepreneurship might be essential and falls in the category of a "necessity" for development through creating new employment opportunities and Increasing the GDP.

The research further suggests that entrepreneurs usually set the economy in motion by generating demand for different types of components which will, in turn, promote industrialization, thus, facilitating overall development. Moreover, with unique value propositions, entrepreneurs create an environment of innovation, creativity, personal growth, and social change.

Additionally, it was found that people with entrepreneurial talents in developing countries like Iraq or Afghanistan tend to migrate to developed countries to create their ventures, therefore, the research stresses the importance of policy reforms in retaining entrepreneurial talents and reviving the economy by creating a positive business environment.

For the specific case of Iraq, an upper-middle class income country that ranked 172 out of 190 countries in the World Bank (2020) Doing Business report as a result of the complicated procedures to start a business due to the poor infrastructure. Yet, it is noteworthy that the report listed an additional day of procedures for women in Iraq, which includes obtaining the husband's or family's approval before embarking on an eight-step journey to be able to enter the labor force as an "entrepreneur".

This social impediment could be a discouraging factor for women to participate in the labor force and would explain the low rate that was reported by UNDP (2018) which stated that the female participation in the labor market was a mere 12.4 percent, compared to 72.6 for men which evidently shows how Iraq is overwhelmingly behind on female engagement in the labor force, disheartening women's job-hunting process because of the private sector's weak legislations and uncertainty.

“

**Iraq can benefit from the best practices globally to implement solutions that help young women achieve their full potential.**

”

This alarming underutilization of the labor force in the private sector is hindering the country from achieving economic flourishing.

In an attempt to navigate possible solutions to the lack of engagement of females in the labor force, the Global Entrepreneurship Monitor's Women Entrepreneurship report highlighted the high participation rate from men and women in entrepreneurship in the Middle East & North African region from individuals in the 25-34 age range, which proves that supporting this

age group is a feasible goal that resulted in a successful outcome in neighboring countries with similar social climate.

Yet, the same report shows that women are 6% less likely than men to believe in their entrepreneurial skills, therefore, in order to bridge the gap in Iraq, the support must be on both the psychological, and the practical level for young women to see the potential in becoming business leaders; which can be a daunting task to tackle due to the "masculine society" of Iraq according to Hofstede Insights' (2020), which portrays that the society is expecting business managers to be assertive, competitive, autocratic, and well, male.

The silver lining could be that this is a difficult task on a global scale as well, meaning that Iraq can benefit from the best practices globally to implement solutions that help young women achieve their full potential, while some scholars have argued that the poor representation for females in a leadership position could be due to women having less desire and ambition to lead compared to men, due to their reluctance to show assertiveness.

Others built a counterargument by stating that the "real problem" is not the lack of competence, willingness, and/or skills of females to lead, but is indeed the fewer barriers for incompetent males in leadership.

The researchers continued by listing several female leadership lessons that masculine societies can benefit from such as empathy, humility, and coaching instead of commanding.

However, it was found that the area of policy implications in supporting female entrepreneurship is fixated on the skills gap that women entrepreneurs need to address, in consequence, turning the issue into an individual matter rather than an ecosystem flaw, and in order to address that issue, we must primarily begin by investigating the Iraqi ecosystem's efforts in supporting females in entrepreneurship.

## Iraqi Ecosystem & Research Findings:

Due to the novelty of the concept of entrepreneurship in Iraq and the MENA region, there was a need to derive knowledge regarding the entrepreneurial sector's problems from individuals' experiences, which augmented the importance of using in-depth report interviews by employing artificial intelligence software for transcription using an inclusive convenient sample that included resource people from academia, private sector, startup support foundations, startup founders, and international organizations.

Perhaps the first observation of the research findings was that the participants and key players in the Iraqi ecosystem belonged to the "creative class" which is composed of engineers, professors, and artists.

This niche is usually tolerant of new ideas and innovative ventures, while this culture could possibly attract more creative individuals and young talents such as university students, as one participant described it: "The entrepreneurial scene is populated by youth. Actually, most of them were working in international organizations before or traveled abroad. This is the main reason why these people are more open-minded, they are the people who are curious and looking for new stuff, which is not the case for all the youth in Iraq."

In addition, the role of international actors in Iraq was further mentioned in all of the interviews as integral to the formation and growth of the ecosystem, reasons behind this involvement were explained by a participant by stating: "There is no money to invest in such activities and it is hard for the average Iraqi to pay to attend such activities.

That's why their support was phenomenal, and it supported the whole ecosystem to be established. But let's agree that international organizations' help should only be for a period of time.

The sustainability of such activities should be established within the ecosystem by the support of other local companies, or organizations."

This phenomenon could also be considered as problematic as it appears as that international organizations took over the role of both the entrepreneurs and the government in initiating a startup movement in Iraq. Yet, it is noteworthy that the ecosystem was still "male-dominated & hype-driven" as stated by one of the participants, and when asked about the specific reasons behind the gender gap, the answers from both the male and female participants can be grouped into three predominant themes listed according to their reoccurrence during interviews:

### 1. The Middle Eastern/Iraqi societal norms:

Those norms led female entrepreneurs to experience cyber-bullying and threats, and have prevented women from achieving their full potential; "It is the culture and mentality of the community, the other thing is (and even women said so) that it is hard to be managed by women, as females in higher ranking positions tend to be more aggressive and less discussable, maybe it is a way to prove that they deserve this position because they will be faced with huge competition." – a participant claimed.

### 2. The female leadership paradox:

The Iraqi society has a very low female participation rate in both the labor force and leadership positions, many of the interviewees attributed that to the lack of success stories of female leadership in business in Iraq, as a participant remarked: "One of the main issues within the ecosystem is the lack of success stories, when you have an example success story, it will enable people to follow that path or at least have a draft model of what they want."

While another participant said: "For example, we see women leaders in academia.



Although they do not go all the way to the top, they do take some leadership positions in certain disciplines.” Yet, it is hard to determine the socially “acceptable” and “comfortable” disciplines for female entrepreneurs in Iraq.

This perplexing “contradiction” of women leadership in “socially acceptable” disciplines was highlighted as “unconscious cultural beliefs” in the World Economic Forum in 2016; however, the denial of inequality will not solve the issue.

As scholars suggest that disrupting the denial by speaking to females who are affected by the leadership’s “glass-ceiling” or unable to enter the labor force due to societal barriers and combining this knowledge with more inclusion initiatives like unconscious bias training can result in an overall enhancement in inclusive leadership across disciplines.

### **3. Focusing on the current positive aspects of mixed-gender social engagements:**

Many participants preferred to focus on the positive outlook and incremental changes that happened in the past few years that encouraged females to start their businesses or participate in mixed-gender social engagements, as a participant reported: “The October Revolution by our youth has changed our perception about what we have seen in terms of the participation of women despite all the cultural constraints.”

Although celebrating change is encouraged, a study suggests that it is not enough to create a meaningful change in the entrepreneurial society, especially if the ecosystem actors are unable to see the issues of inequality then it will be difficult for them to advocate for local policy reforms.

Finally, the lack of financial support was explicitly stated throughout the interviews, as there seems to be a general frustration with the Iraqi banking and financial systems which are causing this negative notion towards the government’s performance with post-conflict economic reforms, combined with multiple issues

that were highlighted by the research participants with regards to the educational and training infrastructure of Iraq.

In summary, the Iraqi entrepreneurial ecosystem is suffering from an evident gender disparity and underutilization of young women’s talents in central and southern Iraq, since the start of the entrepreneurial trend in 2015, this is due to the lack of inclusion of different social classes with the internationally funded programs and entities, combined with the cultural barriers for Iraqi women to enter or lead in the startup community.

In addition to the poor entrepreneurial infrastructure i.e. financial and technical resources, and finally, the lack of female representation within the ecosystem is collectively damaging the Iraqi economy and social fabric as it emerges from the conflict to the dominance of youth over the labor force era.

### **Possible Solutions**

As a result of the interviews, current startup spaces (The Station, Mosulspace, and KAPITA) in central Iraq have provided the ecosystem with multiple positive added values, perhaps the most important value was the introduction of the concept of an innovation hub to the Iraqi community. Also, presenting specialized female-supporting programs such as the Raa’idat Competition by UNDP’s accelerator labs, which is undoubtedly a step in the right direction.

Nevertheless, there are still many cultural barriers for women inside and outside Baghdad that prevent them from visiting and utilizing these spaces due to the mixed-gender social engagement, which amplifies the need to pressure the Iraqi ecosystem to leave no stone unturned and explore the possibilities of establishing a female-led body and initiatives that could result in having safe and protected spaces for female entrepreneurs in the future that are supported by the many well-established male & female entrepreneurs who are currently disrupting and shaping the “The Mesopotamian Startup Vortex”.





# Cultural and Heritage Tourism

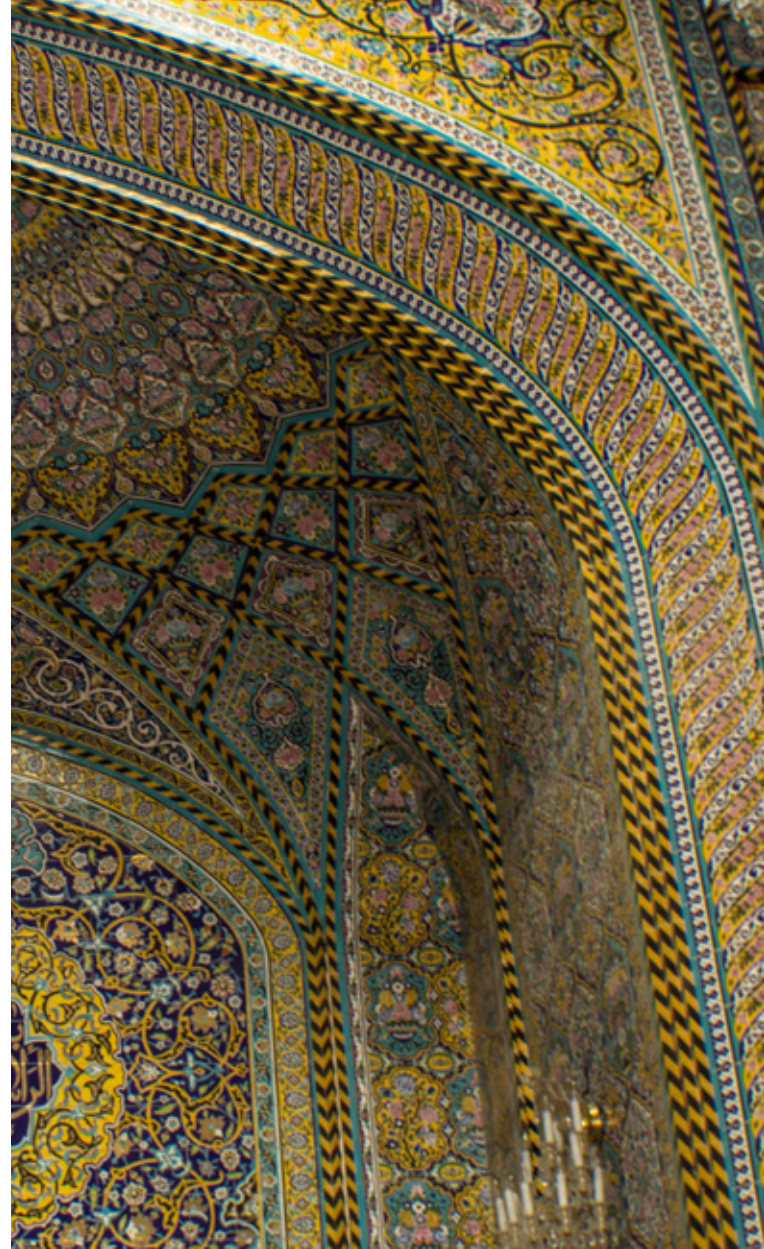
There is a shift in the Middle East to turn away from welfare economies into an open market approach, with tourism being at the forefront of this shift. The UAE reported 21 million tourists in 2019, Egypt, 3.5 million tourists in 2020, and Lebanon 4 million tourists in 2019.

Though, the numbers are expected to be lower for the 2020/2021 seasons due to the COVID-19 pandemic. However, as vaccinations are being administered worldwide, the numbers should climb upwards.

Dubai, for example, launched two campaigns by Dubai's Department of Tourism & Commerce Marketing in early 2020, including #WeWillSeeYouSoon and #TillWeMeetAgain to engage with tourists during the lockdown period, following it up with #ReadyWhenYouAre in July 2020. Cultural and Heritage Tourism, specifically, is playing an important role given the region's extensive cultural history.

Cultural and Heritage Tourism is a term that defines a wide range of alternative tourism aspects concerning the culture of a particular country, the lifestyle of a specific population, the geographical nature of the country, the past of its inhabitants, their history, and civilization, the architecture, religion, food, art, or any other of aspect that shaped the population of that state.

These include heritage tourism, ethnic and tradition tourism, cultural sites tourism, festivals tourism, and cultural creativity tourism. Cultural and Heritage Tourism is an important aspect of the economy of a state, it boosts domestic economic growth, creates job opportunities, including seasonal jobs, and drives investment opportunities, especially in the hospitality industry.



Many Middle Eastern countries have been capitalizing on this aspect of the tourism sector. For example, Saudi Arabia is set to invest up to \$2 billion in cultural tourism as part of Saudi Vision 2030 and in 2015, Oman pledged investments of \$2.5 billion for the Omaxine Project, a 99-hectare mixed-use development integrating cultural, educational, entertainment, and residential elements.

UNESCO World Heritage Sites and historical sites like Al Ula and Diriyah in Saudi Arabia, Petra and Wadi Rum in Jordan, Al Fahidi Fort in Dubai, and the Heritage Village in Abu Dhabi, have been invested in extensively and are providing a constant stream of revenue to these countries.



Iraq's tourism industry, on the other hand, has been mostly based on religious and domestic tourism. However, that can change, based on the fact that Iraq has significant and rich heritage and culture, covering thousands of years and diverse ethnic and historical backgrounds.

Some of the world's most ancient civilizations prospered in Iraq and continued to be a hub for later civilizations over millennia later. From the ancient land of Sumer to the Assyrian and Babylonian empires, through the Persian and Medes empires, to the Lakhmids and Islamic empires, a fusion of civilizations that have been built one over the other.

This tapestry of cultures enriched Iraq's history and created a unique national identity that is, almost, unrivaled anywhere in the world. With many UNESCO heritage sites like Ashur, Babylon, Samarra, Erbil Citadel, Hatra, and the Southern Marshes. There is vast potential in this aspect that is currently almost untapped. Unfortunately, there is not much attention on investing to capitalize over a market that is ripe and ready to be cultivated.

Due to negligence and rapid modernization, the market is being sidelined and almost disappearing. However, there is a light at the end of the tunnel that promises, if by little hope, that an improvement would happen.

Wen (Iraqi vernacular for where) is a startup, established in 2019, by a group of no more than five individuals, which focuses more on the tourism sites that have been forgotten, neglected, and often overlooked.

Ahmed Awdeh, one of the co-founders, told Business LANDSCAPE that their "main goal is to work as much as possible and with an effort limited to several individuals to shed the light on the beautiful natural, traditional, and ancient sites of the country and encourage people to visit them, to get to know their country more instead of traveling abroad." Through their Facebook page, Wen promotes historical and cultural tourism sites that their team visits and explores through photography and videos. Stating that they want to be "a voice and a means of pressure on the concerned authorities to take care of such wonderful and ancient places."





He believes that the market for domestic tourism has the potential to develop stating, based on the turnouts they are getting that there is a “good demand if this market is to be invested in and developed correctly,” and that their team “expect that the tourism sector in Iraq will get a turnout not only domestically but internationally as well.”

However, they have faced many challenges. The negligence of the archaeological sites that they visited where there were not any “paved roads to reach them, not even a concern for their cleanliness or rehabilitation, and there are no maps to indicate the place, no explanatory signs, nor tour guides.

In addition to the fact that most of the tourist facilities in the country do not have any infrastructure to encourage travelers to come, such as hospitality facilities, markets, etc.” That caused a lack of international presence within the sector citing obtaining a visa as a problem.

However, that was recently resolved by the Iraqi government with a law that allowed many countries to obtain a visa on arrival.

Ending on a good note, Ahmed believes that “to develop the local tourism sector in Iraq, we should head towards private investment and facilitate the task of investors and attract them to work in this important and vital sector in the country.

Improving the conditions and laws concerning it.” Adding that “Iraq is a tourist country par excellence, not an oil-dependent country.” With the cultural and heritage tourism industry that can be “an exceptionally large and inexhaustible resource that provides thousands of job opportunities for Iraqi youth who are currently suffering from terrible unemployment,” if this important sector is developed “in accordance with the economic vision of specialists in this field.”







On the commercial side of the sector, Noor Hashim, a young female entrepreneur from Baghdad, established a startup called Hili.

Hili, a word that means love or attraction in the Ancient Sumerian language, is a startup that took traditional handicrafts from Iraq and established a brand for them. Seeing that Iraq has a need in the souvenir market and that people who visit the country often leave without anything as a souvenir of their trip.

Hili hires “unemployed female graduates and widows” to support a marginalized group of society. Noor told Business LANDSCAPE that the reception of her products was mostly positive.

“People loved the products that we offered, the way it was presented, and the awareness that we provide in support of the Iraqi product and the revival of Iraqi heritage through our products.” Hili produces handmade, traditional, and is inspired by the culture, handicrafts that are “100% Iraqi products.”

According to Noor, Hili’s main goal is “to be the brand that promotes and make people fall in love with Iraqi civilization and heritage, in a simple and aesthetic way, to convey to people an image that we love our country and its culture deserves our attention.” She also added that part of their goal is “to help the women who work with [them]” and “be a provider of job opportunities.”

When asked about the challenges that face their startup, Noor told Business LANDSCAPE. “Most of the challenges we face are financial ones, as well as employment and investing in human resources.” Noor believes that training the employees to understand the nature of the business is part of this challenge. Hili also tries to distinguish themselves from the competition. “Most of our products have a story.”

Noor said, “We try not to get carried away with products that are easy to manufacture or cheap, although we have mass-produced goods, however, we preserve their value with special designs and display methods, delivery, and packaging services that call attention to our brand. These aspects are overlooked by our competition, which is what sets us apart from the rest.”

Noor believes that a revival in Cultural and Heritage Tourism would be a turning point in the development of Hili. “We will be among the thriving startups in the country.” She believes that “people like to buy Iraqi products, and we try to concentrate all our efforts to provide endearing products that we can be proud of when sold as souvenirs from Iraq.”

The outdated and abandoned landscape of the Cultural and Heritage aspects of the tourism sector offers untapped and fertile investment ground. The ground is being laid to be capitalized upon by startups with the vision and foresight to improve the sector, with the relative peace period that Iraq is striding upon, opportunities can be countless for investment and improvement.



KAPITA's Research Department

## The One Trillion Dinar Initiative

Iraq has been for a prolonged period of time an oil-dependent economy, creating a welfare state. This led various sectors that can contribute to the diversification of the economy to be governmentally owned.

Over time, this became a leading factor in the weakening and near demise of the private sector in Iraq. Today Iraq is entering a transitional phase of becoming a modern economy, with many youths choosing the route of entrepreneurship rather than the more traditional route of governmental jobs.

With the demand on advancing the private sector, developing SMEs are on the rise, leading the private sector to finally receive a needed push to be front and center rather than an afterthought.

The Central Bank of Iraq (CBI) released the One Trillion Initiative, to increase the interest in establishing SMEs and to contribute to the growth of the national economy, fostering socioeconomic growth and providing job opportunities to contribute to the overall increase of the GDP. In addition to, promoting the production of commodities, goods, and services locally to replace their imported counterparts.

As of the inception of the Initiative in 2015, 6 banks were involved in the scheme, including the National Bank of Iraq, Iraqi Middle East Investment Bank, United Bank for Investment, Al-Huda Bank, Cihan Bank for Investment and Islamic Finance, and Union Bank of Iraq.

In the next few years, the number of banks involved with the initiative increased to add 9 more banks in 2016; Region Trade Bank, Al-Ata'a Islamic Bank, International Development Bank, Kurdistan International Islamic Bank, Warka Bank for Investment and Finance, Gulf Commercial Bank, Iraqi Islamic Bank, Bank of Beirut and the Arab Countries, and Babylon Bank.

Another 5 banks joined in 2017, namely; Ashur International Bank, International Islamic Bank, Erbil Bank for Investment and Finance, Mosul Bank for Development & Investment, and Al-Qabedh Islamic Bank for Financing and Investment. By 2019, an additional 16 banks were part of the initiative; Al Arabiya Islamic Bank, Trust International Islamic Bank, Asia AlIraq Islamic Bank, National Islamic Bank, World Islamic Bank, Al-Janoob Islamic

Bank for Investment and Finance, Alnahrain Islamic Bank, Al Ansari Investment & Finance Bank, Middle East and Africa Bank, Qurtas Islamic Bank for Investment and Finance, Almustashar Islamic Bank, Zain Bank, Economy Bank for Investment and Finance, Elaf Islamic Bank, Taif Islamic Bank, and Ameen Iraq Islamic Bank. This raises the number of banks that are part of the One Trillion Initiative to total up to 36 banks.

Those banks are responsible for distributing the loans. The payments range from 5 million Iraqi dinars to 50 million Iraqi dinars with the chance to increase up to one billion Iraqi dinars. According to the CBI, the annual amount given to the banks since the start of the Initiative in 2015 until 2019 has been a total of over 98 billion IQD divided into 6 billion in 2015, over 16 billion in 2016, over 18 billion in 2017, over 33 billion in 2018, and over 29 billion in 2019.

“

**With the demand on advancing the private sector, developing SMEs are on the rise, leading the private sector to finally receive a needed push to be front and center rather than an afterthought**

”

60% of this amount has been awarded to the commercial sector, 25% to the services sector, 11% to the industrial sector, and 4% to the agricultural sector. The CBI has also allocated, based on a need to build housing projects, some of the One Trillion Initiative's fund to give property loans.

The CBI gave the options to the private banks to implement their loans based on a category for building horizontally-built residential complexes, with a maximum cap of 75 million IQD for citizens with nationalized salaries in private banks exclusively.

There are three interest payments on the loan: one, 5000 Iraqi dinars operational costs paid once to the CBI. Two, a fixed interest that does not cross the 2% mark. Three, a fixed interest rate that does not cross the 4% mark to the guarantor.

The rules and regulations to get the loans for the banks are as follows: the bank can get an advance from the CBI of up to, but not exceeding, 2 billion Iraqi dinars, to be distributed for loans that do not exceed 100 million Iraqi dinars. On the other hand, for loans that are 100 million to 1 billion IQD, the bank is eligible to get an advance of the combined amount of loans that were requested, however, this cannot exceed 5 billion IQD.

As for the duration of the loans, the CBI has provided the following guidelines:

1. The loan repayment period does not exceed 5 years and may reach 7 years, provided that the approval of the CBI is obtained.
2. In case the bank grants loans of different terms within the single advance granted to the borrowers, the CBI will adopt the period granted to the majority of the loans when recovering the advance from the bank.
3. The CBI grants, for loans whose amount does not exceed 100 million IQD, a grace period of 6 months before the borrower bank commences payment to the CBI, and the bank must grant the same grace period to borrowers.
4. The CBI grants, for loans whose amounts exceed 100 million IQD up to 1 billion IQD, a grace period that does not exceed 6 months for loans that are between 100 million to 500 million IQD, and a one year grace period for loans that are between 501 million to 1 billion IQD, this applies to borrower banks and borrowing customers alike.
5. The CBI will deduct the advance installments granted to the bank automatically, on a quarterly basis, from the bank's open account within the CBI. The interest and commission rates as set by the CBI are as follows: for loans from 1 to 20 million IQD, the CBI's commission is 5000 IQD, the interest of the guarantor is 6000 IQD and the bank's interest is 2.9%.

For loans from 21 million to 1 billion IQD, the CBI's commission is 5000 IQD, the interest of the guarantor is 6000 IQD and the bank's interest is 3.4%.

Noting that the bank's interest rate is optional or fixed, according to the policy of the bank and the CBI's, the commission is non-refundable under any circumstances.



For the loans guarantees, the following requirements should be provided:

An endorsement with the approval of the sponsoring department or (the retirement department) to deduct the monthly installment if the bank requests it. That half of the net total monthly salary of the sponsor covers the monthly installment to pay the credit amount requested from the borrower.

The absence of any direct, advances or loans, or indirect, guarantees of others, financial obligations owed by the guarantor in any way exceeding half of the net monthly total salary.

In the event that the remainder of the guarantor's salary is insufficient to guarantee the amount of the credit requested by the borrower, either to adjust the amount of credit that will be granted to the borrower based on the amount of the available guarantee or to provide an alternative, or an additional guarantor.

The guarantor with a high enough salary can guarantee more than one customer on the condition that half of his net total monthly salary is covered for the installments of the guaranteed.

The initiative is a promising step in the right direction. However, one cannot ignore the setbacks that it has. The guaranteeing part is hindering the participation of many youth, because they won't find people to sponsor them.

Also, youth are being faced with a problem that when their business model is new to the market, the bank would consider it as a high risk and would often reject to provide the loan.

The initiative could be more supportive to startups. The assessment for granting can improve, and awareness of the needs of the youth who want to start their own businesses should be paramount.





# Central Bank of Iraq



## Twenty Five Thousand Dinars



Report Summary  
KAPITA's Research Department

# Iraqi Household Expenditure Report

The measurement of household expenditure and income, considered one of the most sought-after measurements across the world, was developed to measure the wellbeing and livelihood of individuals and households.

The quantity of money a household spends on all purchases of services and goods over a defined period of time is what accounts for the term household expenditure.

It can be measured as a percentage of the household's income and should be based on current value currency terms.

National census agencies or national government departments are the ones tasked with collecting data on household expenditure.

The Central Statistical Organization in Iraq (commonly known as COSIT), is the agency responsible for collecting data on a national scale, using the Iraq Household Socio-Economic Survey (IHSES). The expenditure report usually covers expenditure points like food (including rations); clothing; rents and housing expenditures; and medical care services, among others.

COSIT has collected data for the years 2006, 2012, and 2018, and issued reports on all three survey efforts, in this report, however, data from 2012 were adopted with disclaimers to the numbers issued in the 2018 report.

To see how the Iraqi household ranks among other households in the Middle East and North Africa (MENA) region, we compared data from Household Expenditure and Income Surveys from Turkey, Egypt, Saudi Arabia, and Jordan.

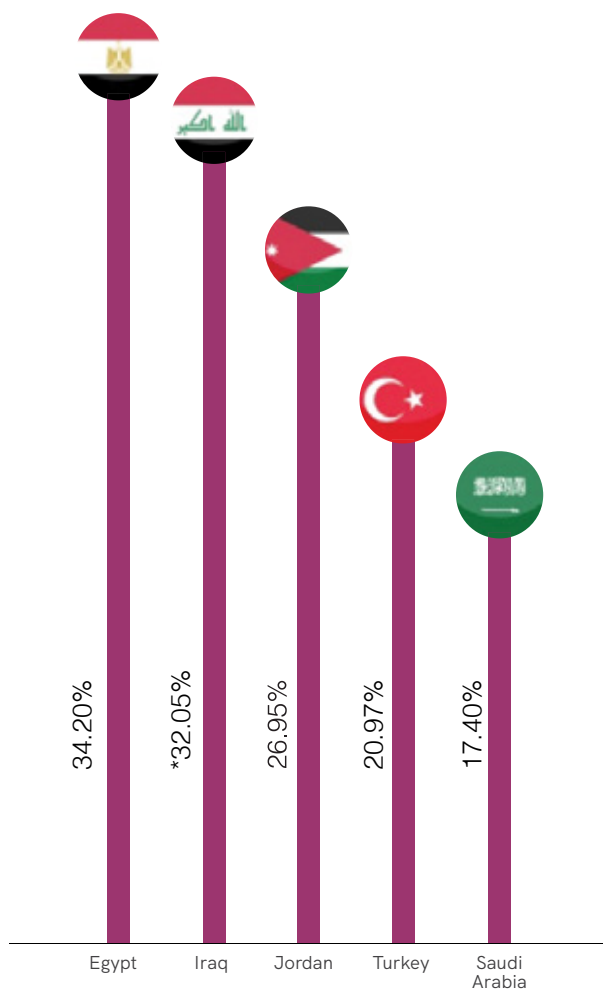
Food is a major expenditure in Iraq, it only comes second to Egypt. Households in both countries spend more than 30% of the total budget on Food, while the remaining countries spend less than 30%, last place for Saudi Arabia as they spend only 17.4% on food.

Tobacco and alcohol do not seem to be very significant for Iraqi households, as expenditure on those commodities was less than 1%.

Households in Egypt, Jordan, and Turkey spend 5.2%, 4.6%, and 4.5% on tobacco and alcoholic beverages, respectively.

Rents and housing expenditures like fuel and energy are costly across the MENA region as most households, spending at least 23.5% of their total income when it comes to Saudi household, and a maximum of 24.3% of their total income as is the case with Turkish household. Surprisingly, Egypt was the only country with household spending 18.2% on rent and its expenditures.

## Household Expenditure of MENA Countries on Food



### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Food was 34.3%.

Jordan- Department of Statics. Household Expenditures & Income Survey, 2017.

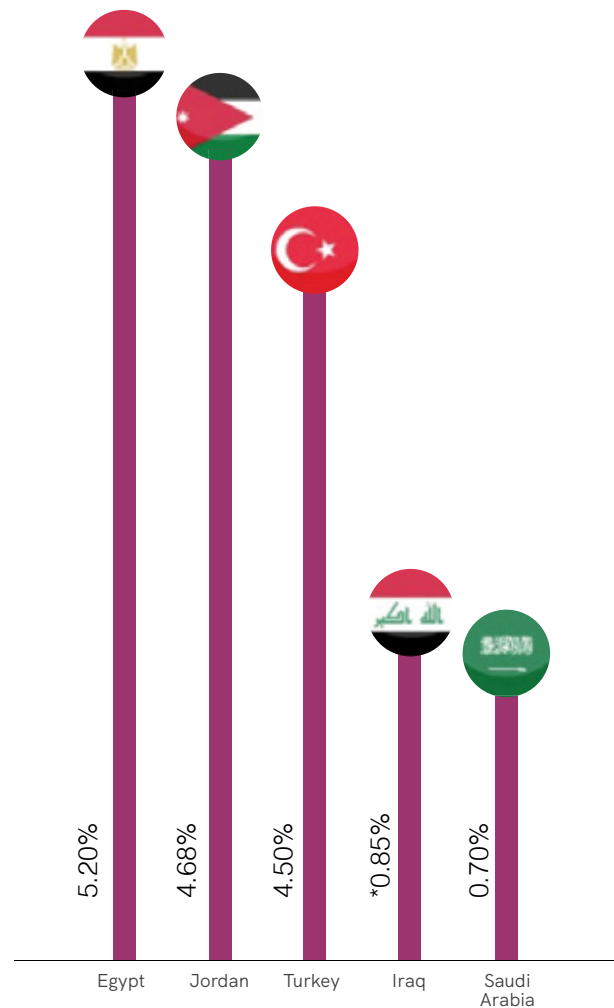
Turkey- TurkSat. Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics.

Income, Expenditure & Consumption Survey, 2015.

Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

## Household Expenditure of MENA Countries on Tobacco and Alcoholic Beverages



### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Tobacco and Alcoholic Beverages was 6.4%.

Jordan- Department of Statics. Household Expenditures & Income Survey, 2017.

Turkey- Turksat, Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics.

Income, Expenditure & Consumption Survey, 2015.

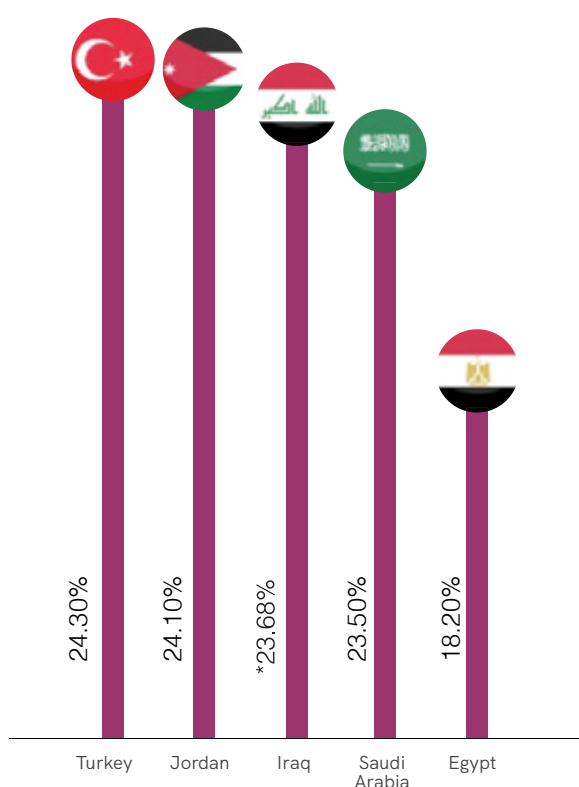
Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.



Furniture and house commodities like house appliances and home care services expenditure do not vary greatly among countries but the Iraqi household tends to spend slightly more than the rest with more than 6.8% of the total income allocated to furniture and house commodities per year.

Clothing and footwear expenditures were more of a concern to Iraqis than their middle-eastern counterparts, with Iraqi households spending more than 6.7%, followed by Egyptian households spending 6.2% of their total income. Saudi households come last in the order of clothing expenditure, spending only 4% of their total income.

## Household Expenditure of MENA Countries on Rents and Housing Expenditures



### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Rents and Housing was 5.2%.

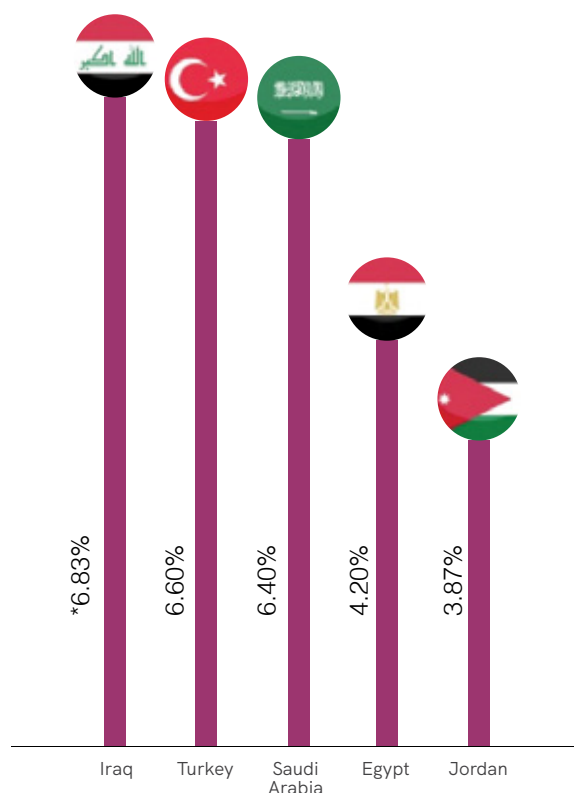
Jordan- Department of Statics. Household Expenditures & Income Survey, 2017.

Turkey- TurkSat. Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.

Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

## Household Expenditure of MENA Countries on Furniture and House Commodities



### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Furniture and House Commodities was None.

Jordan- Department of Statics. Household Expenditures & Income Survey, 2017.

Turkey- Turksat, Household Consumption Expenditures, 2019.

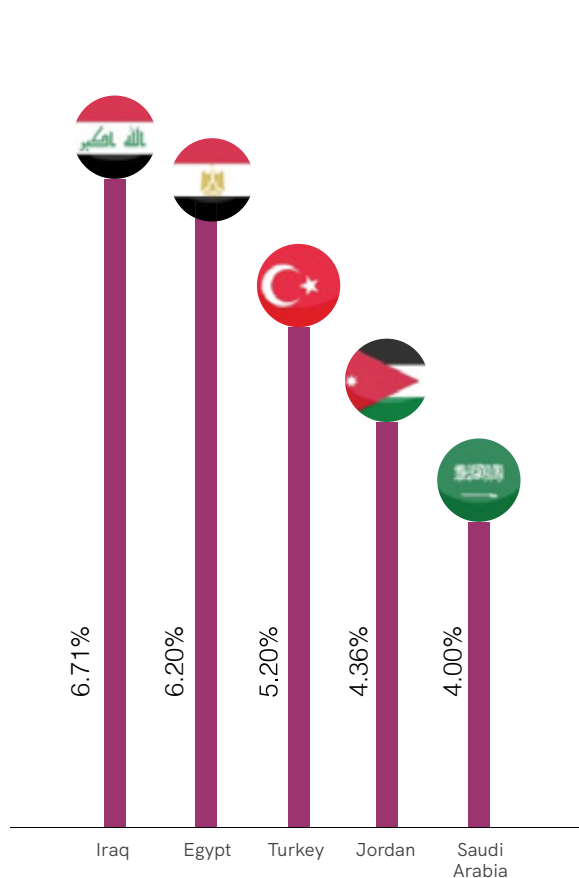
Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.

Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

Medical care and healthcare services are most troublesome to Egyptian households as more than 10% of total household income is dedicated to healthcare services. Jordanian and Iraqi households allocate the same amount of their income to healthcare, however, most Jordanian households have insurance that covers payments and out-of-pocket expenses, lack of insurance and universal healthcare in Iraq is a major problem yet to be solved.

Iraqi households barely allocate 2.95% of their total income to spend on recreation and culture (including restaurants and hotels) while Turkish and Saudi households come first and second place, spending around 9.75% and 8.1%, respectively, on recreation. Jordanian and Egyptian households spend less but still much more than Iraqi households do, and that was around 6.2% and 4.6%, respectively, per year on recreation.

### Household Expenditure of MENA Countries on Clothing and Footwear

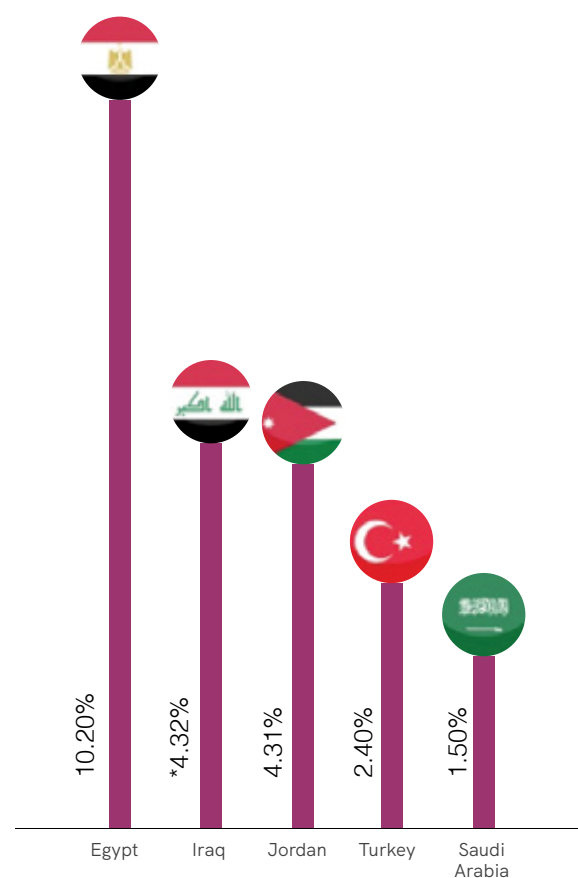


#### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Clothing and Footwear was 24.0%  
 Jordan- Department of Statics. Household Expenditures & Income Survey. 2017.  
 Turkey- Turksat, Household Consumption Expenditures, 2019.  
 Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.  
 Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

### Household Expenditure of MENA Countries on Medical Services



#### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Medical Services was 6.5%.  
 Jordan- Department of Statics. Household Expenditures & Income Survey. 2017.  
 Turkey- Turksat, Household Consumption Expenditures, 2019.  
 Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.  
 Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

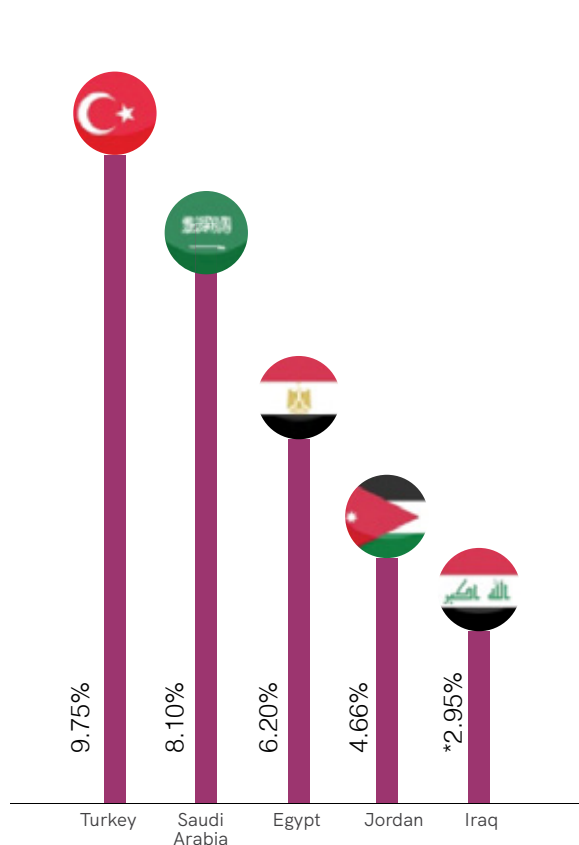
As for transportation and communication, Iraq falls in the middle devoting around 18.5% of total household expenditure, slightly more than what the Saudi household spends. Egyptian households spend around half of what the Iraqi household spends (9.2%) on transportation and communication.

Miscellaneous goods and services contain goods and services that do not follow any other category.

For Iraq, miscellaneous goods and services do not take up a lot of the Iraqi household income (5.9%) when compared to a Saudi household, as they take more than 20% of the Saudi household income.

Household expenditure and income reports are means developed to measure the wellbeing and livelihood of individuals and the total status of a country's citizens. Many events come across Iraqis, affecting all aspects of their daily lives, for example, the recent devaluation of the Iraqi Dinar from 1190

### Household Expenditure of MENA Countries on Recreation and Culture



#### Sources:

Iraq- COSIT, 2012 (2018 data was used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Recreation and Culture was 2.9%

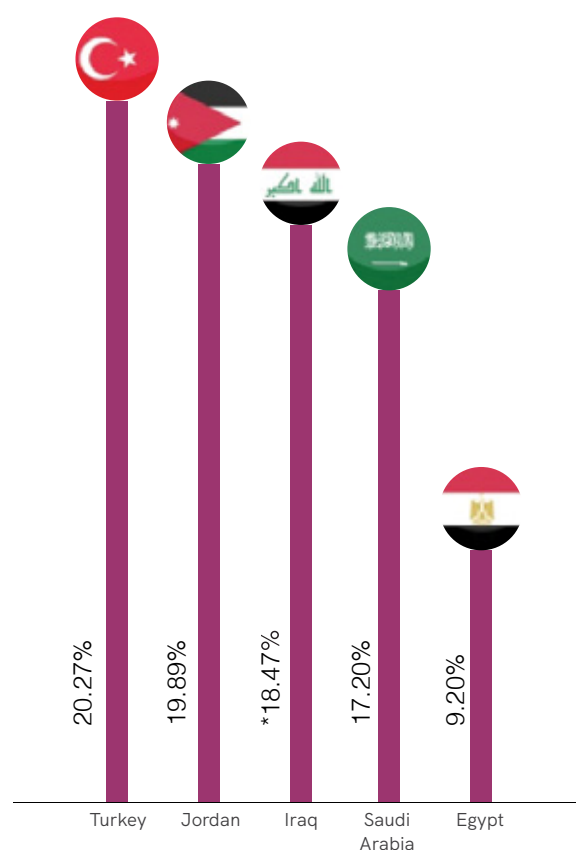
Jordan- Department of Statistics. Household Expenditures & Income Survey, 2017.

Turkey-TurkStat, Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.

Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.

### Household Expenditure of MENA Countries on Transport and Communication



#### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Transport and Communication was 15.3%.

Jordan- Department of Statics. Household Expenditures & Income Survey. 2017.

Turkey- Turksat, Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.

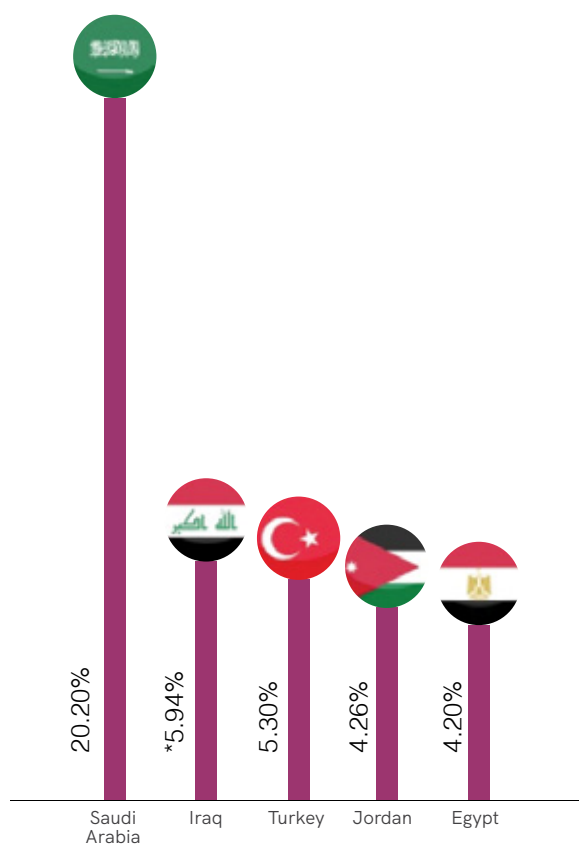
Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.



IQD to the \$1 to 1450 IQD to the \$1, this is greatly reflected in the nature of their expenditure.

It has been 3 years since the last report in 2018, and a newer version needs to be issued by COSIT to help understand the current status of the Iraqi population. Universal healthcare and food rations are among the more insistent matters that will help the Iraqi household navigate its expenses and increase their quality of life for the short and long terms.

### Household Expenditure of MENA Countries on Miscellaneous Goods and Services



#### Sources:

Iraq-COSIT, 2012 (2018 data was not used as it is inconsistent with previous years findings).

\*Disclaimer: Based on the COSIT report of 2018, the expenditure on Miscellaneous Goods and Services was 5.4%.

Jordan- Department of Statics. Household Expenditures & Income Survey, 2017.

Turkey- Turksat, Household Consumption Expenditures, 2019.

Egypt- Central Agency for Public Mobilization and Statistics. Income, Expenditure & Consumption Survey, 2015.

Saudi Arabia- General Authority for Statistics, Household Income and Expenditure Survey, 2018.



## Report Summary

KAPITA's Research Department

# Iraqi Health Sector Overview

The Iraqi health sector is one of the main sectors in Iraq that were affected a lot by conflicts which caused it to deteriorate. According to data acquired from the World Bank, Iraq's population has been on the rise over the past decades. Growing from a population of about 7 million in 1960 to 13 million by 1980, then 23 million by the year 2000, reaching 39 million by 2020. This growth rate of the Iraqi population impacts the healthcare services, with the population becoming a burden on an already underdeveloped health sector and may create new challenges that need innovative solutions.

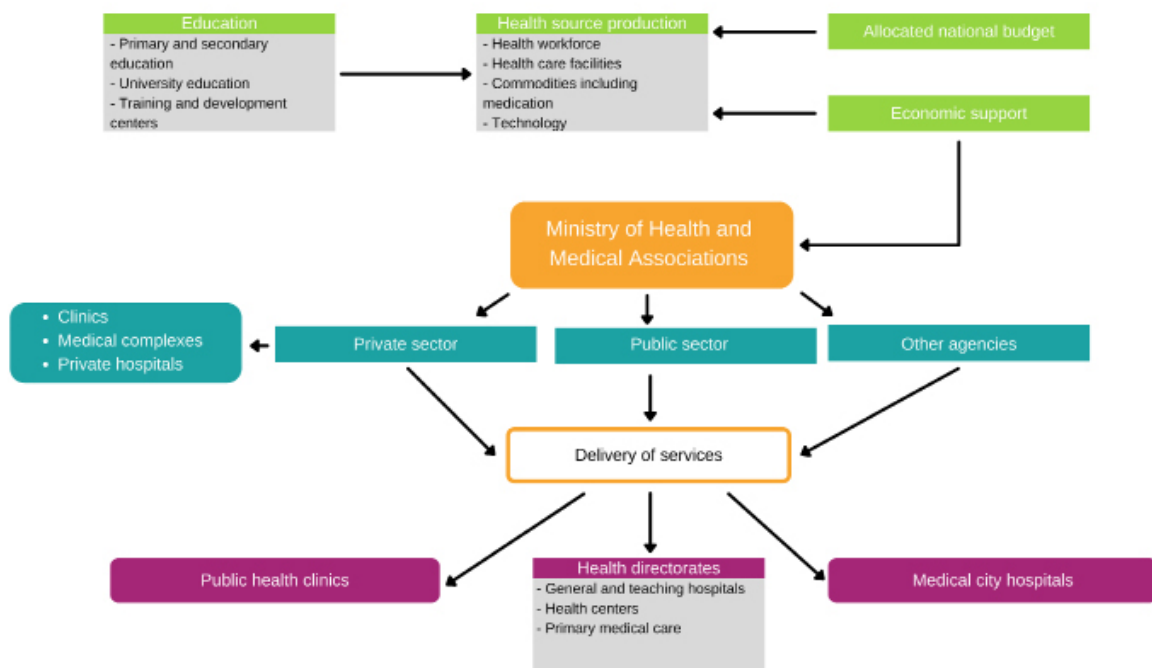
The structure of the health sector in Iraq is divided mainly into a public and a private sector. There are also international agencies that include the likes of the World Health Organization, the International Red Cross and Red Crescent Movement, UNICEF, the Iraq Health Access Organization, and Médecins Sans Frontières.

Many of which have been in Iraq for decades, offering assistance, humanitarian aid, and partnerships with the Ministry of Health (MOH).

The public sector has three main categories: primary healthcare, secondary healthcare, and tertiary healthcare.

1. Primary healthcare provides preventive, diagnostic and curative services, health promotion services, and community participation in decision-making through a network of major and minor primary health centers.

There is a network of 2538 primary health care centers and sub-centers, and more than half of these health centers work with at least one doctor, and the rest work with paramedics and nurses. Each primary health care center caters to an average of 20,000 to 30,000 people.





2. Secondary healthcare provides preventive, diagnostic, curative, and emergency services (for referrals from primary care centers and public and private medical clinics) through public hospitals, maternity and child hospitals, and emergency hospitals on a 24/7 basis for cases that require treatment and provides training, education, and research opportunities.

3. Tertiary healthcare provides diagnostic, curative, preventive, and rehabilitative services through specialized centers and hospitals that can provide health services with subspecialties to patients referred from secondary health care institutions with the provision of training, education, and research opportunities.

The public sector is financed through the National Annual Budget. The 2019 budget had allocated 3,291,900,658 IQD for MOH expenditures, divided into 351,300,301 IQD in investment projects and 2,940,600,357 IQD in expenditures. The annual budget for the year 2020 was not announced due to several delays because of protests, change of government, and the pandemic.

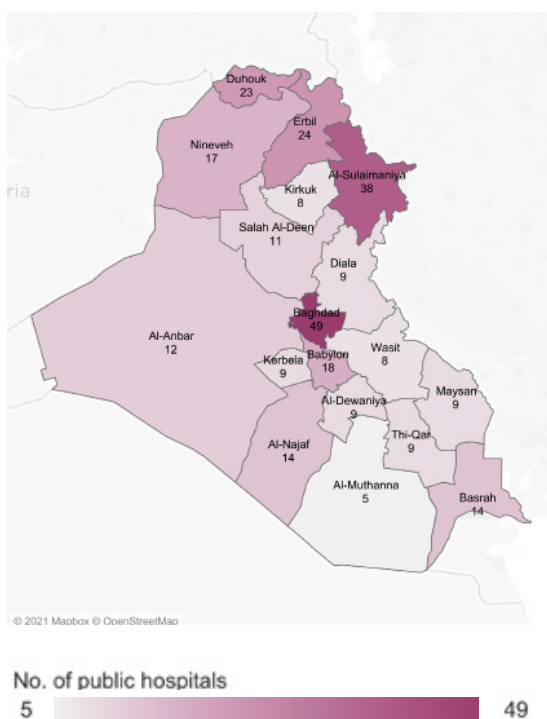
While the annual budget for 2021 had allocated 434,001,220 IQD for MOH expenditures, divided into 336,447,707 IQD in investment projects and 97,553,513 IQD in expenditures.

On the other hand, the private health sector is divided into five categories, private hospitals, private practice clinics, private pharmacies, private laboratories, and medical complexes.

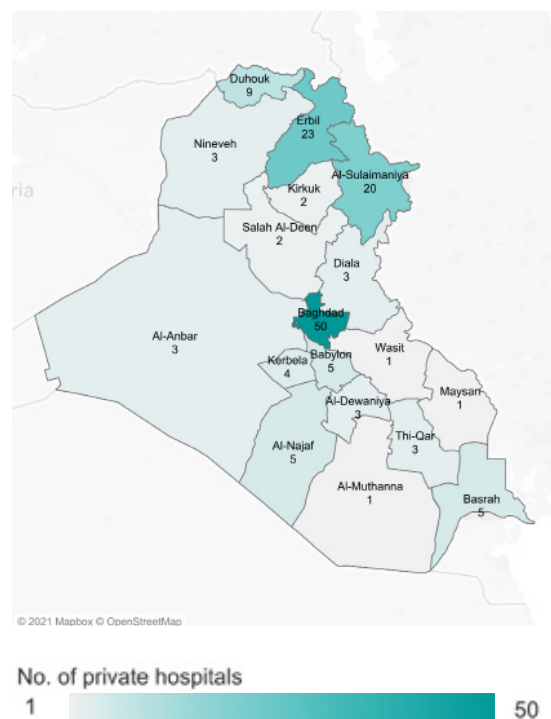
There are 143 private hospitals, owned by individuals, or in some cases groups, and function on a profit base. Usually charging higher than public hospitals, albeit providing better services. These hospitals are usually reserved to provide surgeries, with higher quality equipment than that of public hospitals.

Housing renowned surgeons of the specific area where the hospitals are located, occasionally hosting international surgeons. These hospitals often lack emergency services and would, in some cases, refer patients to public hospitals if the patient's condition deteriorated after the surgery.

## Number of Public Hospitals in Iraq



## Number of Private Hospitals in Iraq



Private practice clinics usually house a specialized doctor and provide diagnostic services, treatments, and referrals to hospitals if the condition requires specific intervention.

Private pharmacies are found in abundance within all cities and are in areas where there are doctors or in local markets providing over-the-counter medicines.

Private laboratories are growing recently with many becoming well-known brands with many branches, offering packages of laboratory investigations many of which are routine investigations on a patient's demand or specific investigations by a doctor's orders.

There are also medical complexes, which are buildings owned by investors that house a group of specialized doctors and other medical services including, but not limited to, pharmacies, X-rays, CT scan and MRI facilities, and medical laboratories.

Both the public and private health sectors obtain their healthcare personnel through the educational lane of universities and institutes.

The University lane provides medicine, dentistry, pharmacy, and technical schools graduates. According to the World Directory of Medical Schools, there are 27 medical colleges in Iraq, and as of the 2020/21 academic year, colleges of medicine admitted 7106 students while dentistry colleges admitted 3044 students, and pharmacy colleges admitted 3284 students.

While the Institute lane is responsible for providing the health sector with nurses and medical auxiliaries that are essential to the sector, due to the low numbers of health care providers in comparison to the population density, leading to strain on the existing workforce and the facilities.

## Main Issues

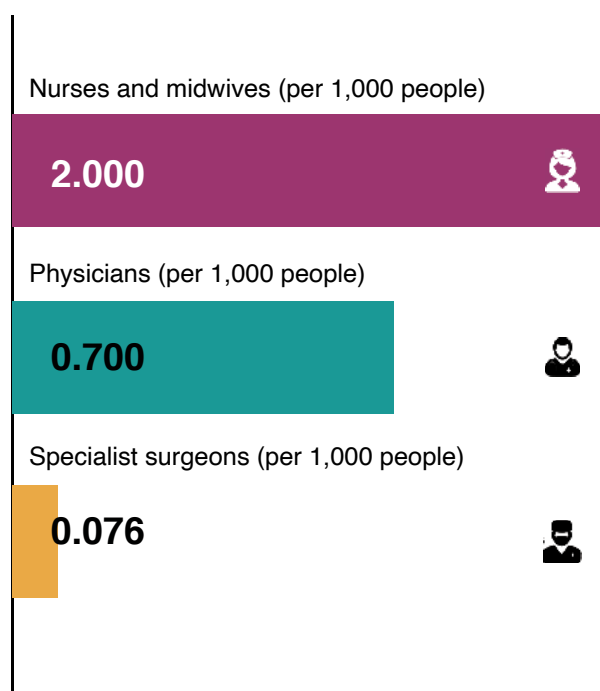
### • Lack of skilled personnel and distribution between urban and rural lands

According to the National Health Policy there is a lack of advanced skill among the medical staff, as well as the scarcity of some medical specialties, such as anesthesiology, family medicine, radiology, oncology, forensic medicine and highly qualified nurses, midwives and health service managers, and the disparity in their distribution between rural and urban areas.

For example, the major health care facilities in rural areas are primary healthcare centers rather than hospitals, which are poorly supplied and have a medical staff that is mainly composed of medical auxiliaries rather than doctors.

Consequently, there is a difficulty for the rural resident to have access to hospitals, and thus, referral to centers in urban areas is needed causing delays in getting the proper treatment.

## Healthcare Workers





- **Out-of-pocket expenditure**

Although the 2005 Iraqi Constitution Article 31 states that “The State shall maintain public health and provide the means of prevention and treatment by building different types of hospitals and health institutions.”

Iraq has the highest out-of-pocket expenditure among its neighboring countries with 58% of the current health expenditure. For comparison, the out-of-pocket expenditure of Iran is 35.83%, Jordan 30.67%, Turkey 17.49%, Saudi Arabia 14.37%, and Kuwait 10.82%. This problem stems from the lack of proper health insurance and the poor quality of health services in the public sector.

- **Pharmaceutical acquisition**

Although the pharmaceutical market in Iraq is worth \$3.5-4 billion, however, it has some issues that hinder its growth.

The delay period can reach up to two months for the official quality control testing to approve a drug to be released to the market.

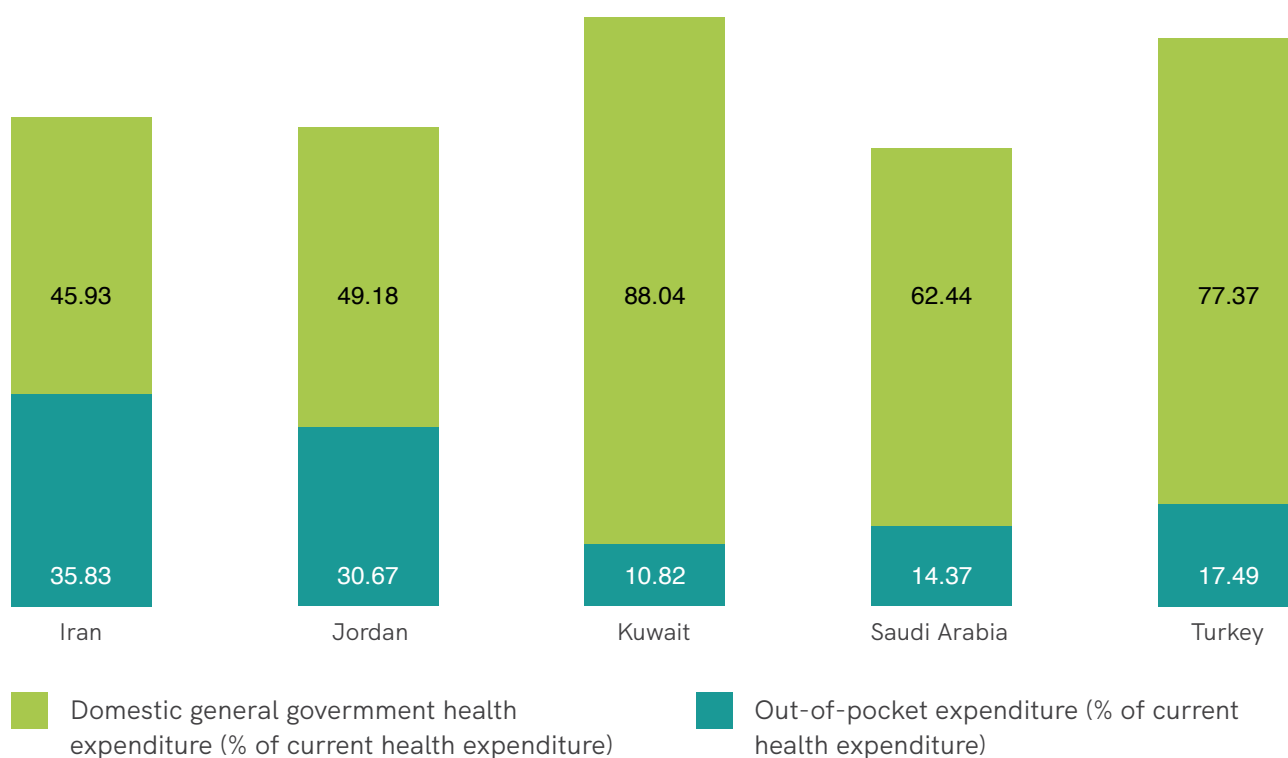
This fostered a growing illegal pharmaceutical drugs market which is estimated to be worth \$1 billion.

- **Continuum of Care**

In healthcare, the term continuum of care is used to describe how the healthcare providers should follow a patient from preventive care, through medical incidents, rehabilitation, and maintenance.

There is a lack of coordination between the stakeholders which hinders the advancement of the continuum of care. Also, the lack of digitalization makes it exceedingly difficult to share the records between the different stages of care.

### Health Expenditures by Country



## Healthcare Startups In Iraq



### Razi

---

Is a healthcare startup that was founded in 2018 as Tabib Baghdad. It offers a platform, available as an app and a website, that houses more than 300 doctors.

The platform helps find doctors based on categories, facilitates the booking of appointments, keeps a digital record of patients, and has a review system that allows users to rate their booking experience after each visit, creating more trust between the doctors and patients.



### Mustashark Alnafsi

---

Is a startup concerned with mental health and overcoming the stigma around it, hence the name, which is Arabic for "Your Psychological Counselor". It offers a platform where the user can safely book a private online session with any of the available doctors on the platform.

The platform has around 25 certified psychologists and therapists and supports many different e-payment methods such as Zain Cash, Asia Hawala, and Visa Card.



### Teami

---

Is a startup that was founded in 2019. It provides customer relations management (CRM) solutions to medical agents in Iraq to assist them to manage their on-field operations.

The company uses innovative technology to address the needs of the Iraqi market. Currently, more than 400 users utilize its solutions.



### E-Clinic

---

Is a startup that aims to digitize medical records. The startup provides medical clinics with a platform to document and keep records of patients' information, medical history, and prescriptions.





## Conclusions and Recommendations

- The medical field in rural areas is very underdeveloped, there is a need to enable access to medical supplies and emergency services.

Transportation to cities with better equipped medical facilities seems to be an important option to consider, providing ambulances that have medical emergencies equipment to reduce the risks on the patients' health as they are being transported to a medical facility in the city.

- Startups targeting the continuum of care can play a major role in each step throughout the continuum and act as an adjunct to health care facilities. They are important to maintain and improve the health of the population in general.

Having the necessary information available at every level and could be acquired accessible by everyone in the health sector.

- Startups that will activate health insurance are in need with Iraq having the highest out-of-pocket health expenditure amongst its neighbors. The health insurance aspect is not yet understood in Iraq and needs to be at the forefront within the sector. It is an untapped opportunity for businesses and will help out with lessening the pressure on the public health sector.

- The pharmaceutical market is blooming in Iraq; however, the bureaucratic red tape is causing a growing illegal market parallel to the legal one. There should be less delay in approving pharmaceutical drugs and enforcing diligent inspection committees that inspect the warehouses and pharmacies for counterfeit pharmaceutical drugs.

- Facilitating investment opportunities and the active participation of entrepreneurs and startups within the healthcare sector, especially through the Ministry of Health and its associates. By offering them conditions and deals that make their participation in the advancement of the field easy and beneficial for all parties.





## Report Summary

KAPITA's Research Department

# Iraqi Tourism Sector Overview

The tourism and travel sector is a vast sector that encompasses many different industries and other sectors such as hospitality, accommodation, transportation, food and beverages, catering, and others.

This sector contributes to the strengthening of the economy, the development of infrastructure, the flourishing of many industries, and employment opportunities across the entire value chain.

According to Statista, the tourism and travel sector has directly contributed to the global Gross Domestic Product (GDP) by 2,892.94 billion USD in 2019 and it is expected to reach 3,593 billion USD in 2022.

Despite the striking decline in 2020 that was caused by the COVID-19 pandemic and resulted in the loss of around 100.8 million jobs in the tourism industry and decreased the revenue of the industry by 42%.

Iraq is a country with a very rich history and myriad cultures that extend back to the first known civilizations. It is the heart of many astounding historical, archaeological, and religious sites.

It also enjoys a diverse natural landscape from the mountains and waterfalls in the north to the marshes and deserts in the south. Hence, it provides many opportunities for domestic and international tourism to thrive.

The tourism sector can contribute to the non-oil economy, diversify the means of income, create jobs, and support the private sector businesses operating in this field.

The tourist attractions in Iraq fall under the supervision of the Ministry of Culture, Tourism, and Antiquities, this was a result of a recent merge between the entities of the Ministry of Culture and the Ministry of Tourism and Antiquities. Whereas sites of religious importance are managed by the different endowments that follow different religions.

In the Kurdistan Region of Iraq (KRI), the General Board of Tourism operates as a part of the Ministry of Municipalities and Tourism of Kurdistan that is independent of the Central Government which is responsible for the historical, natural, and cultural sites in the region.

According to the Central Statistical Organization, Iraq has witnessed the arrival of 137,143 tourists in 2019 during the normal times, while the number of tourists reached 5,993,217 during peak times which take place during the Arba'een pilgrimage.

During the normal period, the majority of tourists estimated by almost 39.4% were there for a family visit, while 35.5% of them were there for religious tourism. Only a minority of 6.7% visited Iraq for leisure tourism. Whereas in the peak period, a staggering 72.1% of tourists were there for religious tourism and 7.5% of them visited Iraq for leisure tourism.

Tourism expenditure reached a total of 5.28 billion IQD during the normal period and 162.67 billion IQD during the peak times.

Leisure tourism expenditures reached 395.76 million IQD during the normal period with 16.52% of the total sum spent on accommodation, 14.8% on travel means, 27.34% on souvenirs and gifts, and 15.68% on food and drinks. Whereas during the peak times, the leisure tourism expenditures reached 9.36 billion IQD.

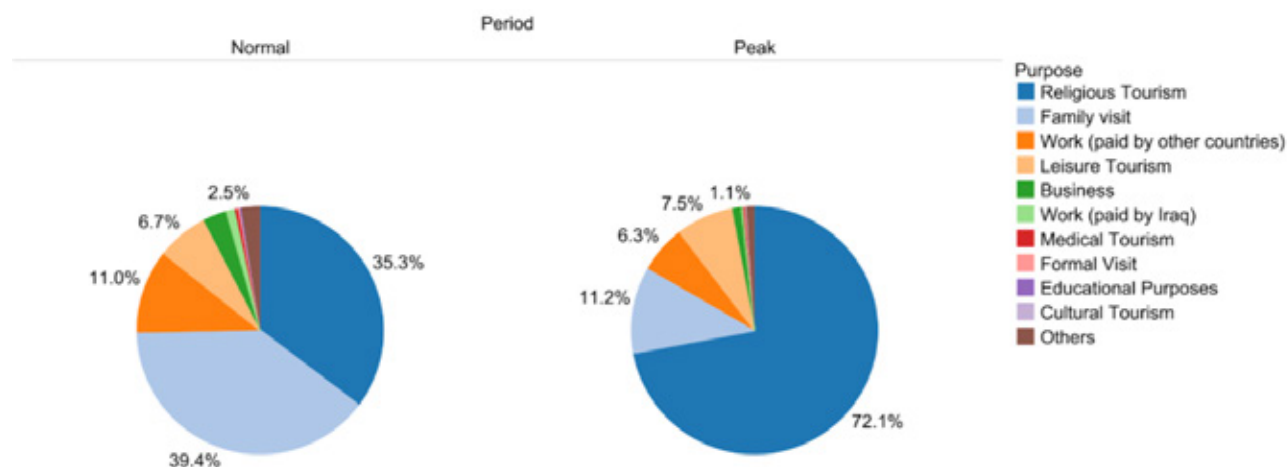
Iraqi tourists rank the highest in terms of the amount of expenditure during the normal period with 34%, followed by Iranian tourists with almost 22%, and Turkish tourists with around 13%.

Tourists from Iran constitute around 45% of the total tourists during normal times and 71.2% during peak times. While Turks comprise 17.6% and almost 7% of the total tourists during normal and peak periods, respectively.



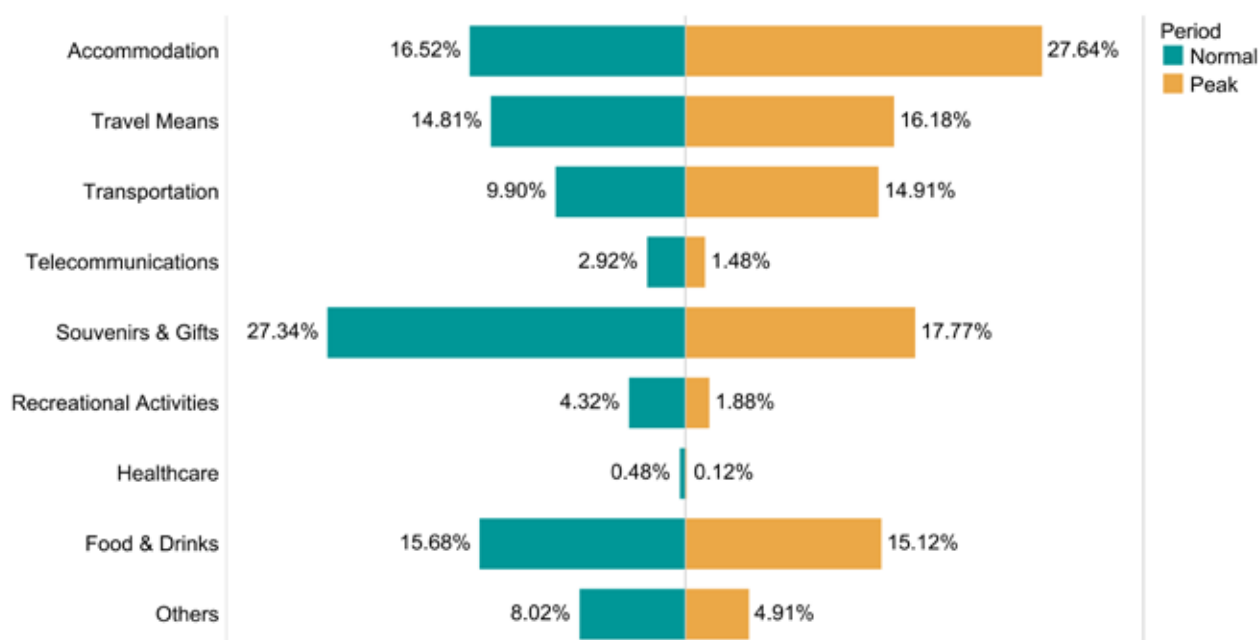


## Relative Distribution of Tourists According to Trip Purposes



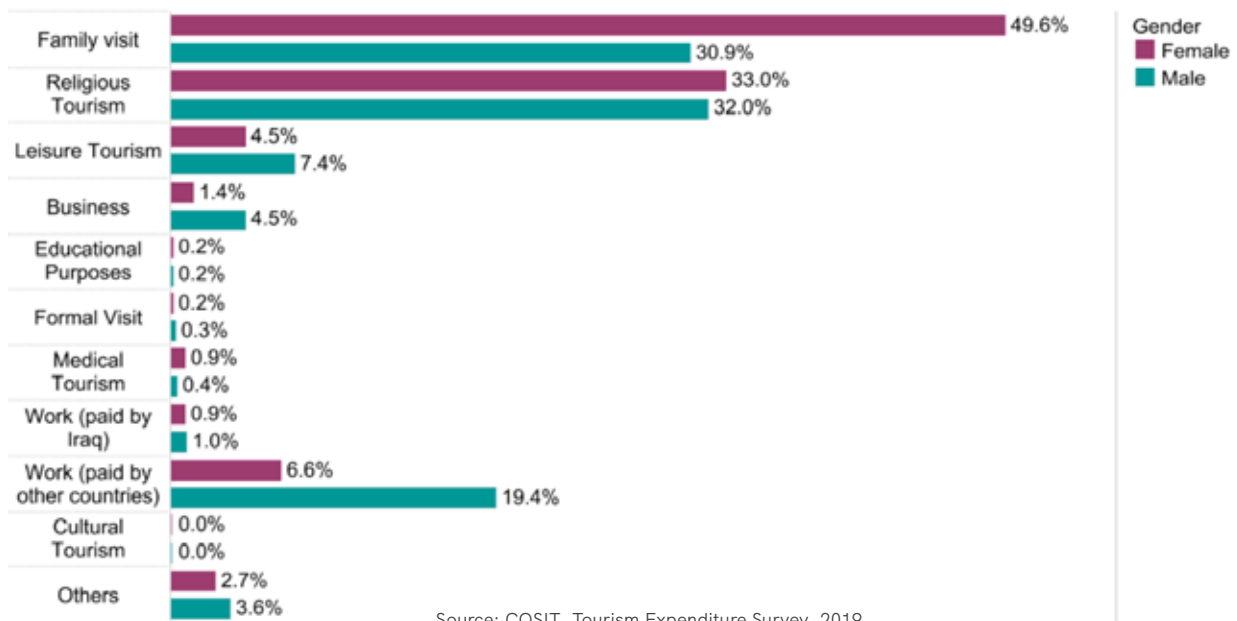
Source: COSIT, Tourism Expenditure Survey, 2019

## Relative Distribution of Tourism Expenditures for Leisure Tourism

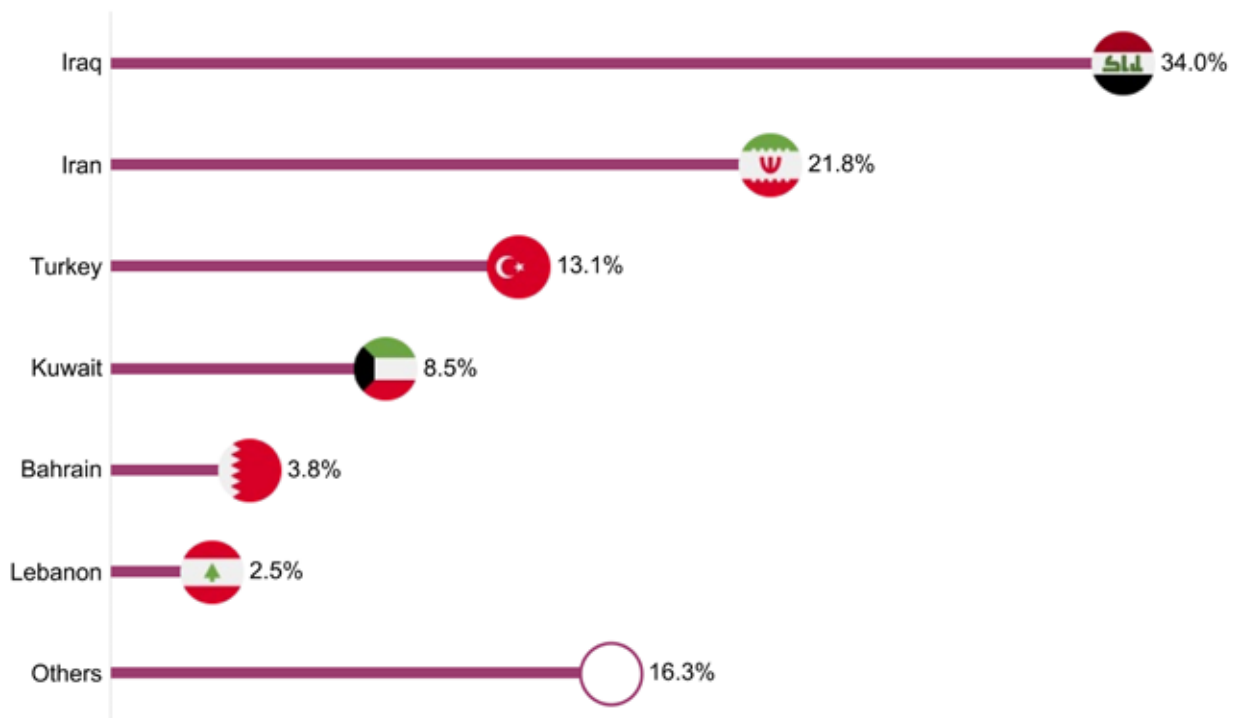


Source: COSIT, Tourism Expenditure Survey, 2019

## Relative Distribution of Tourists by Purpose and Gender (Normal Period)



## Tourism Expenditure by Nationality (Normal Period)





## Relative Distribution of Tourists by Residency



## Initiatives

### • The Project Sumereen

Sumerian Youth for Economic Development and Cultural Heritage project is a part of an implementation plan by the United Nations Development Programme (UNDP) in order to support the socio-economic growth and revive the tourism sector in the governorate of Thi Qar, Iraq through eco-tourism and the cultural heritage preservation.

This would be achieved through attending to the important tourist attractions and infrastructure in Ur and the marshlands. In addition to vocational training in the fields of tourism and environment and promotion of employment opportunities in this sector.

The project has obtained funding of 2 million USD from the European Union for a duration of 2 years. Furthermore, it is executed with the collaboration of the governorate of Thi Qar and few non-governmental organizations such as Humat Dijla, Un Ponte Per, Safina Projects, and others.

### • Iraq Heritage Stabilization Program (IHSP)

Is an initiative founded in 2018 based in the University of Pennsylvania's Department of Near Eastern Languages and Civilizations. The program has received a funding of 2 million USD from the US Department of State in dedicated efforts to preserve, stabilize, and restore the Iraqi heritage in northern parts of Iraq that have suffered immensely the consequences of violence and conflict in addition to conducting assessment surveys.



The program works in partnership with many entities and institutions including the Iraqi State Board of Antiquities and Heritage, Nineveh Inspectorate, Chaldean Catholic Church, Yezidi Spiritual Counsel, University of Mosul Engineering Consulting Bureau, and many others.

The program conducted numerous projects to restore and secure many sites including the chapel and church of Deir Mar Gorgis, Beit Al-Tutunji, Sanctuary of Sheikh Adi, Prophet Yunus Cemetery, Qara Serai, and several others.

- **ALIPH Foundation**

The International Alliance for Protection of Heritage in Conflict Areas was founded in 2017, in Geneva, Switzerland. It conducted over 100 projects in 22 countries across 4 continents with an amount of funding estimated at 31 million USD, so far.

The initiative conducted 28 projects in Iraq alone and committed funding of 9.2 million USD.

The rehabilitation of the Mosul Museum in 2018 was one of the foundation's first projects and was awarded 1.3 million USD of funding for a duration of 5 years. Other projects included the rehabilitation of the Mar Behnam Monastery in Nineveh plain, the prevention of the collapse of the Arch of Ctesiphon (Taq Kasra) south of Baghdad, the rehabilitation and restoration of Hatra, and numerous others.

- **Iraq Heritage**

Is a non-profit organization that was founded in early 2013. The organization seeks to preserve the history, heritage, and culture of Iraq. The organization undertook the mission to provide the government and other stakeholders with the necessary information and expertise to preserve and care for the heritage sites in Iraq, it also provides grants and encourages investments in these sites.

Other services include consultancy and information services, and research and development.



## Travel and Tourism Startups in Iraq



### Bil Weekend

---

Is a travel startup that was founded in 2016, it aims to revive domestic tourism, and sheds a light on many cultural sites, natural sites, and attractions in Iraq.

The startup organizes local trips on the weekend to many touristic sites in Iraq such as Ur, Babylon, the marshes, Dur-Kurigalzu (Aqarquf), Samarra, and others.



### Advenature

---

Is a travel startup that was established in 2018. The startup organizes personal tours and activities that include hiking, climbing, snowboarding, camping, and many other activities, where participants are taken on an adventure to explore the beauty of nature and landscapes in Iraq.



### Hili

---

Is a startup that was launched in 2016. The project produces handmade accessories, artifacts, and souvenirs that are inspired by the culture and traditions of Iraq.

Hili has also made it a part of its mission to empower women and marginalized groups by providing them with job opportunities.



### Wen

---

Is an Iraqi travel and tourism startup that was founded by few individuals in 2019. The startup aims to promote domestic tourism and bring attention to the hidden natural, cultural, and historical treasures of touristic sites in Iraq.

Wen's team made it their mission to visit and explore those sites all over Iraq and share them with their audience through their Facebook page, the team has visited over 600 sites.

Wen has also grown to organize domestic tours and trips to many sites across the country.

## Conclusions and Recommendations

- The tourism sector in Iraq suffers from negligence and lack of planning, thus, concerned entities and stakeholders need to prioritize this sector's needs and come up with a realistic framework for its development.
- Domestic tourism is a more affordable alternative for many citizens. However, the popular destinations are often limited to the northern region of Iraq, whereas many other potential destinations are disregarded.
- The Ministry of Culture, Tourism, and Antiquities should develop the infrastructure of touristic attractions, including guides, road signs, and nearby facilities like markets and restaurants thus promoting the aforementioned attractions.
- Iraq has six sites listed under the World Heritage, with the right infrastructure, development plans, and promotion, they could evolve to be international destinations for foreigners.

- Providing the private sector and startups in travel and tourism with the incentives and facilitation needed to operate in this industry.
- The National Investment Commission should promote investment opportunities in the tourism, travel, and hospitality sectors.
- Conflict and violence have left many sites of historic and cultural importance in desperate need of rehabilitation.

Therefore, actions should be taken by the Iraqi authorities, in partnership with the concerned international agencies, initiatives, and foundations, in order to preserve the culture and heritage of Iraq, eventually contributing to the tourism sector.

- The hospitality sector contributes to the prosperity of tourism, providing job opportunities and means of income.

Hence, infrastructure development is needed, with regular checkups on the existing facilities to ensure their compliance with safety and hygiene measures.









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.

“

**The publication of the White Paper and its implementation plan was an important step in the right direction.**

”

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

“

**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.**

”

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.





Interview

## **Amar Shubar:** **Co-founder and Partner,** **Management Partners**

Amar Shubar, a co-founder and partner at Management Partners for over a decade, with experience that spans across Europe, the Middle East, and Iraq, shares with Business LANDSCAPE his insights regarding the investment scene in Iraq today and the role played by the Iraqi Angel Investors Network.

He emphasizes the importance of digital transformation for the economy and the startup scene, and walks us through the phases of the investment timeline, the criteria, and sectors that appeal to most investors.



## Would you provide us with a brief introduction about yourself and your work?

I am a partner with Management Partners, which is a management consulting firm working across the Middle East, with a key focus on Iraq. We have been active in Iraq since 2010 and have been conducting management consulting projects for many entities such as the Iraqi government, key stakeholders from the public sector, NGOs like the World Bank and the International Finance Corporation (IFC), as well as international companies who are looking for market entries and interested in operating in Iraq. We also advise Iraqi private sector investors and family businesses that are active in Iraq and looking to expand their business activities.

In 2018, we started looking into the startup scene and the development of the digital economy. We are engaged in some of the discussions where either institutional investors or family businesses are looking into investing in regional startups operating in the country or vice versa. We developed an interest to help startups to engage which we feel is an important element to the diversification of Iraq's economy which in return would empower the Iraqi startup scene and drive forward the digital economy and transformation of the country.

Moreover, we have been assisting startups in developing their businesses, identifying potential partners, and conducting investments from our side in startups that we believe require support and have a potential for success. We worked in part with the Iraqi Angel Investors Network and conducted at least two major investments into Iraqi startups over the last 6 months. On a personal level, besides being a partner and co-founder at Management Partners. I am originally an Iraqi, I left Iraq in 1981 and came to Germany with my parents at the beginning of the Gulf War.

I grew up in Germany and went to school and university there. Then I started working with McKinsey & Company in Germany and across

Europe. With the opening of McKinsey in Dubai in 2000, I started doing more and more projects in the Middle East. By 2006-2007 all my projects were based in the Middle East.

At the end of 2009, I decided with some colleagues to set up Management Partners, our strategy was focused on helping the Middle East region in terms of their transformational and strategy needs especially after the Arab Spring and the first financial crisis. Furthermore, we have a key focus on Iraq, where there is a significant need for reforms and transformation.

Given the Iraqi origins of our founding team, we have a deep passion for the country and the desire to make a real difference for Iraq. We are one of the few consultancy companies with a local office presence since 2010, which allowed us to create deep insights into the Iraqi market and business culture and enables us to support our clients to make a sustainable impact.

## What encouraged you to join the Iraqi Angel Investors Network (IAIN)?

I have attended the pitch of the network in earlier events and personally found that idea very intriguing as it is always good to have fellow investors where you could exchange ideas, discuss business opportunities, coordinate in terms of investments, and get access to investment opportunities that are far better prepared and prequalified.

Our main business is not centered around doing angel investment but we are interested in investment potentials. I appreciate the collectivity of the network, model, support, and the opportunities that come along.

It is critical if you are an angel investor to have fellow investors with you in order to obtain different perspectives and have multiple people who believe in the idea and that investment. You will also be able to provide additional funding when it is required for the second or third round of investment, in addition to spreading the risk between the investors.

## What role do you think IAIN is playing in the entrepreneurial scene today?

Overall in the entrepreneurial scene, the startups' support and capital support are very limited so I believe they are playing a vital role. There are few initiatives and some funding that is more privately organized and less open than IAIN.

IAIN managed to bring a number of high-profile Iraqi Angel investors together to create that space, where investment ideas can be exchanged and they were able to structure several deals over the last couple of months. It is important work in the right direction to support the creation of the digital economy ecosystem in Iraq, which relies on Iraq-based funding and funders.

I think the regional interest is increasing but most of the investment is coming into the startup scene from Iraqis living in Iraq. I hope that the success that the network has achieved, encourages more regional and international investors to come to Iraq as they see that there are real and lucrative opportunities.

**You stated that you deal with many family businesses in Iraq, which is a very interesting point that startups and the youth need to understand.**

**What is the current state of family businesses in Iraq? Are they still playing a big role in the private sector as they used to be? How do you evaluate their interest in the startups and the new business models emerging around the globe? And when do you think these models would be introduced to the Iraqi market?**

Indeed, family businesses still play a vital role in the Iraqi private sector. As most of the major private sector activities are run as a family business, even when considering major regional businesses, many of them are operating as family businesses and conglomerates.

As for family businesses' interest in the digital economy, I would say that more mature family businesses are interested in this scene. Digital transformation is happening around the world and it has been penetrating every aspect of the business.

Depending on the maturity level of the family business they will approach this differently and depending on the size of the startup they might be interested only in more established series funding investment versus others who might be interested in entering at the angel investment stage.

Besides financing, Iraqi family businesses can also be strategic partners for startups, by leveraging their assets in the bricks-and-mortar world and providing access to distribution, branch network, and their existing client base. Startups on the other hand can help family businesses in their digital transformation to improve efficiencies and customer convenience.



## **What does the startup ecosystem need to do to encourage family businesses to invest in the startup scene?**

First, they need to prepare their business case very well. So there is still work to do in terms of how mature the idea is, and how well prepared in order to have a convincing pitch.

Also when approaching those family businesses, the startup needs to consider not only the financial point of view, but also the strategic value they could bring to the existing business of the family conglomerate.

Understanding the business lines of the family business and the potential synergies an investment into the startup could bring, are crucial to strike a deal.

We usually see that approach happening more often in other markets but not as much in Iraq. There are concerns of startups, that the established business might imitate their idea or influence their business decisions and activity, but it is a risk the startup needs to take if it aims to expand quickly and have better access to existing strategic assets.

## **What are the hurdles and challenges that investors face in Iraq today?**

There are several obstacles and challenges, a key one is related to the assessment of investment opportunities as reliable market data are limited. Another key challenge is the high business risk profile of Iraq, given the country's volatility.

I would say it is already difficult for Iraq-based investors who have an understanding of the Iraqi market, thus, it is even more challenging for foreign investors who are used to have much better access to market data and analysis when they enter into a certain market.

Those are the challenges in terms of the due diligence part and making the investment decision.

Then you have a larger set of challenges when it comes to the legal structure and the business setup.

The company registration process in Iraq is not favorable for having a flexible shareholders mechanism like in other jurisdictions as e.g. in the GCC countries. When looking at what Abu Dhabi did with their Abu Dhabi Global Market (ADGM) and other company setup structures around the region, they make it easier for startups to include investors, issue shares, raise funding, with a faster and smoother legal process than the one we have currently in Iraq.

In addition, foreign ownership in local Iraqi companies has been limited and has been made quite difficult to register, which makes it very challenging for an Iraqi startup to have international investors and distribute company shares.

With all these strenuous structures and regulations, startups tend to create hybrid mechanisms where the actual shareholding entity is outside of Iraq which holds the Iraqi entity, but this is not optimal and has many complications. I think it would be better if Iraq develops its company laws to enable holding company structures and an easier registration of shareholders like in other countries in the region.

Another aspect is that there is no real startup endorsement and support like that found in other countries such as financial support, guarantees, exemption of taxations, etc.

Those are elements that support startups to open their businesses and encourage investors to put their money into them. A lot of similar facilitations are taking place across the region but Iraq is lagging far behind.

When investors are looking to invest in a startup in Iraq and a setup in the GCC for example, they would have to weigh the pros and cons between the two. If one comes with heavy support and funding from the government, it would make the investment contribution more impactful.



All those elements are the key issues that hamper the investment process in Iraq.

These obstacles result in that startups in Iraq are traded with a lower valuation than their peers in the region. That means that Iraqi founders need to have a better business case and might have to give more of their shares in order to get the required investment.

**Do you think the current Iraqi legal framework does not keep up with the modern requirements of startups? Does this, in return, limit the investment opportunities? Are there any stakeholders or key players who could contribute to developing the legal framework to be more supportive of the ecosystem for investors and startups alike?**

Indeed, I think many key stakeholders should start contributing to this, including the National Investment Commission. The National Investment Commission currently does not have any focus on digital startups, its strategy is geared more towards industrial and brick and mortar types of national and direct foreign investments. I think they underestimate the overall economic impact of the digital economy.

There should be more focus to attract foreign digital companies into Iraq to help build and expand the local digital economy and the connectivity with the region. Regional successful digital companies and startups with interesting business models should be actively targeted to bring them to Iraq.

Let's look at the example of Careem, which had one of its most successful country launches in Iraq and helped to create a large interest for other regional digital companies and startups to tap into the Iraqi market.

The National Investment Commission and government stakeholders need to build a strategy to attract established regional digital players to Iraq.

“

**There should be more focus to attract foreign digital companies into Iraq to help build and expand the local digital economy and the connectivity with the region.**

”

The importance of attracting such players is not only related to the investment they would bring into the country but even more importantly the capability of building local talents and fueling the digital ecosystem.

Startups are creating other startups. From many startup events, we see that many founders of startups in Iraq have previously worked at Zain Cash, Careem, or other established digital companies where they developed the required skill and knowledge to create their own firm.

Another key player, who could help remove some of the current bureaucratic obstacles, is the Company Registration Directorate.

It is an executing entity, therefore, it relies on the existing legislation, but there are several areas, where they could internally take a more proactive approach to enable easier registration processes and to issue new types of business activity license, which reflect the new business models adopted in the digital economy.

From a policy perspective, the involvement and leadership of the Prime Ministry Officer, Council of Ministers Secretariat, Ministry of Trade, Ministry of Telecommunications, and other key government entities is going to be key to drive policy and economic reforms to promote, incentivize and accelerate the development of the digital economy in Iraq.

The current focus of the Council of Ministers Secretariat and the Ministry of Telecommunication is e-Governance with a public sector digital transformation view. There is little focus on the private sector development and building the right legislative and business environment for the digital economy.

The required reforms for the development of the digital economy in Iraq need to cover legislative and administrative/procedural changes as well the development of funding and investment incentive mechanisms focusing on the startup and digital economy ecosystem.

Important aspects of the reforms need to remove current taxation uncertainty and monopolistic license situations.

We know from other countries, that telecommunication companies are key contributors to the digital economy and development of digital services. Iraq currently imposes a 20% sales tax on telecom services and telecom service providers need to pay in addition a revenue share as part of their license agreement.

While these conditions might be bearable for classical higher-margin telecom services, they are not feasible for digital services, which are more open for the competition via over-the-top players and thus are under higher margin pressure. Therefore, a clear tax regulation and guidance need to be provided by the government that the sales tax and revenue share requirements of telecom providers only apply to their classical telecom services and not to their new digital service offering to unlock their investment potential into the digital economy of Iraq.

Another key reform aspect needs to be the removal of unjustified economic monopolistic rights of state-owned companies like for example parcel and mail delivery or the provision of backbone internet capacity and international gateways.

### **Is it essential for a startup to be registered as a company in order to obtain an investment opportunity?**

Yes, it is. As an investor, I am concerned about the legal framework foundation, I am usually searching for a startup that has a corporate structure and is legally registered with the necessary approvals to run business in Iraq. Therefore, it is a prerequisite that any startup we invest in is registered with a proper license to do the targeted business activities in Iraq.

### **Are there certain sectors that are more attractive for investors than others?**

Most investors are currently interested in the area of delivery, such as last-mile delivery/e-commerce fulfillment, and food delivery. There is a huge demand in that field, and several regional players coming in for cross borders delivery and e-commerce.

We also have mobility and ride-hailing, Careem is a big player with substantial funding in the region, but there is still room for other startups to come in and there is a great need to improve the mobility and transportation in Iraq given the insufficient and unorganized public transportation system.

Another attractive sector is e-commerce, as the entire world is going in that direction. In the case of Iraq, there is significant e-commerce activity but most of it is unorganized and taking place through Facebook pages and other social media platforms but not through proper e-commerce shops. There are some positive exceptions and few e-commerce startups like Orisdi, Miswag, Tamata, and Shopini, who follow the international e-commerce platform business models.

Those e-commerce platforms like Miswag and Orisdi, have seen exponential transaction and revenue growth over the last 2 years, but they rely heavily on investment injection to fuel their growth in client base and supplier network.

Fintech is another important sector. Fintech companies like Asia Hawala, Zain Cash, and other payment solutions providers have already entered the market. The access to this sector is more limited, as only institutional investors and larger setups are able to fulfill the license and capital requirements set by the Central Bank. Yet, there is a less regulated grey zone where companies provide prepaid cards to enable electronic payment for certain services through voucher systems.

Startups in other sectors such as e-health and e-education are also emerging, but regionally and internationally the success of these business models still needs to be proven.

### **Do investors prefer to pursue opportunities in their sector of expertise?**

Yes, indeed, everyone feels much better to invest in the area of work where they understand the market dynamics and can provide insights/directions and opportunities to the startup and not just funding.

### **What criteria are you looking for in a startup and the founder/s when considering a potential investment?**

We look at the startup's team, their background, history, skills set, and qualifications. Especially for newly founded startups that do not have financial assets or a financial track record.

I think that amounts to 50% of the evaluation in terms of the capability, commitment, and how much skin they have in the game.

At the end of the day, we provide funding that will be executed by the founder/management team. Assessing people is a major part of this equation. If the group is not fully committed to their idea, we would not be encouraged as investors to put money in.

Second is believing in the business case and the business plan that they have, which means how well and realistic are the business plan

assumptions, if the market opportunities are reasonable, and the growth they try to capture is feasible with the investment.

To be frank, no business plan works out the way it is planned, that is a part of the game. But if there is not at least a solid business plan that works in an ideal world then it would not make it in the real world where things are usually messier.

It is not because one has a great business plan that they are set for success, but if one does not have a sound plan then they are definitely set for failure.

The third criteria include the track record of the company itself, which is an important element, if it exists – i.e. how well the company performed in terms of customer acquisition, revenue growth, and expenditures.

Based on that we conduct an analysis to evaluate, if this track record could be continued and accelerated and thus if the set targets and related investment requirements seem to be realistic.

### **Would you walk us through the investment phases in a startup? When you are first approached by a startup until they obtain the investment opportunity.**

The timeline from the discussion to investment varies, it takes from 6 weeks to over 6 months, it all depends on the negotiation and the maturity of the startup.

The first phase includes a pitch document from the startup where they present what they have and what they want to obtain, hence, we decide if we are interested in this opportunity and believe in the team and their targeted business model.

Once we decide that we are interested in this startup, we start with the due diligence process. That includes understanding their business plan, the team set up, their capabilities, and their strategy compared to their competitors.



We also look at similar investments in similar businesses and their outcomes, market comparables, and industry benchmark.

The third stage includes the negotiations, there will be a discussion about the valuation of the startup where we might have different perspectives than the startup team itself, how much the startup requires, and how much we are able to invest.

We prefer to invest in an opportunity with other committed co-investors, to ensure that there is enough funding power and risk diversification. We, therefore, coordinate our investment with other investors in a financing round. In these situations, we have to agree on one joint valuation across the table.

This collaborative approach might prolong the alignment and investment decision process, but it is key for making a positive investment decision and startups should proactively try to connect with potential investors and drive the alignment process.

As mentioned the overall decision timeline can vary from one to the other opportunity, but as a general rule, the more realistic the startup comes with its valuation, the easier the alignment process is. If they are very far off, it will take a longer time and might not conclude into something feasible.

Once the alignment process is done, the rest is formalities, in terms of signing the term sheet, shareholders agree on the investment payment terms and schedule.

### **What is an interesting finding of Iraq that you have noticed?**

Iraq has a young, talented, and intelligent population, but unfortunately, they have been robbed of proper education. There is no actual investment into educating the young population and equipping them with the proper skills to reach their potential.

“

**Iraq has a young, talented, and intelligent population, but unfortunately, they have been robbed of proper education.**

”

To be more effective in the business scene one needs a combination of intellect, technical skillset, and practical business experience.

This cannot be realized through the private sector alone. Iraq has to invest in its youth, help them to learn on the job, and guide them. I believe this investment would lead to the biggest rewards for the country.

Attracting international companies and international startups into Iraq does not mean favoring international companies over Iraqi companies, but those companies come with a mature business model where Iraqis can learn from. One could see this with Careem and other businesses, where people start working for them for a couple of years to acquire sufficient skills and experience to create their own startups.

There is a big potential in Iraq in terms of the youth and their eagerness to work. Properly harnessing this power is crucial for us as Iraqis and an important factor for foreign firms, who wants to enter and invest in Iraq.



Iraqi Angel  
Investors Network  
By Kapita

**Apply Now!**

**Scale up your  
business and raise your  
first funds by presenting to  
the Angel Investors  
Network.**

[iraqangels.net/apply](http://iraqangels.net/apply)







Interview

## **Yadgar Mirani** **Co-founder and CEO,** **Lezzoo**

Yadgar Mirani is the Co-founder and CEO of Lezzoo, a last-mile delivery service on the path of becoming a super app that was founded in 2017, launched in Erbil, and expanded to the Kurdistan Region, and now started operating in Baghdad.

Mr. Yadgar discussed with Business LANDSCAPE their experience as the first Iraqi Startup to participate in the Y Combinator acceleration program, the hurdles of securing an investment, the Iraq market challenges, and the aspiring journey to overcome them.

## **We would love to know more about the journey of Lezzoo and how was it first initiated?**

When I was 18, I moved to London to finish my studies. During my stay in London, I saw all those great services such as Deliveroo, Hungryhouse, Just Eat, Uber Eats and I thought this could work in Iraq as well. The idea kept coming back to me. As I was continuing my studies.

At one point, I stopped focusing that much on my studies, and I started focusing more on the service and how to start this service in Iraq. Then I came back to Iraq after finishing my bachelor's and master's degrees and launched the service in Kurdistan. Now we are in Baghdad, hopefully, tomorrow in Basra.

## **What are the challenges that you have encountered so far with your journey here? Were any of these challenges specific to the Iraqi market?**

The challenges I faced mostly were the market stability and market volatility, the access to talent, the availability of talent, the investment and ecosystem friendliness for startups, intellectual property loss, copyright laws, and overall clarity in the legal procedures of corporate structures and corporate law. These were the challenges I faced mostly in Iraq.

Finally, investors usually do not know how to invest in Iraqi startups due to the banking infrastructure there. They cannot guarantee that the entity is protected to put their assets into it.

What usually happens is, in our case at least, the investment takes place elsewhere. It can be in either the UAE, Jordan, or Turkey.

There are banks everywhere, one can set up a bank account within two or three days anywhere else in Iraq, but it is almost non-existent to have a merchant bank account.

As for the talent pool, we do not have any centralized structure or any committee, which gathers the talent of Iraqis within and outside Iraq.

In addition, intellectual property and copyright law are big hurdles in the Iraqi market. As no entity in the government can protect the businesses in terms of copyright infringement.

Furthermore, there is no legal clarity for companies or entities to go from an idea stage to an established entity stage. All these factors, I think, are quite prominent in Iraq, and ensure that many entrepreneurs and SMEs, and other founders face on a day-to-day basis.

## **What is being done to tackle these challenges? How did you overcome them?**

We first tackled the issue of the talent pool. We gathered together as a bunch of Iraqis, and carried on doing what we thought is the right practices based on our industry standards. At the same time, we took the time to teach, mentor, and coach the local youth on how to adapt and develop these practices.

We managed to build a small pool of talent for ourselves within time, which can be good resources if any other entity decides to start in the same sector as ours being in on-demand delivery, e-commerce, or logistics. Lezzoo has a good pool of talent because they took the time, effort, and risk by putting this team in place.

In terms of the legal procedures, it took us one year and four months to launch. We did everything as per the corporate law standards in Iraq.

Until we did that, many factors caused the process to delay because of COVID-19, lockdowns, and restrictions. I would say that was 30% of the delay, still, we were left with almost a year, just to open a branch from Erbil in Baghdad.

Although we are in the same country, it is only a 30-minute flight, a four-hour drive, but eight months to launch, it would have taken me the same time to launch in the United States or the UAE, or Amman.

There has been no improvement and we just had to be patient. We have met many companies who have been through the same lengthy procedure and simply just gone with it, as it was the only way through.

On the investment front, we had to set up a bank outside of Iraq that connected to our bank inside of Iraq. Therefore, investors know where their funds are going.

Even now, the cash management process between Iraq and outside countries, whether its neighboring countries or other countries, is still very difficult.

In terms of intellectual property and copyright infringement, which is still an ongoing issue, we have not managed to overcome that problem.

In fact, we have seen some products coming into place that have similarities or traits of our product. There is not much regulation on that, regardless of whether you are an international business or a local business.

### **How was the registration process? Were there any differences in the legal procedures between KRI and Central Iraq?**

The registration process in the Kurdistan region is simpler compared to the registration process in Baghdad. In Erbil, usually, the challenge is the fee that has to be paid for a company to be registered. Whereas in Baghdad, the challenge is in terms of the length and complexity of the process, in addition to the registration fee of 3 to 5 million dinars. However, in Erbil, it may take a maximum of 20 days to a month, whereas in Baghdad, the minimum it may take you three months to follow the process.

If someone in Erbil tries to register in Baghdad, the process is almost three times longer and more expensive than when someone from Baghdad registers there. The one advantage is that once you finalize your registration in Baghdad then you have the liberty to launch in the rest of Iraq.

### **Are you now registered as a different company in Baghdad or as a branch of the same company in the Kurdistan Region?**

We are a new entity. In the beginning, we were called Fastwares, which is, of course, an English name. Then we were told that we are not allowed to have an English name in Iraq's jurisdictions. We had changed the name to Kurdish at the time. Once again, we were reminded that we are not allowed to have any Kurdish name in the Iraqi jurisdictions that have to be an Arabic name.

Therefore, we changed our entities into Arabic names. We also had to register different entities, one in Erbil and one in Baghdad. Nevertheless, the two entities are in relation together, though not the same entities; each is a limited liability company of its own.

### **Are there any facilitations you wish existed to speed up this process and tackle these obstacles for companies?**

It should be simpler. For example, GCC has given a lot of facilities and simplifications for businesses that are in the Gulf. So if one is in Dubai, and wants to launch in Riyadh, it will be considered as being within the same union.

Similar to if one is in Stockholm, Sweden, and wants to open an entity in Berlin, Germany, within the union, and these are unions, not countries. But Iraq is a country, this restriction should be removed in all cases. If someone is launching a business in Diyala, Ramadi, or Erbil, it should be the same process, rather than being a complicated procedure due to the massive bureaucracy. As an entrepreneur or a startup, there are two things one needs to have, capital and time. If one has capital and no time, there is a high chance that one would fail.

Unfortunately, in Iraq, a lot of these entrepreneurs and founders come up with the idea, they raise some capital, but the launching process is often delayed outside of their control, which leads to the startup failing or needing to raise more capital.



If it was as simple as in other countries such as the United States or United Kingdom registry offices, where one can go online and fill an application and within one or two days one can get a response where the entity has been registered and in order to proceed further one has to assign an accountant to handle the finances.

Therefore, the entity registration part is a very simple part that is not as difficult as setting up the entity and start going into deep finances and accounting.

While in Iraq, not only the registration itself is challenging but even registering the name and the logo is a lot more complicated.

What happens is when one goes to the registry office, the employees at the office go on Google, they type in one's name and see if there are any similar results, one has to choose a different name.

We had our paper sent back to Baghdad because simply we were missing two dots on one of the letters, even though our lawyers tried everything, the officials still sent it back to be changed. This cost us another two weeks. This unnecessary strictness and inflexibility need to be tackled.

### **How is the market in Baghdad different from the market in KRI according to your observations?**

As everyone already knows, Baghdad only as a city is twice the size of the Kurdistan Region hence the market is naturally larger.

Second, the infrastructure of Baghdad is more advanced. It is very dense and well-distributed, very diverse, and has interesting demographics. It is very sophisticated compared to other cities in Iraq and the Middle East.

The area and population density mean we have a larger volume, a larger network, and with that comes a bigger market size, which we assume is twice the size of the KRI market.

In addition, there are other interesting factors in terms of both customer behavior and customer attributes. The users' personas are very different, for example, the tipping culture is a lot stronger in Baghdad than in KRI. We experienced this firsthand when we had our team from Baghdad come to Erbil, and they were very surprised that tipping is not practiced in KRI as often.

We operate in a gig economy, where tipping has a big role in the day-to-day life of essential workers and the earnings of delivery executives. Another thing is that people are a lot more generous in terms of their spending and have a higher purchasing power.

For example, in areas east of Baghdad one could have a burger for 3000 dinars, whereas in Palestine Street it would be 1.5x more expensive, and could rise up to 2x in areas like Mansour.

Therefore, people from Baghdad would assume that eastern suburbs have low purchasing power compared to the rest of Baghdad but it would be normal when compared to other cities and governorates like Duhok per se.

This has been my observation, my experience, since I have been coming to Baghdad, going around and speaking with people. These things are new findings for me and I think to some extent, even for those who are in Baghdad probably are not looking at it from this perspective.

Finally, overall, customer behavior is a lot more mature and services are well understood, and customer patience and tolerance are a lot higher than in KRI.

We hope to raise customers' expectations, to make sure that our users are going to get a new experience on how a service can be improved. And get other competitors and other services to keep improving themselves because I think we need to get the infrastructure back and running in Baghdad. I believe that startups and young entrepreneurs who have new ideas will be the ones who bring the city back on its feet.

**Speaking of competitors, how do you perceive the landscape for delivery companies and how do you evaluate the current situation?**

Well, first of all, I am very impressed with how well they have managed in Baghdad. Because logistics is very complicated and there are many reasons behind that. One of them is traffic congestion. Second is the movement from one point to another due to checkpoints. That is a serious challenge for any logistics and transportation company. It is not an easy thing to overcome, especially when your users constantly expect you to deliver their orders within a specific time.

Maybe the end-user does not consider these issues. But from an operational point of view, this is a very complicated situation, and seeing these competitors overcoming or adapting and synchronizing with these challenges is something that needs to be admired and acknowledged.

On the other hand, we are quite confident that we will raise the bar higher for our competitors. This translates into customers are going to win more and learn more. Restaurants, merchants, and supermarkets are going to have more value and more room to compare which service is better than the other. More employment and more people, which means more talent creation. Finally, we are going to be head to head together just to push each other to be better and improve ourselves to become better service providers.

We are very confident, optimistic, and excited about this journey. We started in a market where there were only a few competitors in Erbil. Ever since the beginning of the year, we have been competing with international, regional, and local players.

We have been anticipating many new changes in the market. And we are very thrilled to come to Baghdad to implement what we have learned. It will be very exciting, once delivery services start improving themselves, your life will become easier.

**We have recently seen other delivery businesses halt their operations in Baghdad, did that affect your decision to launch Lezzoo here? Do you think the market is saturated with the current players??**

No, that means there is more room for us to go into the market. I think those companies made a strategic pause to reevaluate the overall service and reassess the market. I do not believe that the market is saturated. We are far from saturation.

The market in Iraq is very small. In fact, this is one of the issues that I always try to raise when we get the question of how much of the market share are we willing to take away from x competitor? I would say we are not taking away any market share from anyone else.

We are taking the market share that no one has claimed yet. That is how much of the market share is available in Iraq.

We are talking about a population of young individuals who understand the technology and are dependent on it. We have an entire internet penetration of almost 60%, which translates to 24 million people who have internet access.

Moreover, we have only just started on that. Careem entered Iraq at the beginning of 2018, while it started in the UAE in 2012. Whereas Uber started in San Francisco in 2009. So imagine Iraq in 2025.

We are very far from saturation, we saw this when we had a few orders a day in Erbil, and when we were thrilled when we reached our 100th order. But it is nothing when compared to the market in Iraq.

We are talking about hundreds of thousands of daily transactions taking place. And within these transitions, expect each percentage to be controlled and maintained by at least one player in Iraq, therefore, there is a lot of room for competition.

**Lezzoo started operating in Baghdad within the Mansour area only. Why is this area specifically? Are there any expectations for the expansion?**

I think anyone would agree that launching in Baghdad is like launching in a country, it is a huge city. It is practically and operationally impossible for one to launch in the whole of Baghdad at one time. Unless you have unlimited capital and resources available, but in the case of a startup, or anyone who considers strategy, it would not be possible.

In this case, we approached Mansour first, most of the restaurants and shops are there, and also it has a specific customer segment. Thus, many businesses start in Mansour and then expand to the entirety of the city.

There are expectations for the expansion, I cannot state where and when to next in chronological order as it is still under development, but we eventually aim to cover Baghdad entirely.

**Are you also planning to expand to other cities soon? And are there any obstacles on the way?**

Yes, we are going to be launching in other cities, as for obstacles, no, there are not any. For us, Baghdad is the entry point for the rest of Iraq. It is indeed very different from other cities like Basra, Najaf, Karbala, and others. But we do not see this as an obstacle.

When we give ourselves the right to state that we operate in Iraq then we should be aligned with the vision and the milestones to be operating, launching, expanding, and growing in Iraq. There might be obstacles but if we call ourselves startups, tech-enabling companies who are leading to paving the way for development, despite any hurdles, we should still go forward.

Whatever we can do within our capacity that any other startup has done within their geographies, we will apply the same in Iraq. We may have our own unique problems, and others may have theirs. However, we will try to solve them along the way and expect the best results.

**How do you perceive the international competition that recently entered or has an interest in expanding to the Iraqi market?**

Everyone has their own unique value and their own unique proposition. At the same time, the locals have seen things from a completely different perspective, all these challenges that we have been discussing in this interview might be hard to believe for a foreigner. For example, e-commerce platforms are still mainly dependent on cash on delivery, as e-payment is not popularly used.

When we tell other founders that we are cash-based, they could not understand how we and the community deal with this much cash, because they have solved this problem 20 years ago, at least two generations have forgotten about dealing with cash at such an intensive level.

At the same time, international competition has raised the bar for all players in the market. This is something I am hoping is going to be the next phase of development in the startup ecosystem.

This challenge would push Iraqi startups to rise to the occasion and compete even stronger and further develop their products and services.

What is interesting in our case is the local support we have, which has been overwhelmingly positive. We are getting many people saying that, regardless of international competitors being in the market, we will support our local products. I think this is something we also have not witnessed in Iraq as much; there was not a high voice of the youth standing up for their local products and their local entrepreneurs.



The international players will soon realize no matter how strong they are, they still need the locals to succeed.

**Obtaining an investment in the Iraqi ecosystem must be a challenge, how was this process for Lezzoo? And how much of an impact did it have on your operations and your startup?**

One of the main goals of any startup is to have capital available to move to the next step and to have the capital; the startup must achieve some growth.

The capital was definitely needed to facilitate our vision, though at the same time being an Iraqi startup and seeking capital is a lot more complicated than being for example a Turkish startup or German startup who was seeking capital.

It was a very difficult challenge but being alumni of Y Combinator facilitated the process.

Y Combinator is the same accelerator that invested in Airbnb, Dropbox, Stripe, Cruise, Firebase, Codecademy, Doordash, and the list goes on. Many of their companies went public and are currently multi-billion dollar companies.

Therefore, that was a massive reference for us to match these funds to get the capital that was needed.

We were the first Iraqi startup to achieve this and the sixth Middle Eastern startup to be a part of Y Combinator. Even on the scale of the Middle East, we were still very early to that market. It was an honor to represent Iraq.

When we first started Fasterwares, we had this vision of connecting our region to Silicon Valley, getting angel investment and venture capital. When we reached that point, we wanted to make sure that the success story continues. Hence, we managed to get investors. A lot of investors were just interested in Iraq.

To know how the situation is in Iraq, some would ask us if we even have an internet connection in Iraq. We were able to inform them and explain to them how the current situation is.

We managed to get investors from Latin America, the United States, the United Kingdom, Asia, and the Middle East as well. We raised our seed round, and currently, we are working to raise our series A round.

**Since you have attended the acceleration program by Y Combinator, is there anything that you learned through this experience that you found inapplicable in Iraq or does not fit the Iraqi market?**

Yes, if one has an idea in Iraq, they cannot simply have a high valuation for that idea, as one would usually get in other markets.

Thus, someone can have a great business idea and obtain investment or capital for it, even if there is no substance or traction. Nevertheless, this is very difficult to do if the business operates in the Iraqi market.

During our fundraising, Y Combinator kept inquiring about the problem, why it took us 3 months and we still have not closed our round, although we had good traction, a good market size, and we were going forward. It is very difficult to get an investor to invest in Iraq, because of how Iraq is being portrayed.

The second thing that we found inapplicable was the availability of the talent pool. They would give us talks where they told us to find a good technical founder and start our company.

However, we do not have many technical founders in Iraq to be completely transparent. Hence, for tech-enabling companies, it is difficult to do so.

We need a good chief technical officer, a good data scientist, and good backend developers for anything tech-related. Unfortunately, we do not have access to that.

There are many reasons but mostly people from other regions can move around and get an education, work experience, market exposure in other places, but this is not possible for most Iraqis, therefore, we have less exposure to other markets and other institutions. Almost everyone in Iraq arises from the ground, which is something that needs to be admired.

Most of those people are self-taught and built a solid ground for themselves. They are the true veterans of this community. But this takes time, although it is a lot better now compared to what it was like four years ago. Back then, we did not have any angel investors, only a few knew what scale-up means, what is a product-market fit, what is founder equity, and so forth. Iraq evolved exponentially in the past few years, maybe when someone participates in an accelerator program in a couple of years, those trainings, mentorships, and advice would be more applicable in Iraq.

I believe that Lezzoo, regardless of our story, and where we will be next year, still managed to install a very good base and foundation of how to establish a startup, how to be a founder, how to build a team, how to create a product, and how to bring investment.

Hopefully, we will see a lot more graduates of Y Combinator, and more success stories of Iraqi entrepreneurs. I see things moving forwards, and I am very optimistic about that.

**For many startups, the plan is usually to build a company that will exit and be acquired by a big company. Why until now, we have not come across international companies acquiring some of the local Iraqi startups? And when do you expect to witness that in the Iraqi market?**

First of all, the exit strategy or exit story should not only be a startup being acquired by another company or conglomerate.

“

**I hope that every startup in Iraq thinks of expansion to a neighboring country as a part of their vision.**

”

I hope that there are going to be strategies for companies to IPO, whether on the Iraqi stock exchange or any other stock exchange.

In terms of the acquisition. I think that is a very realistic vision and probably in the next two years, if not less, we will see an aggressive trend of acquisitions happening in Iraq. The one reason that this is not happening now, is the lag in the governance structure. We need to comply with the local and international jurisdictions. The reason is not the lack of expertise, but this area is still untapped.

A startup cannot go to a local legal entity or office and ask them to follow the same standard procedure for acquisition because no other startup has experienced this yet. Once we witness one startup going into this phase, we will see an aggressive trend of mergers and acquisitions happening in Iraq, which will unlock a completely different door for our youth. They will have more incentives to build a startup. This could happen anytime, given that from 2018 until now we have witnessed only 8 or 10 investment rounds.

Yet, when looking at every year individually, you will see that the number of seed rounds is just increasing, which means that there is growth in foreign investment in startups. This is something that happened in Egypt, Jordan, India, Latin America, and many other countries. Thus, it is expected to happen in Iraq as well. I am very optimistic that within the next two years, we are going to witness an aggressive trend of mergers and acquisitions in Iraq.

**What do you think is next for Lezzoo? And do you think we will be able to see this startup expand to neighboring markets as well?**

I hope that every startup in Iraq thinks of expansion to a neighboring country as a part of their vision. For us, we do not want to exit until we prove that we can launch in a neighboring country. Once we expand to other markets, in our vision, we would have established ourselves as a product and as an idea.

We are working towards that. One cannot determine the success of a product in one, three, or five years. It takes a very long time.

For us, when we look at the future of Lezzoo, we are looking at, at least, five to seven years from now. We hope to achieve our vision and become the first Iraqi startup to launch in a neighboring country.

We have very high ambitions, we are very optimistic, as we are looking forward to turning those ambitions into a reality.





# **BUSINESS LANDSCAPE**

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